



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2008

City of
Fayetteville
North Carolina



The photo on the cover is of the Cross Creek Linear Park, Phase I. The first phase is now complete from Ray Avenue to Green Street along Cross Creek. Pedestrian bridges provide tranquility and reflection, crossing over Cross Creek. The second phase is complete as well, linking the park from Green Street to Meeting Street at Cool Spring Street. This part of the park was commemorated with a ceremony June 27, 2008.



Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2008

Prepared by the City of Fayetteville Finance Department

Lisa T. Smith, Chief Financial Officer

Elizabeth H. Somerindyke, Internal Auditor

Tracey L. Broyles, Budget and Evaluation Manager

Dena M. Dail, Finance Manager

Dawn Q. Kron, Collections Supervisor

Nancy A. Peters, Accounts Payable Supervisor

Sonja I. Richardson, Cash Manager

Harold K. Nakamoto

Van T. Nguyen

Kelly B. Nicot

Brook J. Totten-Lancaster

Linda D. Adams

Donna J. Love

Karen C. King

Karolin M. Bridgeman

Shirley A. Broady

Christine A. Pressley

Pamela B. Staten

Johniece C. Gibson

City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Year Ended June 30, 2008

<u>INTRODUCTORY SECTION (UNAUDITED):</u>	<u>Page</u>
Letter of Transmittal	A-1
GFOA Certificate of Achievement	A-10
List of Principal Officials	A-11
Organization Chart	A-12
 <u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	B-1
MANAGEMENT'S DISCUSSION AND ANALYSIS	C-1
 BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	D-1
Statement of Activities	D-2
 FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	E-1
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	E-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	E-5
Statement of Net Assets – Proprietary Funds	E-6
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	E-7
Statement of Cash Flows – Proprietary Funds	E-8
Statement of Fiduciary Net Assets – Fiduciary Funds	E-10
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	E-11
Notes to Financial Statements	F-1
 REQUIRED SUPPLEMENTARY INFORMATION	
Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	G-1
Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions	G-2
Law Enforcement Officers' Special Separation Allowance – Notes to the Required Schedules	G-2
Supplemental Public Works Commission Retirement System – Schedule of Funding Progress	G-3
Supplemental Public Works Commission Retirement System – Schedule of Employer Contributions	G-4
Supplemental Public Works Commission Retirement System – Notes to the Required Schedules	G-4

City of Fayetteville, North Carolina
TABLE OF CONTENTS
 Comprehensive Annual Financial Report
 Year Ended June 30, 2008

<u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	<u>Page</u>
BASIC FINANCIAL STATEMENTS (continued)	
REQUIRED SUPPLEMENTARY INFORMATION (continued)	
Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Funding Progress	G-5
Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Employer Contributions	G-6
Other Post Employment Benefit Retiree Healthcare Plan – Notes to the Required Schedules	G-6
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Funding Progress	G-7
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Employer Contributions	G-8
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Notes to the Required Schedules	G-8
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
GOVERNMENTAL FUNDS	
GENERAL FUND	
Comparative Balance Sheets - General Fund	H-1
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	H-2
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet – Nonmajor Governmental Funds	I-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	I-2
SPECIAL REVENUE FUNDS	
Combining Balance Sheet – Nonmajor Special Revenue Funds	J-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	J-2
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Emergency Telephone System Fund	J-3
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Federal and State Financial Assistance Fund	J-4
Schedule of Expenditures By Project - Budget and Actual - Federal and State Financial Assistance Fund	J-5
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Storm Water Management Fund	J-6
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – City of Fayetteville Finance Corporation Fund	J-7

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Year Ended June 30, 2008

CAPITAL PROJECT FUNDS	<u>Page</u>
Combining Balance Sheet – Nonmajor Capital Project Funds	K-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	K-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Government Fund	K-3
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Public Safety Fund	K-4
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Recreational and Cultural Fund	K-5
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Fund	K-6
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Water and Sewer Fund	K-7
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Bond Improvement Fund	K-8
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic and Physical Development Fund	K-9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Linear Park	K-10
 PROPRIETARY FUNDS	
ENTERPRISE FUNDS	
Combining Balance Sheet – Electric Fund	L-1
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Electric Fund	L-2
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Electric Fund	L-3
Schedule of Changes in the Status of Uptown Revitalization Fund	L-6
Schedule of Changes in the Status of Rate Stabilization Fund	L-7
Combining Balance Sheet – Water and Wastewater Fund	L-8
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Water and Wastewater Fund	L-10
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Wastewater Fund	L-11
Schedule of Changes in the Status of Annexation Capital Reserve Fund	L-15
Schedule of Changes in the Status of Annexation Capital Project Fund – Phase IVB	L-16
Schedule of Changes in the Status of 2002 State Revolving Loan Capital Project Fund	L-17
Schedule of Changes in the Status of 2003A Water and Wastewater Revenue Bond Capital Project Fund From Inception and for the Year Ended June 30, 2008	L-18
Schedule of Changes in the Status of Water Resources Rate Stabilization Capital Project Fund	L-19
Schedule of Changes in the Status of Annexation Capital Project Fund – Phase V-Project 1	L-20
Schedule of Changes in the Status of Fort Bragg Interim Water Service Project Fund	L-21

City of Fayetteville, North Carolina
TABLE OF CONTENTS
 Comprehensive Annual Financial Report
 Year Ended June 30, 2008

ENTERPRISE FUNDS (Continued)	<u>Page</u>
Schedule of Changes in the Status of 2008 Revenue Bond Capital Project Fund	L-22
Schedule of Changes in the Status of Rim Road Water Main Capital Project Fund	L-23
Combining Balance Sheet – Nonmajor Enterprise Funds	L-24
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds	L-25
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	L-26
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Transit Fund	L-28
Schedule of Changes in the Status of Transit Capital Project Fund	L-29
Schedule of Changes in the Status of Transit II Capital Project Fund	L-30
Schedule of Expenditures by Project – Transit II Capital Project Fund	L-31
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Airport Fund	L-32
Schedule of Changes in the Status of Airport Capital Project Fund	L-33
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Solid Waste Recycling Fund	L-34
 INTERNAL SERVICE FUNDS	
Combining Balance Sheet – Internal Service Funds	M-1
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	M-2
Combining Statement of Cash Flows – Internal Service Funds	M-3
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Warranty Fleet Fund	M-4
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Fleet Maintenance Fund	M-5
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Insurance Fund	M-6
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – PWC Fleet Maintenance Fund	M-7
 FIDUCIARY FUNDS	
TRUST FUNDS	
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	N-1
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	N-2
Combining Statement of Fiduciary Net Assets – Private-purpose Trust Funds	N-3
Combining Statement of Changes in Fiduciary Net Assets – Private-purpose Trust Funds	N-4
 <u>OTHER SUPPLEMENTAL FINANCIAL DATA</u>	
Schedule of Current Tax Levy	O-1
Schedule of Taxes Receivable	O-2

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Year Ended June 30, 2008

<u>STATISTICAL SECTION (UNAUDITED):</u>	<u>Page</u>
Net Assets by Component	P-1
Changes in Net Assets	P-2
Fund Balances of Governmental Funds	P-5
Changes in Fund Balances, Governmental Funds	P-6
Tax Revenue by Source, Governmental Funds	P-7
Revenue Base by Customer Class – Charges for Services – Electric Kilowatt Hours Sold	P-8
Assessed Value and Actual Value of Taxable Property	P-9
Direct and Overlapping Property Tax Rates	P-10
Principal Property Taxpayers	P-11
Property Tax Levies and Collections	P-12
Ratios of Outstanding Debt by Type	P-13
Ratios of General Bonded Debt Outstanding	P-14
Direct and Overlapping Governmental Activities Debt	P-15
Legal Debt Margin Information	P-16
Pledged Revenue Coverage – Utility	P-17
Demographic and Economic Statistics	P-18
Principal Employers	P-19
Full-time City Government Employees by Function	P-20
Operating Indicators by Function/Program	P-21
Capital Assets Statistics by Function	P-24

**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 <u>Government Auditing Standards</u>	Q-1
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	Q-3
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	Q-5
Schedule of Findings and Questioned Costs	Q-7
Summary Schedule of Prior Year Audit Findings	Q-9
Schedule of Expenditures of Federal and State Awards	Q-10

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	R-1
Schedule of Findings and Questioned Costs	R-3
Summary Schedule of Prior Year Audit Findings	R-4
Schedule of Expenditures of Passenger Facility Charges	R-5

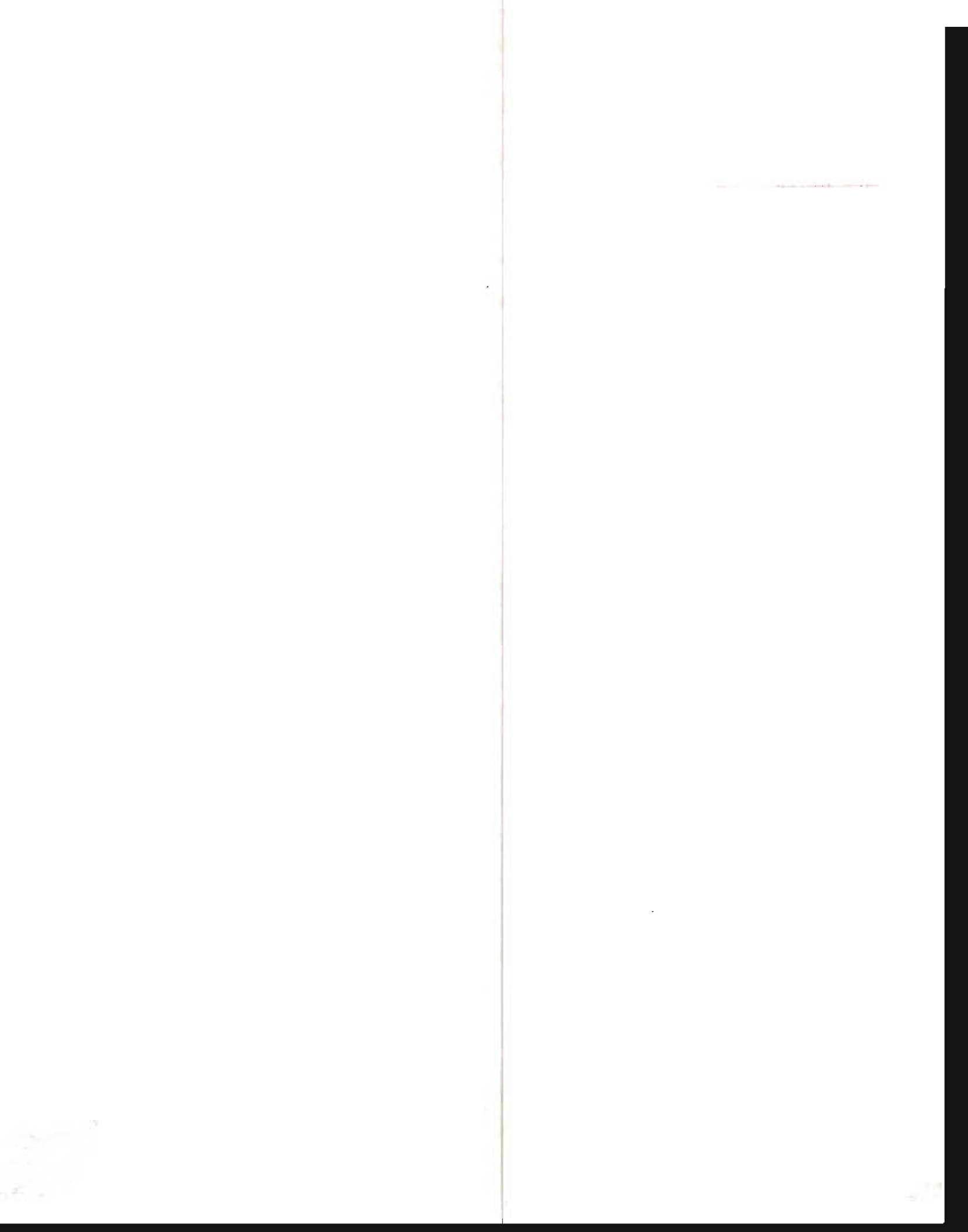
CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



Introductory Section

- Transmittal Letter
- List of Principal Officials
- Organization Chart





October 28, 2008

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, 2008. 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, 2008. 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.

Adjacent to the City 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, located ten miles north of the City's downtown is the home of the Army's only Airborne Corps and the 82nd Airborne Division as well as the elite "Green Berets". 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 181,453 and encompassing 93.3 square miles as of June 30, 2008. The City's population has increased by 49.9% or 60,438 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 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 will add approximately 28,000 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 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 57,000 military personnel are stationed at Fort Bragg and Pope, with support from approximately 10,800 additional civilian employees. The direct impact of payroll alone adds over \$2.9 billion to the regional economy. Substantial employment opportunities are 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. During the past five years, annual unemployment rates have ranged from a low of 5.3% to a high of 6.3%, according to the United States Department of Labor.

Unemployment Rates*			
Year	Cumberland County	North Carolina	United States
2007	5.3	4.7	4.6
2006	5.4	4.7	4.6
2005	5.4	5.3	5.1
2004	5.3	5.5	5.5
2003	6.3	6.5	6.0

* Percentage of unemployment reported by the United States Department of Labor – Bureau of Labor Statistics

During fiscal year 2008, the City approved 821 permits for new residential units valued at \$89.2 million and 60 new commercial building permits valued at \$45.9 million were issued for construction compared to 1,740 permits for new residential units valued at \$175.8 million and 88 new commercial building permits valued at \$55.1 million issued in fiscal year 2007. The decline in the number and construction value of permits for residential units can primarily be attributed to a decrease of 695 multi-family residential units from fiscal year 2007 to 2008. Fiscal year 2007 was a record setting year for multi-family housing unit permits in Fayetteville.

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 2008 totaled approximately \$2.3 billion, which is a modest increase over fiscal year 2007. 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
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
2004	2,680,161,606*	10.72	3,351,729,316*	11.07

*Fiscal Year (FY) 2004 and 2005 sales are not comparable to subsequent fiscal years' sales data. The FY2004 and FY2005 sales data represents gross retail sales. The FY2006, 2007 and 2008 sales data represents taxable sales.

A notable economic development during the fiscal year was the State of North Carolina's enactment of 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.

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. The deactivation of the 43rd Airlift Wing, redeployment of the 23rd Fighter Group to other air force bases, relocation of the 440th Air Reserve Component Wing from Detroit Michigan, and establishment of an air operations group are among the significant changes at Pope Air Force Base. In total, the changes are projected to have a positive impact on the local economy. According to a study 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 2,651 military personnel, 6,207 civilian employees and contractors, and 16,755 family members to the region by 2013.

Overall, Fayetteville's economy is facing the same challenges that other cities in North Carolina and across the country face during these uncertain economic times. However, 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 2009 budget based on a minimal rate of growth given the current economic environment. 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 2008 and were used to develop the fiscal year 2009 operating budget. Undesignated fund balance in the general fund was \$17.8 million or 13.8% of total general fund expenditures and transfers out at June 30, 2008, which exceeds the minimum 10 percent goal established by Council.

Consistent with debt management policy, the City also dedicated an amount equivalent to 7.28 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 2008. The City designates any excess dedicated revenues at year-end and accumulated fund balance resulting from the debt management plan for future debt service. The City's commitment to the debt management plan will generate significant debt capacity in future fiscal years. In addition, the City maintained its Aa3 and AA- bond ratings on the City's general obligation bonds, consistent with Council policy, and received upgraded 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 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 Cumberland County Business Council, 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. A 215-acre tract, along Sante Fe Drive at the All American Freeway, has been selected for the park. In the past two years, the City and Cumberland County have been awarded several grants totaling \$750,000 from the U.S. Department of Housing and Urban Development (HUD) for the project. The grants will be used during the first phase of construction for infrastructure improvements such as streets, and water and sanitary sewer lines.

- In April 2008, the Fayetteville Metropolitan Housing Authority was awarded a \$20 million HOPE VI grant from HUD. The grant is the result of a public-private partnership proposal submitted to HUD to invest approximately \$113 million in the revitalization of the Old Wilmington Road area in downtown Fayetteville. The grant will support the redevelopment of two public housing developments with modern housing that will seamlessly blend the residential and natural environments with the urban center. The City and its Public Works Commission (PWC) are significant public partners in the project with commitments of \$9.23 million for infrastructure improvements, land acquisition and park development, \$2.69 million in CDBG and HOME funds for affordable housing, and \$2.12 million in donated land and permit and fee waivers.
- The City established a residential curbside 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 fee of \$42 for each single-family household. An additional benefit of the program will be the establishment of a materials recovery facility in Cumberland County, which will provide towns in the region with additional options to participate in recycling.
- During fiscal year 2008, the City initiated the first complete 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 City expanded the storm water management program through the establishment of a \$24 annual fee dedicated to funding drainage system improvements throughout the City. The new fee generates over \$3.3 million annually and will be used to fund drainage system projects currently estimated to cost in excess of \$43 million.
- The City continued redevelopment work on the 300 Block of Hay Street project, which is a public-private partnership, negotiated through the Cumberland County Business Council. The City has expended or committed over \$1.8 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 and have already acquired a portion of the land from the City and constructed 10 townhouses on the property. The developers are also constructing a 4 1/2 story, 56,100-square-foot retail, office and condominium building which should be complete in early 2009. The final phase of the project will be the construction of 10 additional townhouses, which could begin as early as the summer of 2009.
- The City, with and through its PWC, accomplished or continued work on several utility system financial and economic development policies and goals including:

- Funding the first Annexation Phase V utility installation project. As a result, approximately 600 homes in the LaGrange and Brentwood neighborhoods were provided sanitary sewer service in FY2008. Another 500 homes are scheduled for completion in FY2009.
- Adoption of a funding and construction agreement between the City and its PWC to extend sanitary sewer service to the remaining 7,000 properties in the Phase V area. The agreement is to extend sanitary sewer service to approximately 500 properties per year beginning in 2010. The City and its PWC have committed to contribute \$90.5 million each to the 14-year project that is expected to cost \$244 million. The remaining cost will be recovered through property assessments and investment income resulting from project funds.
- Approval of a 25-year operating transfer policy with the City based on net assets of the electric system rather than annual electric revenues. The policy creates a fair and equitable transfer that provides financial stability for the City's general fund and the utility system.
- Maintaining its 60-day operating reserve, recovered costs through revised fees and charges and received upgraded bond ratings from Moody's Investors Service (from A1 to Aa3) and Standard and Poor's (from A+ to AA-). As a result, the utility system can continue to provide reliable services, stable rates and invest in capital improvements.
- Extending its economic incentive development plan for an additional year, which waives facility investment fees in designated zones of the City.
- Evaluation of its fuel adjustment policy, and, in support of our local industry, continuing to exempt industrial customers from the charge.
- Addressing the need for safe drinking water where private water wells have become contaminated. The City and its PWC worked with the State of North Carolina to extend the water system in the Rim Road area where private wells are contaminated; and PWC began selling water to Aqua North Carolina to serve over 1,000 of Aqua's 14,000 Cumberland County customers where environmental issues occurred in the Aqua water system.

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 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 was awarded a \$14.7 million grant from the State of North Carolina for design and construction of the Veterans Park, including a formal garden, visitor's center and freedom trail in October 2008.
- The \$2.3 million EE Miller Recreation Center was completed in October 2007. The recreation center is approximately 13,500 square feet and includes a gymnasium, fitness room, activity rooms and kitchen.

- 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.
- Fire Station 15 was completed in April 2008 at a cost of \$2.5 million. The fire station is approximately 10,000 square feet and is located at the intersection of Cliffdale Road and Buhmann Drive.
- In September 2007, Fayetteville completed renovations at the Fayetteville Regional Airport terminal building. The \$2.5 million renovation project included replacement of lighting, flooring and bag lifts, as well as modifications to the security checkpoint area.
- The second phase of the Cross Creek Linear Park, which extends the park from Green Street to Meeting Street at Cool Spring Street, was completed in June 2008. Phases I and II of the park, which includes a walking trail along the creek, water fountain and pedestrian bridges, were completed at a total cost of \$1.3 million.
- The United States of America contracted with PWC and Harnett County to provide water services to the Fort Bragg Army Installation and Pope Air Field for the next 40 years. Together, PWC and Harnett County will provide the needed infrastructure including water distribution piping to provide the maximum daily demand of 16 million gallons a day. PWC expects to begin selling water to Fort Bragg in FY2010.
- Approved the construction of a new PWC customer service center to be built to LEED (Leadership in Energy Efficiency Design) standards after reaching 87% occupancy at the Robert C. Williams Business Center. The \$4.6 million building will be located on the PWC Operations Complex.
- Continued work on the water main rehabilitation and replacement program during FY2008. Due to the age and condition of the water mains, some areas of the distribution system experience reduced pressure and reduced fire flows. The purpose of the program is to replace and reline existing water mains to increase flow and extend the life of the distribution system. One of the utility system budget goals is to reline one percent of the water mains each year, starting in 2013.

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, 2007. 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.

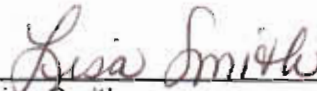
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

TOP ROW

Theodore Mohn
District 8

Charles Evans
District 2

Wesley Meredith
District 9

D.J. Haire
District 4

William Crisp
District 6



BOTTOM ROW

Keith Bates
District 1

Robert Massey
District 3

Anthony Chavonne
Mayor

Robert Hurst, Jr.
District 5

Valencia Applewhite
District 7

City Administrative, Legal and Financial Staff

Dale Iman
City Manager

Karen McDonald
City Attorney

Doug Hewett
Assistant City Manager

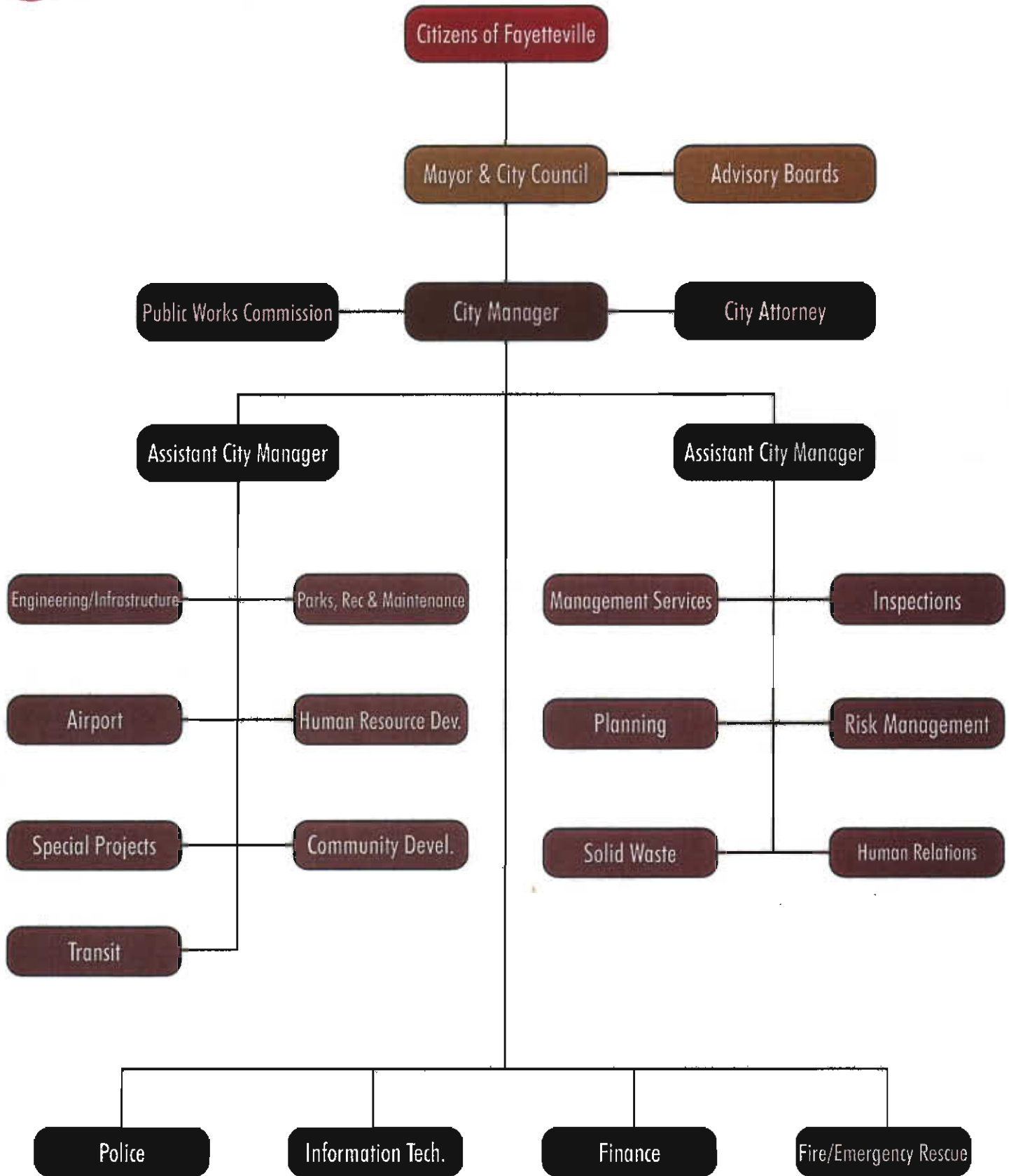
Lisa Smith
Chief Financial Officer

Kyle Sonnenberg
Assistant City Manager

Candice White
City Clerk

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



Financial Section

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



Independent Auditor's Report

City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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, 2008, 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, 2008, 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 28, 2008 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 schedules 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, 2008, and the combining and individual fund financial statements and schedules for the year ended June 30, 2007, 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, 2008, 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.

Cherry, Bekaert + Holland LLP

Fayetteville, North Carolina
October 28, 2008



Management's Discussion and Analysis

City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

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, 2008. 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, \$192.5 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 \$45.3 million.
- Net assets decreased \$3.1 million to \$427.7 million in fiscal year 2008 down from \$430.8 million in fiscal year 2007 in the Governmental activities. Key factors in this decrease were the \$5.3 million Other Post Employment Benefit (OPEB) expense recognized in fiscal year 2008 and a \$0.8 million increase in depreciation expense for public safety vehicles and equipment offset by \$3.3 million in additional storm water fees that will be used for future drainage projects. Additional information regarding the City's Other Postemployment Benefits (OPEB) can be found in Note 12 on pages F-40 – F-43 of this report.
- Net assets increased \$48.4 million to \$630.2 million in fiscal year 2008 up from \$581.8 million in fiscal year 2007 in the Business type activities. By far, the largest portion of these net assets, \$505.9 million or 80.3 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 \$46.7 million increase in Capital Assets, Net of Related Debt.

Current and Other Assets decreased \$5.6 million or 2.9 percent. This decrease is primarily due to the recognition of purchase power expenses that reduced prepaid assets by \$40.6 million and was offset by a \$32.2 million increase in the Electric, Water and Wastewater Funds' cash and investments in fiscal year 2008. The prepaid power asset was the result of a prior year payment to Progress Energy Carolinas Inc. that is further discussed in Note 1 of the financial statements.

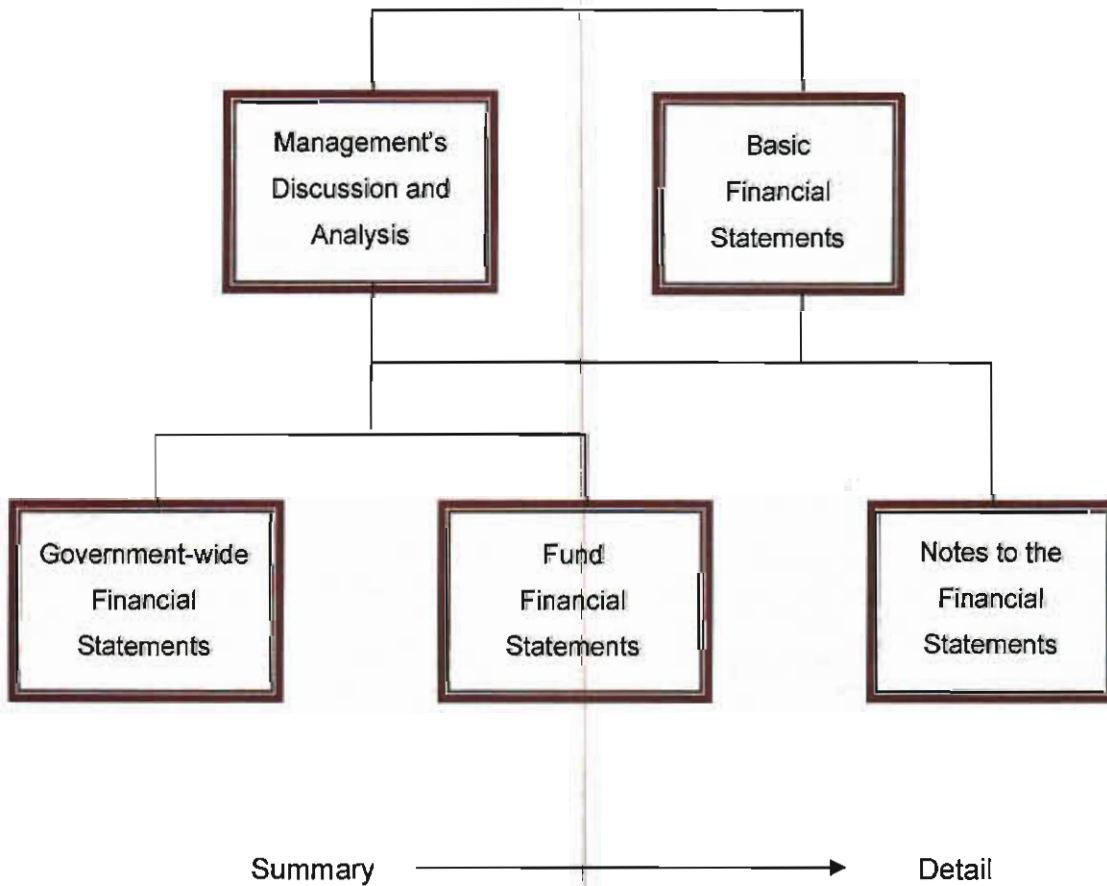
- As of the close of fiscal year 2008, the City's governmental funds reported an ending fund balance of \$65.7 million, a decrease of \$0.8 million in comparison to prior year. Approximately 67.5 percent of total fund balance, or \$44.3 million is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of fiscal year 2008, unreserved fund balance for the general fund was \$35.8 million or 27.6 percent of total general fund expenditures and transfers out for the fiscal year. Of this amount, \$18.0 million has been designated for subsequent year expenditures, special purposes, and debt service, bringing the undesignated general fund balance to \$17.8 million or 13.8 percent of general fund expenditures and transfers out.
- The City's total debt decreased by \$43.9 million during fiscal year 2008.
- 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 Aaa 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



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-44 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, 2008 with comparative data for June 30, 2007. The City's combined net assets increased \$45.3 million, or 4.5% from fiscal year 2007 to 2008. 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	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 99,987	\$ 104,066	\$ 193,945	\$ 188,328	\$ 293,932	\$ 292,394
Capital assets	400,750	395,687	652,235	677,134	1,052,985	1,072,821
Total assets	500,737	499,753	846,180	865,462	1,346,917	1,365,215
Long-term liabilities outstanding	56,801	57,542	230,060	192,677	286,861	250,219
Other liabilities	13,091	14,461	34,279	42,557	47,370	57,018
Total liabilities	69,892	72,003	264,339	235,234	334,231	307,237
Net assets:						
Invested in capital assets, net of related debt	353,408	354,483	459,238	505,941	812,646	860,424
Restricted	3,525	2,931	1,236	2,087	4,761	5,016
Unrestricted	73,912	70,336	121,367	122,200	195,279	192,536
Total net assets	\$ 430,845	\$ 427,750	\$ 581,841	\$ 630,228	\$ 1,012,686	\$ 1,057,976

The assets of the City exceeded liabilities by \$1.1 billion as of June 30, 2008. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$860.4 million, Restricted net assets of \$5.0 million and Unrestricted net assets \$192.5 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, 2008, \$192.5 million, or 18.2% 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)

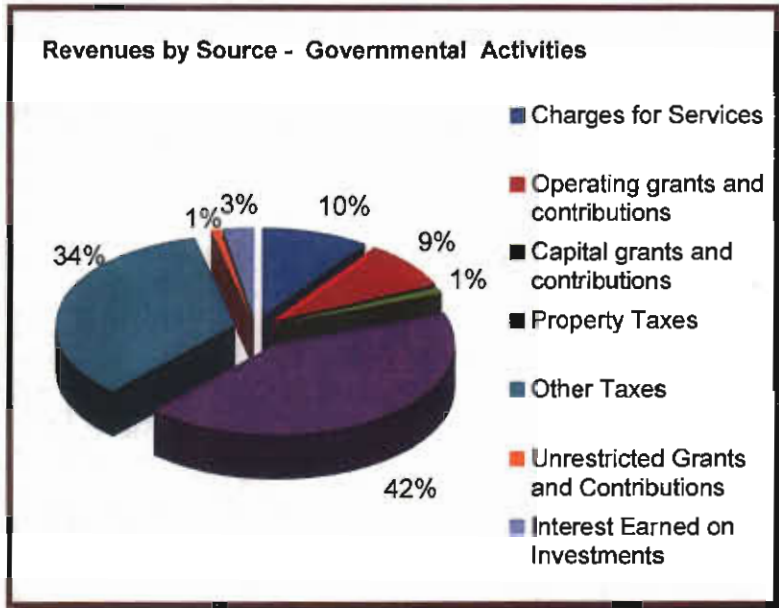
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 9,525	\$ 12,142	\$ 218,004	\$ 227,978	\$ 227,529	\$ 240,120
Operating grants and contributions	10,499	11,053	2,037	2,296	12,536	13,349
Capital grants and contributions	3,895	1,321	21,432	17,782	25,327	19,103
General revenues:						
Property taxes	52,929	54,295	-	-	52,929	54,295
Other taxes	41,308	43,193	-	-	41,308	43,193
Grants and contributions not restricted to specific programs	788	801	-	-	788	801
Other	4,725	4,588	5,552	5,484	10,277	10,072
Total revenues	123,669	127,393	247,025	253,540	370,694	380,933
Expenses:						
Administration	19,033	19,091	-	-	19,033	19,091
Public safety	56,610	63,458	-	-	56,610	63,458
Environmental protection	11,001	12,126	-	-	11,001	12,126
Transportation	18,702	20,387	-	-	18,702	20,387
Economic and physical development	1,229	4,559	-	-	1,229	4,559
Recreation and community facilities	14,020	12,114	-	-	14,020	12,114
Interest and fees	2,622	2,061	-	-	2,622	2,061
Electric	-	-	130,839	137,562	130,839	137,562
Water and wastewater	-	-	49,623	52,767	49,623	52,767
Transit	-	-	4,865	5,584	4,865	5,584
Airport	-	-	4,091	3,986	4,091	3,986
Solid Waste Recycling	-	-	-	1,946	-	1,946
Total expenses	123,217	133,796	189,418	201,845	312,635	335,641
Increase in net assets before transfers and special items	452	(6,403)	57,607	51,695	58,059	45,292
Transfers	7,150	3,308	(7,150)	(3,308)	-	-
Increase in net assets	7,602	(3,095)	50,457	48,387	58,059	45,292
Net assets, July 1	423,243	430,845	531,384	581,841	954,627	1,012,686
Net assets, June 30	\$ 430,845	\$ 427,750	\$ 581,841	\$ 630,228	\$ 1,012,686	\$ 1,057,978

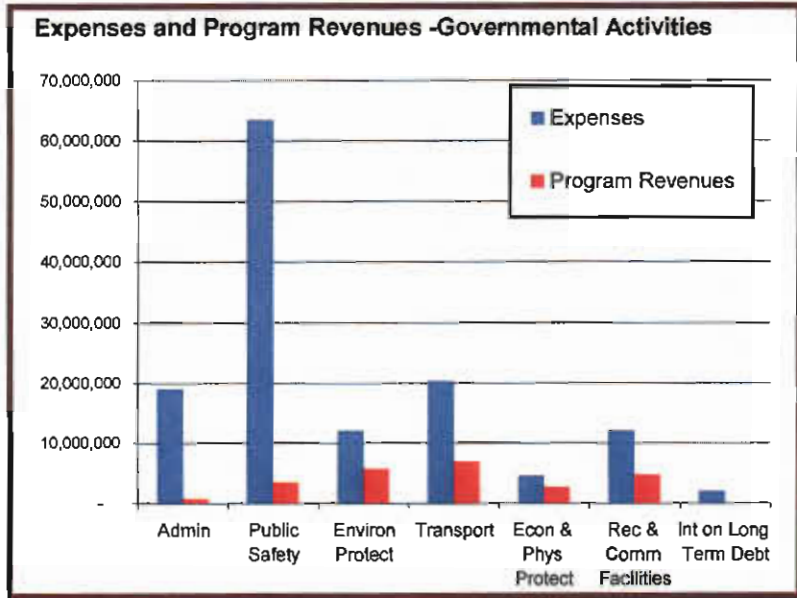
Governmental activities: Revenues for the City's governmental activities were \$127.4 million, while total expenses were \$133.8 million in fiscal year 2008. The decrease in net assets for governmental activities, after transfers in, was \$3.1 million. Key elements of this decrease are as follows:

- Ad valorem property tax revenues increase of \$1.4 million to \$54.3 million due to general economic growth and development within the City. Property taxes represent 42.6% of total governmental revenues.
- Other taxes, which accounted for 33.9% of total governmental revenues increased \$1.9 million from 2007.

- Those who directly benefited from service-fee based programs paid \$12.1 million in charges for services and represented a 27.5 percent increase (\$2.6 million) from 2007. This increase can be primarily attributed to the new fee in fiscal year 2008 for City storm water system improvements (\$3.3 million), offset by a decrease in building, HVAC, electric and plumbing permits due to a slow down in the construction industry in fiscal year 2008 and the discontinuance of the Safelight Program at the end of fiscal year 2007.



- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$11.1 million, representing a 5.3 percent increase over fiscal year 2007. These grants and contributions include operating support from various federal and state agencies (\$8.5 million).



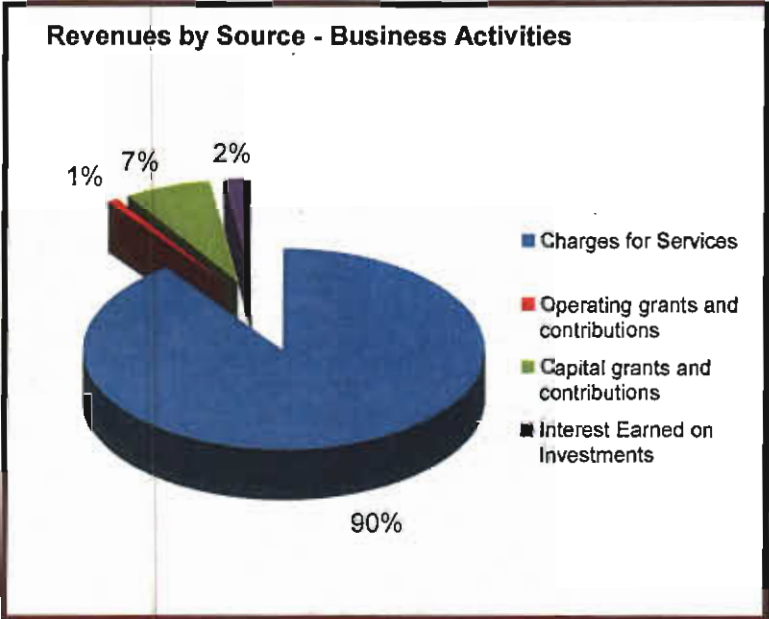
- The City received \$102.9 million in other revenues such as taxes, interest and unrestricted grants.

- The cost of all governmental activities this year was \$133.8 million compared to \$123.2 million in fiscal year 2007.

The increase resulted primarily from the Other Post Employment Benefit (OPEB) expense of \$5.3 million recognized for the first time in fiscal year 2008, \$1.3 million increase in depreciation expense, \$2.4 million increase in public safety operations, \$1.5 million in transportation operations and \$2.8 million in economic and physical development operations, offset by a decrease in recreation and community facilities operations of \$2.4 million.

- The City's four largest governmental programs – public safety operations (47.4%), environmental protection (9.1%), administration (14.3%), and transportation operations (15.2%), represent 86% of the total governmental activities.

Business-type activities: Revenues for the City's business-type activities were \$253.5 million, while total expenses were \$201.8 million in fiscal year 2008. The increase in net assets for business-type activities, after transfers out of \$3.3 million, was \$48.4 million, resulting in net assets of \$581.8 million. Particularly, net assets increased in the electric, water and wastewater activities by \$46.2 million, resulting in net assets of \$594.2 million in fiscal year 2008, compared to \$548.0 million in fiscal year 2007. By far, the largest portion of these net assets, \$477.7 million or 80.4 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 \$45.2 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 decreased \$8.3 million or 4.5 percent. The recognition of purchase power expenses reduced prepaid assets by \$40.6 million and was offset by a \$32.2 million increase in cash and investments in fiscal year 2008. The prepaid power asset was the result of a prior year payment to Progress Energy Carolinas Inc. that is further discussed in Note 1 of the financial statements.

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 2008, unreserved fund balance of the General Fund was \$35.8 million, while total fund balance reached \$53.0 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 27.6 percent of total General Fund expenditures and transfers, while total fund balance represents 40.9 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 \$35.8 million. Of this amount, \$9.2 million is designated for fiscal year 2008 appropriations and \$8.8 million is designated for specific purposes. The remaining unreserved fund balance of \$17.8 million is undesignated.

The fund balance of the City's general fund increased by \$3.4 million during the current fiscal year. Key factors in this increase can be attributed to other financing sources and uses as follows:

- A one-time transfer of \$3.1 million from the Emergency Telephone System Fund. This amount represents the remaining Enhanced 911 Wireline fund balance that remained at December 31, 2007 that was transferred to the General Fund pursuant to State legislation adopted in 2007.
- Capital lease proceeds (loan proceeds) of \$3.3 million received for the purchase of vehicles and equipment.
- A one-time transfer of \$1.9 million to the Solid Waste Recycling Fund to purchase waste containers for the new residential recycling program.
- A \$1.0 million increase in the annual transfer to the Transportation Capital Project Fund for the street resurfacing program.

At June 30, 2008, the governmental funds of the City reported a combined fund balance of \$65.7 million, a 1.3 percent decrease from the previous year.



General Fund Budgetary Highlights

The City Council originally approved a \$128.9 million general fund budget for fiscal year 2008, which represented a \$5.4 million or 4.3% increase from the original budget for fiscal year 2007. The tax rate remained the same at 53 cents per \$100 value. Consistent with City Council strategic priorities, the fiscal year 2008 budget appropriation increases were primarily attributed to a \$3.6 million increase in employee compensation to maintain market competitive pay levels for public safety and general employees, a \$1.1 million increase in street resurfacing funding and a combined increase of \$608,000 for replacement computers and increased information technology staffing. Additionally, the budget continued enhanced vehicle and equipment replacement funding initiated in fiscal year 2007.

Ad valorem taxes were projected to generate an additional \$0.9 million, reflecting an increase of \$2.7 million due to natural growth and improved collections offset by a reduction of \$1.9 million due to payment due dates for 2006 annexation taxes. Natural growth in other taxes was expected to generate an additional \$2.7 million compared to the fiscal year 2007 original budget. Other revenue and financing sources combined were projected to increase by \$1.7 million, despite the loss of \$575,000 of program revenues due to the termination of the Safelight program. The City also expected to receive \$1.8 million in capital lease proceeds by financing the purchase of new solid waste vehicles and equipment. The \$3.6 million fund balance appropriation for one-time expenditures and use of debt management plan reserves for fiscal year 2008 was lower than the \$5.1 million fund balance appropriation originally budgeted in fiscal year 2007.

During fiscal year 2008, the City Council approved budget increases of \$13.3 million or 10.3% bringing the General Fund budget for fiscal year 2008 to \$142.2 million. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to cover items encumbered or designated for a special purpose in the previous year's budget but remain unexpended at the end of the previous year.

Fiscal year 2008 budget appropriation increases included approximately \$7.7 million for expenditure items previously encumbered or designated from the fiscal year 2007 budget, \$2.8 million for funding of future capital improvements through the debt management plan, \$2.0 million for a transfer to the Recycling Fund for start-up costs for the curbside recycling program and \$743,000 for increased street light expenditures.

The increased budget appropriations were primarily funded by additional fund balance appropriations of \$7.2 million, primarily related to prior fiscal year encumbrances and designations. Other significant revenue and other financing source increases budgeted during the fiscal year included \$4.3 million in additional interfund transfers, primarily from the Enhanced 911 Fund for financing of future capital improvements and from the Electric Fund for the increased street light expenditures and increased revenues from electric sales, and \$1.7 million in capital lease proceeds from the financing of additional vehicles and equipment.

Actual revenues and other financing sources for the General Fund were less than the final amended budget by \$9.3 million. This shortage primarily relates to a budgeted fund balance appropriation of \$10.8 million, which is an other financing source that is not reflected as actual current year revenue. The \$10.8 million fund balance appropriation was offset by interest earned on investments which exceeded the final budget by \$1.0 million, ad valorem taxes which exceeded the final budget by \$612,000, other taxes which exceeded the final budget by \$1.1 million, functional revenues which fell \$865,000 short of budget projections, \$750,000 of budgeted loan proceeds which were not received, and other revenue and financing sources combined which exceeded the final budget by \$348,000.

Actual expenditures and other financing uses were less than the final amended budget by \$12.6 million. There were approximately \$4.7 million in expenditures budgeted for fiscal year 2008 which were encumbered, designated or reserved for donations at June 30, 2008 to be re-appropriated in fiscal year 2009. There was \$3.4 million more budgeted for current and future debt service for the debt management plan than was actually expended during the fiscal year. Actual rent expenditures for the Festival Park Plaza master lease were \$636,000 less than the required budget amount, and there were significant positive budget variances of \$915,000 in personnel costs across all departmental budgets. 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, 2008, 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:

- \$6.0 million for installation of wastewater utility infrastructure in annexed areas
- \$5.8 million for water and wastewater infrastructure rehabilitation
- \$4.2 million for public safety (police and fire) vehicles and equipment
- \$3.9 million in street infrastructure projects
- \$2.9 million for solid waste and street maintenance vehicles and equipment
- \$2.7 million for purchase and installation of water meters
- \$2.5 million for vehicles and equipment for the electric, water and wastewater funds
- \$2.1 million for electric distribution system transformers
- \$2.0 million for transit vehicles and equipment
- \$1.7 million for Fire Station 15 construction in progress (located at Buhmann Drive)
- \$1.7 million for installation of underground cable in planned developments
- \$1.4 million for electric service extensions

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

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Land	\$ 36,858	\$ 36,112	\$ 14,553	\$ 15,772	\$ 51,411	\$ 51,884
Infrastructure	298,967	291,034	-	-	298,967	291,034
Electric utility system	-	-	167,014	169,014	167,014	169,014
Wastewater system	-	-	243,760	256,511	243,760	256,511
Water system	-	-	137,421	149,882	137,421	149,882
Equipment and machinery	-	-	9,997	9,774	9,997	9,774
Buildings and improvements	46,164	48,698	45,476	44,577	91,640	93,275
Equipment, furniture and fixtures	4,786	3,725	530	890	5,316	4,615
Computer programs	-	-	3,748	3,223	3,748	3,223
Vehicles	8,759	13,010	3,775	7,150	12,534	20,160
Construction in progress	5,216	3,109	25,960	20,341	31,176	23,450
Total	\$ 400,750	\$ 395,688	\$ 652,234	\$ 677,134	\$ 1,052,984	\$ 1,072,822

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, 2008, The City had total bonded debt outstanding of \$210.2 million (before loss on defeasance, see Note 5 in the financial statements), of which \$31.1 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	
	2007	2008	2007	2008	2007	2008
Bonded debt	\$ 37,444	\$ 32,812	\$ 162,554	\$ 167,885	\$ 199,998	\$ 200,697
Obligations under capital leases	14,991	14,344	-	-	14,991	14,344
Installment note payable	5	-	64,396	20,487	64,401	20,487
Total long-term debt	\$ 52,440	\$ 47,156	\$ 226,950	\$ 188,372	\$ 279,390	\$ 235,528

The City's total long-term debt decreased by \$43.9 million, or 15.7%, during the past fiscal year. This decrease is primarily due to principal payments of \$57.1 million in the electric fund, of which \$42.7 million is attributed to the purchase power revenue notes, offset by the issuance of \$17.0 million in revenue bonds in fiscal year 2008.

The City's other long-term obligations include a liability for the estimated amount of vacation and sick leave to ultimately be paid (compensated absences) of \$8.0 million and, due to the implementation of GASB No. 45 in fiscal year 2008, a \$6.7 million liability for Other Post Employment Benefits (OPEB).

The City's most recent general obligation bond ratings, 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-

With the exception of the fiscal year 2008 Revenue Bonds, all other outstanding utility system revenue bonds carry an Aaa 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 fiscal year 2008 Revenue Bonds and were one of the determinants that allowed the City to issue these bonds without insurance. Factors leading to this upgrade as cited by the agencies include, but are not limited to, the strong debt coverage, healthy liquidity, strengthening financial profile, competitive rates and proactive strategic planning of the City's Public Works Commission. 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 \$740.1 million. The City has no bonds authorized but unissued at June 30, 2008.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-20 – F-30 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: 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 is 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 are expected to increase by \$513,000. Transfers to the general fund are 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 exceeds 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.

The City Council has since approved budget increases of \$4.9 million or 3.6% bringing the General Fund budget for fiscal year 2009 to \$139.7 million. The budget increase is primarily due to \$4.7 million appropriated by Council for expenditures encumbered, designated or reserved for donations at June 30, 2008.

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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and investments	\$ 69,843,397	\$ 47,993,441	\$ 117,836,838
Taxes receivable	3,487,086	-	3,487,086
Accounts receivable	5,347,817	35,985,991	41,333,808
Internal balances	(1,944,688)	1,944,688	-
Assessment receivable	498,602	-	498,602
Due from other governments	9,129,535	2,258,912	11,388,447
Inventories	115,378	14,112,180	14,227,558
Prepaid expenses	602,615	166,393	769,008
Noncurrent portion of note receivable	7,761,875	-	7,761,875
Restricted asset - cash and investments	8,878,395	79,071,264	87,949,659
Restricted asset - accounts receivable	3,907	425,188	429,095
Restricted asset - collateral pledged	-	268,165	268,165
Other assets	341,829	6,101,770	6,443,599
Capital assets:			
Land and construction in progress	39,220,992	36,113,822	75,334,814
Other capital assets, net of depreciation	356,466,610	641,020,211	997,486,821
Total assets	499,753,350	865,462,025	1,365,215,375
Liabilities			
Accounts payable and accrued expenses	12,492,734	27,797,518	40,290,252
Restricted liabilities - accounts payable	-	8,257,561	8,257,561
Unearned revenues	1,276,648	29,117	1,305,765
Unearned deposits	84,470	3,184,036	3,268,506
Long-term liabilities:			
Due within one year	11,347,374	17,115,049	28,462,423
Due in more than one year	46,194,812	175,562,107	221,756,919
Other liabilities	607,565	3,288,625	3,896,190
Total liabilities	72,003,603	235,234,013	307,237,616
Net assets			
Invested in capital assets, net of related debt	354,482,766	505,941,437	860,424,203
Restricted for:			
Capital projects	1,047,622	2,075,219	3,122,841
Debt service	-	11,462	11,462
Grant compliance	1,883,445	-	1,883,445
Unrestricted	70,335,914	122,199,894	192,535,808
Total net assets	\$ 427,749,747	\$ 630,228,012	\$ 1,057,977,759

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, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-type Activities
Primary government:						
Governmental activities:						
Administration	\$ 19,090,722	\$ 755,883	\$ 83,288	\$ (18,271,571)	\$ -	\$ (18,271,571)
Public safety	63,458,091	3,213,741	309,869	(59,889,327)	-	(59,889,327)
Environmental protection	12,126,391	3,418,607	2,303,890	(6,405,894)	-	(6,405,894)
Transportation	20,386,537	882,698	5,954,823	(13,393,807)	-	(13,393,807)
Economic and physical development	4,558,635	-	2,364,282	(1,855,669)	-	(1,855,669)
Recreation and community facilities	12,113,646	3,873,021	56,292	(7,402,923)	-	(7,402,923)
Interest and fees	2,061,409	-	-	(2,061,409)	-	(2,061,409)
Total governmental activities	133,795,431	12,141,950	11,052,424	(109,280,400)	-	(109,280,400)
Business-type activities:						
Electric	137,561,749	166,699,655	-	-	29,743,492	29,743,492
Water and wastewater	52,767,113	57,080,057	-	-	18,765,925	18,765,925
Transit	5,584,011	774,345	2,149,594	-	(558,654)	(558,654)
Airport	3,986,357	3,224,170	146,092	-	206,308	206,308
Solid Waste Recycling	1,945,629	-	-	-	(1,945,629)	(1,945,629)
Total business-type activities	201,844,859	227,978,227	2,295,686	-	46,211,442	46,211,442
Total primary government	\$ 335,640,290	\$ 240,120,177	\$ 13,348,110	(109,280,400)	46,211,442	(63,068,958)
General revenues:						
Ad valorem taxes				54,295,319	-	54,295,319
Other taxes						
Sales tax				31,659,262	-	31,659,262
Utility franchise tax				3,395,470	-	3,395,470
Telecommunications sales tax				1,903,596	-	1,903,596
Piped natural gas tax				635,276	-	635,276
Video franchise tax				2,137,726	-	2,137,726
Vehicle license tax				635,993	-	635,993
Privilege license				995,592	-	995,592
Cablevision franchise tax				491,902	-	491,902
Vehicle gross receipts tax				416,176	-	416,176
Wireline 911 tax and wireless consolidated funds				922,024	-	922,024
Unrestricted grants and contributions				801,099	-	801,099
Interest earned on investments				3,704,974	5,392,197	9,097,171
Miscellaneous				627,860	90,271	718,131
Gain on sale of capital assets				254,875	1,643	256,518
Transfers				3,307,854	(3,307,854)	-
Total general revenues and transfers				108,184,998	2,176,257	110,361,255
Change in net assets				(3,095,402)	48,387,699	45,292,297
Net assets - beginning				430,845,149	581,840,313	1,012,685,462
Net assets - ending				\$ 427,749,747	\$ 630,228,012	\$ 1,057,977,759

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2008**

Assets	General	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 45,689,040	\$ 8,590,940	\$ 54,279,980
Taxes receivable	3,270,102	70,792	3,340,894
Accounts receivable	13,051,069	8,114,467	21,165,536
Interfund receivable	283,097	-	283,097
Assessments receivable	498,602	-	498,602
Inventories	115,378	-	115,378
Restricted asset - cash and investments	3,305,317	5,573,078	8,878,395
Restricted asset - accounts receivable	-	3,907	3,907
Total assets	\$ 66,212,605	\$ 22,353,184	\$ 88,565,789
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 7,683,847	\$ 1,811,683	\$ 9,495,530
Unearned deposits	84,470	-	84,470
Deferred revenues	5,435,547	7,857,658	13,293,205
Total liabilities	13,203,864	9,669,341	22,873,205
Fund balances:			
Reserved			
By State statute	12,334,683	1,739,864	14,074,547
For encumbrances	2,934,985	1,525,895	4,460,880
For inventories	115,378	-	115,378
For downtown	234,296	-	234,296
For county recreation	1,563,891	-	1,563,891
For streets - Powell Bill	-	884,606	884,606
For JP Riddle Stadium	17,507	-	17,507
For donations	26,166	-	26,166
Unreserved			
Designated			
For subsequent year's expenditures	9,163,213	-	9,163,213
For special purpose	5,550,563	1,033,562	6,584,125
For debt service	3,238,353	-	3,238,353
Undesignated	17,829,706	-	17,829,706
Unreserved, reported in nonmajor:			
Designated for subsequent year's expenditures			
Special revenue	-	2,047,602	2,047,602
Capital projects	-	5,148,775	5,148,775
Undesignated			
Special revenue	-	303,539	303,539
Total fund balances	53,008,741	12,683,843	65,692,584
Total liabilities and fund balances	\$ 66,212,605	\$ 22,353,184	\$ 88,565,789

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, 2008

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

Ending fund balance - governmental funds \$ 65,692,584

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of: 393,310,745

Land	\$	36,111,744	
Construction in progress		3,109,248	
Infrastructure		444,787,892	
Buildings and improvements		69,608,867	
Furniture and equipment		21,177,819	
Vehicles		33,924,543	
Accumulated depreciation		(215,409,368)	
	<u>\$</u>	<u>393,310,745</u>	

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 12,028,557

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. (265,731)

Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized. 457,951

Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds. 216,984

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. 13,940,861

Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds. (360,422)

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: (57,271,782)

General obligation bonds	\$	(21,527,155)	
Revenue bonds		(11,285,000)	
Obligations under capital leases		(14,343,916)	
Net OPEB obligation		(5,304,416)	
Compensated absences		(4,811,295)	
	<u>\$</u>	<u>(57,271,782)</u>	

Net assets of governmental activities \$ 427,749,747

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 54,765,677	\$ -	\$ 54,765,677
Other taxes and fees	42,260,128	6,514,026	48,774,154
Intergovernmental	10,073,526	2,936,361	13,009,887
Other functional	4,693,419	-	4,693,419
Miscellaneous	2,121,648	698,616	2,820,264
Interest earned on investments	2,500,914	529,758	3,030,672
Total revenues	<u>116,415,312</u>	<u>10,678,761</u>	<u>127,094,073</u>
Expenditures			
Current:			
Administration	17,889,199	3,915	17,893,114
Public safety	60,280,439	3,152,031	63,432,470
Environmental protection	10,865,339	2,606,973	13,472,312
Transportation	8,872,388	3,019,828	11,892,216
Economic and physical development	996,524	3,880,694	4,877,218
Recreation and community facilities	10,925,575	1,255,803	12,181,378
Debt service:			
Principal	6,725,427	1,955,769	8,681,196
Interest and fees	1,449,064	632,673	2,081,737
Total expenditures	<u>118,003,955</u>	<u>16,507,686</u>	<u>134,511,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,588,643)</u>	<u>(5,828,925)</u>	<u>(7,417,568)</u>
Other financing sources (uses)			
Capital leases, bonds and other debt	3,303,940	-	3,303,940
Transfers in	13,215,515	6,784,936	20,000,451
Transfers out	<u>(11,572,367)</u>	<u>(5,152,010)</u>	<u>(16,724,377)</u>
Total other financing sources (uses)	<u>4,947,088</u>	<u>1,632,926</u>	<u>6,580,014</u>
Net change in fund balances	3,358,445	(4,195,999)	(837,554)
Fund balance - beginning	<u>49,650,296</u>	<u>16,879,842</u>	<u>66,530,138</u>
Fund balance - ending	<u>\$ 53,008,741</u>	<u>\$ 12,683,843</u>	<u>\$ 65,692,584</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, 2008

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

Net change in fund balances - total governmental funds \$ (837,554)

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 (\$18,880,316) exceeded capital outlay (\$14,848,256) in the current period. (4,032,060)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets (1,113,260)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 230,790

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. (585,790)

Principal repayments	\$	8,713,422
Net OPEB Obligation		(5,304,416)
Change in compensated absences		(597,657)
Other miscellaneous		(93,199)
New issuance - capital lease		(3,303,940)
	<u>\$</u>	<u>(585,790)</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. 54,893

The net revenue of certain activities of internal service funds is reported with governmental activities. 3,187,579

Change in net assets of governmental activities \$ (3,095,402)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 54,155,249	\$ 54,153,935	\$ 54,765,677	\$ 611,742
Other taxes and fees	41,131,371	41,131,371	42,260,128	1,128,757
Intergovernmental	9,630,718	9,635,218	10,073,526	438,308
Other functional	5,423,043	5,558,465	4,693,419	(865,046)
Miscellaneous	1,838,134	1,850,667	2,121,648	270,981
Interest earned on investments	1,489,165	1,491,100	2,500,914	1,009,814
Total revenues	<u>113,667,680</u>	<u>113,820,756</u>	<u>116,415,312</u>	<u>2,594,556</u>
EXPENDITURES				
Current:				
Administration	20,373,979	19,613,262	17,889,199	1,724,063
Public safety	60,315,800	62,923,868	60,280,439	2,643,429
Environmental protection	8,646,618	12,329,702	10,865,339	1,464,363
Transportation	8,275,576	9,778,340	8,872,388	905,952
Economic and physical development	1,715,261	2,085,210	996,524	1,088,686
Recreation and community facilities	11,534,198	12,083,245	10,925,575	1,157,670
Debt service:				
Principal	7,169,902	10,075,310	6,725,427	3,349,883
Interest and fees	1,785,600	1,477,508	1,449,064	28,444
Total expenditures	<u>119,816,934</u>	<u>130,366,445</u>	<u>118,003,955</u>	<u>12,362,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,149,254)</u>	<u>(16,545,689)</u>	<u>(1,588,643)</u>	<u>14,957,046</u>
OTHER FINANCING SOURCES (USES)				
Capital leases, bonds and other debt	2,515,896	4,188,145	3,303,940	(884,205)
Transfers in	9,130,203	13,442,816	13,215,515	(227,301)
Transfers out	(9,094,974)	(11,837,366)	(11,572,367)	264,999
Appropriated fund balance	3,598,129	10,752,094	-	(10,752,094)
Total other financing sources (uses)	<u>6,149,254</u>	<u>16,545,689</u>	<u>4,947,088</u>	<u>(11,598,601)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,358,445</u>	<u>\$ 3,358,445</u>
FUND BALANCE - BEGINNING			<u>49,650,296</u>	
FUND BALANCE - ENDING			<u>\$ 53,008,741</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Assets					
Current assets					
Cash and investments	\$ 34,604,196	\$ 7,516,255	\$ 5,872,990	\$ 47,993,441	\$ 15,563,417
Accounts receivable	19,045,081	16,803,308	2,596,514	38,244,903	1,002,899
Interfund receivable	190,818	148,290	-	338,908	-
Inventories	12,444,036	1,485,743	182,401	14,112,180	-
Prepaid expenses	100,372	66,021	-	166,393	144,864
Total unrestricted current assets	66,364,303	25,619,617	8,651,905	100,635,825	16,710,980
Restricted current assets					
Restricted cash and investments	34,917,380	43,738,240	415,644	79,071,264	-
Accounts receivable	3,272	421,916	-	425,188	-
Collateral pledged in lieu of deposits	268,165	-	-	268,165	-
Total restricted current assets	35,188,617	44,160,156	415,644	79,764,417	-
Total current assets	101,552,920	69,779,773	9,067,549	180,324,642	16,710,980
Noncurrent assets					
Other assets	2,019,700	4,060,070	22,000	6,101,770	-
Capital assets	220,606,517	428,336,053	28,191,463	877,134,033	2,376,854
Total noncurrent assets	222,626,217	432,396,123	28,213,463	683,235,803	2,376,854
Total assets	324,179,137	502,175,896	37,281,012	863,560,445	19,087,834
Liabilities and net assets					
Current liabilities to be paid from unrestricted assets					
Accounts payable and accrued expenses	16,395,462	8,994,189	2,407,887	27,797,518	2,636,762
Current portion of long term debt	8,861,428	8,453,621	-	17,115,049	97,324
Interfund payables	-	-	283,097	283,097	338,908
Accrued vacation	-	-	151,345	151,345	9,407
Total current liabilities to be paid from unrestricted assets	25,056,890	17,447,810	2,842,309	45,347,009	3,082,421
Current liabilities to be paid from restricted assets					
Accounts payable and accrued expenses	5,000,242	3,257,319	-	6,257,561	-
Total current liabilities to be paid from restricted assets	5,000,242	3,257,319	-	6,257,561	-
Total current liabilities	30,057,132	20,705,129	2,842,309	51,604,570	3,082,421
Noncurrent liabilities					
Unamed deposits	14,951	3,169,085	-	3,184,036	-
Net OPEB Obligation	470,663	524,392	258,867	1,254,162	102,309
Deferred revenues	-	-	29,117	29,117	12,000
Long-term debt	23,413,417	150,743,183	-	174,156,600	61,366
Other liabilities	41,976	3,246,649	-	3,288,625	-
Total noncurrent liabilities	23,941,227	157,883,309	268,004	161,912,540	175,675
Total liabilities	53,998,359	178,368,438	3,130,313	235,517,110	3,258,096
Net assets					
Invested in capital assets, net of related debt	189,423,458	288,326,516	28,191,463	505,941,437	2,376,854
Restricted net assets					
Capital projects	3,272	1,656,303	415,644	2,075,219	-
Debt service	11,462	-	-	11,462	-
Unrestricted	60,762,786	34,004,639	5,543,592	120,311,017	13,452,864
Total net assets	\$ 270,200,978	\$ 323,987,458	\$ 34,150,699	628,339,135	\$ 15,629,738
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.				1,866,877	
Net assets of business-type activities				\$ 630,228,012	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2008**

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Operating revenues					
Charges for services	\$ 166,899,655	\$ 55,317,032	\$ 3,823,778	\$ 226,040,465	\$ -
Other revenue from operations	-	-	174,737	174,737	487,878
Interfund charges and employee contributions	-	-	-	-	20,785,798
Proprietary operating revenue	-	1,763,025	-	1,763,025	-
Total operating revenues	166,899,655	57,080,057	3,998,515	227,978,227	21,273,676
Operating expenses					
General and administrative	10,254,699	11,002,002	-	21,256,701	-
Power supply and generation	110,156,696	-	-	110,156,696	-
Water purification and distribution	-	11,494,150	-	11,494,150	-
Sewer collection and treatment	-	9,535,221	-	9,535,221	-
Personnel	-	-	3,977,094	3,977,094	398,788
Maintenance and operations	-	-	5,358,740	5,358,740	17,997,801
Depreciation	13,993,321	14,069,673	1,864,998	29,927,992	302,912
Total operating expenses	134,404,716	46,101,046	11,200,832	191,706,594	18,699,501
Operating income (loss)	32,494,939	10,979,011	(7,202,317)	36,271,633	2,574,175
Nonoperating revenue (expense)					
Interest earned (expensed) on investments	3,129,719	2,023,538	238,940	5,392,197	624,563
Federal and State grants	-	-	2,329,168	2,329,168	-
Miscellaneous revenue	-	-	90,271	90,271	-
Gain (loss) on disposal of capital assets	(117,680)	22,802	1,643	(93,235)	26,362
Interest expense	(1,821,290)	(5,430,068)	(18,022)	(7,269,380)	-
Amortization	(1,139,871)	(925,398)	(22,000)	(2,087,269)	-
Miscellaneous expense	-	-	(275,143)	(275,143)	-
Issue costs	(112,843)	(368,053)	-	(480,896)	-
Total nonoperating revenue (expense)	(61,965)	(4,677,179)	2,344,857	(2,394,287)	650,925
Income (loss) before transfers	32,432,974	6,301,832	(4,857,460)	33,877,346	3,225,100
Transfers in	-	2,577,141	4,120,310	6,697,451	200,000
Transfers out	(9,991,013)	(14,292)	-	(10,005,305)	(168,220)
Capital contributions	405,586	14,452,981	2,890,339	17,748,906	-
Change in net assets	22,847,547	23,317,662	2,153,189	48,318,398	3,256,880
Total net assets - beginning	247,353,431	300,669,796	31,997,510		12,572,858
Total net assets - ending	\$ 270,200,978	\$ 323,987,458	\$ 34,150,699		\$ 15,829,738

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. 69,301

Change in net assets of business-type activities \$ 48,387,699

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Operating activities					
Cash received from customers	\$ 166,861,620	\$ 57,734,093	\$ 2,211,700	\$ 226,807,413	\$ 20,486,878
Other operating revenue	-	-	173,741	173,741	487,878
Cash received as deferred revenues	-	-	-	-	3,104
Cash paid to or on behalf of employees for services	(13,159,048)	(13,870,476)	(3,717,278)	(30,746,802)	(2,052,448)
Cash paid for goods and services	(2,066,497)	(16,912,965)	(3,762,173)	(22,761,635)	(15,629,040)
Cash paid for power supply and generation	(58,853,720)	-	-	(58,853,720)	-
Net cash provided by (used in) operating activities	92,782,355	26,950,652	(5,114,010)	114,618,997	3,296,372
Noncapital financing activities					
Transfers in	-	2,577,141	4,120,310	6,697,451	200,000
Federal and State grants	-	-	2,329,168	2,329,168	-
Miscellaneous	-	-	90,271	90,271	-
Transfers out	(9,991,013)	(14,292)	-	(10,005,305)	(168,220)
Net cash provided (used) by noncapital financing activities	(9,991,013)	2,562,849	6,539,749	(888,415)	31,780
Capital and related financing activities					
Proceeds from sale of assets	-	22,802	1,643	24,445	26,362
Proceeds from debt issuance	-	17,225,332	-	17,225,332	-
Payment of issue cost for debt issuance	-	(364,959)	-	(364,959)	-
Contributed capital received	405,586	1,688,921	2,890,339	4,984,846	-
Acquisition and construction of capital assets	(16,096,156)	(24,264,459)	(3,414,787)	(43,775,402)	(385,679)
Principal paid on debt maturities	(51,113,083)	(6,030,921)	(31,605)	(57,175,609)	-
Interest paid on debt maturities	(1,934,133)	(5,798,121)	(18,022)	(7,750,276)	-
Net cash provided (used) by capital and related financing activities	(68,737,786)	(17,521,405)	(572,432)	(86,831,623)	(359,317)
Investing activities					
Interest and dividends	3,129,719	2,023,538	238,940	5,392,197	624,563
Net change in investments	14,059,432	1,119,342	-	15,178,774	-
Net cash provided (used) by investing activities	17,189,151	3,142,880	238,940	20,570,971	624,563
Net Increase (decrease) in cash and cash equivalents/investments	31,242,707	15,134,976	1,092,247	47,469,930	3,593,398
Cash and cash equivalents/investments					
Beginning of year	26,254,589	15,681,965	5,196,387	47,132,941	11,970,019
End of year	\$ 57,497,296	\$ 30,816,941	\$ 6,288,634	\$ 94,602,871	\$ 15,563,417
Cash and cash equivalents	\$ 57,497,296	\$ 30,816,941	\$ 6,288,634	\$ 94,602,871	\$ 15,563,417
Investments	12,024,280	20,437,554	-	32,461,834	-
Total cash and cash equivalents/investments	\$ 69,521,576	\$ 51,254,495	\$ 6,288,634	\$ 127,064,705	\$ 15,563,417
Unrestricted cash and equivalents/investments	\$ 34,604,196	\$ 7,516,255	\$ 5,872,990	\$ 47,993,441	\$ 15,563,417
Restricted cash and equivalents/investments	34,917,360	43,736,240	415,644	79,071,264	-
Total cash and cash equivalents/investments	\$ 69,521,576	\$ 51,254,495	\$ 6,288,634	\$ 127,064,705	\$ 15,563,417

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	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)	\$ 32,494,939	\$ 10,979,011	\$ (7,202,317)	\$ 36,271,633	\$ 2,574,175
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	13,993,321	14,069,673	1,664,998	29,927,992	302,912
Nonoperating payments for goods and services	-	-	(275,143)	(275,143)	-
Allowance for uncollectible accounts	(24,233)	(13,351)	-	(37,584)	-
Recognition of prepaid purchase cost, net of related discount	40,572,791	-	-	40,572,791	-
Change in assets and liabilities					
(Increase) decrease in accounts receivable	57,816	562,716	(1,443,077)	(822,543)	(455,764)
(Increase) decrease in inventory	3,167	(492,192)	(169,923)	(658,948)	156,844
(Increase) decrease in prepaid items	-	-	-	-	104,311
(Increase) decrease in internal balances	(122,290)	(112,607)	-	(234,897)	159,984
(Increase) decrease in other current assets	(60,640)	(44,668)	-	(105,308)	-
(Increase) decrease in other assets	(383,319)	(649,917)	-	(1,033,236)	-
(Increase) decrease in unearned deposits	14,951	(74,514)	-	(59,563)	-
Increase (decrease) in accounts payable and accrued liabilities	5,768,979	2,242,269	1,868,079	9,879,327	295,724
Increase (decrease) in accrued compensated absences	(4,010)	(40,162)	(14,518)	(58,690)	52,773
Increase (decrease) in deferred revenues	-	-	(996)	(996)	3,104
Increase (decrease) in net OPEB Obligation	470,863	524,392	258,887	1,254,182	102,309
Total adjustments	60,287,416	15,971,641	2,088,307	78,347,364	722,197
Net cash provided by (used in) operating activities	\$ 92,782,355	\$ 26,950,652	\$ (5,114,010)	\$ 114,618,997	\$ 3,296,372
Noncash investing, capital, and financing activities:					
Contributed capital assets	\$ -	\$ 12,996,599	\$ -	\$ 12,996,599	\$ -
FIF Credits Awarded	\$ -	\$ (553,227)	\$ -	\$ (553,227)	\$ -
FIF Credits Applied	\$ -	\$ 275,688	\$ -	\$ 275,688	\$ -

City of Fayetteville, North Carolina

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Pension Trust Fund	Private-purpose Trusts
Assets		
Cash and investments		
Cash and cash equivalents	\$ 2,168,090	\$ 1,335,598
Mutual funds—bonds	2,051,324	-
Mutual funds—US equities	1,646,996	-
Mutual funds—international equities	467,587	-
Total cash and investments	<u>6,333,997</u>	<u>1,335,598</u>
Interfund receivable	-	33
Accounts receivable	6,289	14,633
Total assets	<u>6,340,286</u>	<u>1,350,264</u>
Liabilities		
Accounts payable	45,023	-
Interfund payable	-	33
Total liabilities	<u>45,023</u>	<u>33</u>
Net assets		
Held in Trust for pension benefits and other purposes	6,295,263	1,350,231
Total net assets	<u>\$ 6,295,263</u>	<u>\$ 1,350,231</u>

City of Fayetteville, North Carolina

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008**

	Pension Trust Fund	Private-purpose Trusts
Additions		
Other revenue from operations	\$ -	\$ 36,952
Contributions	379,323	118,534
Investment earnings	(185,484)	58,361
Total additions	<u>193,839</u>	<u>213,847</u>
Deductions		
Benefit payments and premiums	555,826	200,208
Total deductions	<u>555,826</u>	<u>200,208</u>
Change in net assets	(361,987)	13,639
Total net assets - beginning	<u>6,657,250</u>	<u>1,336,592</u>
Total net assets - ending	<u>\$ 6,295,263</u>	<u>\$ 1,350,231</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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

(This page left intentionally blank)

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 2008

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, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major governmental fund:

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.

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 Recreational and Cultural Fund accounts for parks and similar projects. 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 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/construction of the Fayetteville Regional Airport. Established in fiscal year 2007-2008, the Solid Waste Recycling Fund accounts for specified fees and residential recycling services.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

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 Fleet Maintenance Fund was used to account for the accumulation and allocation of costs associated with maintenance of the City's vehicles. The City closed this fund in fiscal year ending June 30, 2008 since this function has been transferred to the PWC Fleet Maintenance Fund. 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, 2008

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and 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, 2008

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, 2008

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 contract are reported at amortized cost. Nonparticipating interest earning investment contracts are reported at 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, 2007.

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 \$2,381,233 related to grants or other financial assistance that has been awarded. Many of these awarded grants 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, 2008

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, 2008:

Fund

General Fund:	
Taxes receivable	\$ 801,455
Accounts receivable	27,445
Assessments receivable	117,811
Special Revenue Fund:	
Taxes receivable	11,722
Accounts receivable	2,381,233
Transit Operating:	
Accounts receivable	4,335
Airport Operating:	
Accounts receivable	8,082
Electric Fund:	
Accounts receivable	200,206
Water and Wastewater Fund:	
Accounts receivable	64,869
Total	<u>\$ 3,617,158</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

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, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

On November 30, 2005, the City entered into a Prepayment Agreement with Progress Energy Carolinas, Inc. (PEC) to make a prepayment for an estimated 24 months' capacity and energy for its electric system. The Prepayment Agreement provided for a prepayment of \$141,111,075 by the City for the capacity and energy to be delivered by PEC beginning January 2006 under the existing Master Power Purchase and Sale Agreement between PEC and the City (see Note 9), having a value under such agreement of \$157,550,000, resulting in a discount of \$16,438,925 or 10.4341%, on the purchase price of such capacity and energy that would otherwise be due. The prepayment is recorded as a prepaid asset and is amortized monthly based on the actual capacity and energy billed by PEC, whereas, the discount is recorded as a liability and is amortized monthly at 10.4341% of the actual capacity and energy billed. The City's purchase power expenses include the capacity and energy charges net of the recognized discount. During the year ended 2008, the City recognized \$40,572,791 of capacity and energy charges under the prepayment agreement which reduced the prepayment to its June 30, 2008 balance of \$0.00. As a result, the discount was amortized by \$4,233,406, leaving an unrecognized discount balance of \$0.00. The City issued \$142,140,000 in Revenue Notes to provide funds for the prepayment (see Note 5).

A Summary of the current year activity is as follows:

	Original Payment	Discount
Balance at June 30, 2007	\$ 40,572,791	\$ (4,233,406)
Recognized during the year ended June 30, 2008	(40,572,791)	4,233,406
Balance at June 30, 2008	\$ -	\$ -

Restricted Assets and Liabilities

In the capital project and enterprise funds the City has classified as restricted the assets representing deposits, reserves, capital project appropriations 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. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 2008

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.

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Unreserved

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2008 - 2009 budget ordinance.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

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

During Fiscal Year (FY) 2008, the City implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions”. It is effective in three phases based on a government’s total annual revenues in the first fiscal year ending after June 15, 1999. This Statement is effective for periods beginning after December 15, 2006, for phase 1 governments (those with total annual revenues of \$100 million or more); after December 15, 2007, for phase 2 governments (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for phase 3 governments (those with total annual revenues of less than \$10 million). Earlier implementation is encouraged. In addition to pensions, many state and local governmental employers provide other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. See Note 12 for more details.

During Fiscal Year (FY) 2008, the City implemented GASB Statement No. 50 “Pension Disclosures”. This statement requires defined contribution plans to disclose in the notes to financial statements and required supplemental information, additional information to improve the transparency and decision usefulness of financial reporting. See note 11 for more details.

I – Upcoming Pronouncements

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 the new statement become effective for fiscal periods beginning after December 15, 2007.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

At June 30, 2008, the City's deposits had a carrying amount of \$32,750,346 less a sweep of \$27,232,000 and a bank balance of \$9,387,191. Of the bank balance, Federal Deposit Insurance covered \$500,000, and \$8,887,191 was covered by collateral under the Pooling Method. The City had \$13,171 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, 2008, the City investment balances were as follows:

	Fair Value	Less than 6		
		Months	6-12 Months	1-5 Years
U.S. Government Securities	\$ 736	\$ -	\$ -	\$ 736
U.S. Treasuries	30,099	30,099		
U.S. Government Agencies	50,261,948		2,988,750	47,273,198
Commercial Paper	35,086,557	35,086,557		
N.C. Education Assistance Authority	45,350,000	45,350,000		
N.C. Capital Management Trust - Cash portfolio	72,801,425	72,801,425		
N.C. Capital Management Trust - Term portfolio	206,375	206,375		
Total Primary Government	203,737,140	153,474,456	2,988,750	47,273,934
Equity Mutual Funds - Fiduciary Funds	4,187,435	4,187,435	-	-
Reporting Entity Total	\$ 207,924,575	\$ 157,661,891	\$ 2,988,750	\$ 47,273,934

Third-party custodians who take delivery of the investment securities on behalf of the City held investments of \$4,187,435 for the Supplemental PWC Pension Trust Fund.

The North Carolina State Education Assistance Authority (NCSEAA) instruments in the portfolio have final stated maturities ranging from 2015 to 2036. Historically they could be redeemed at par and the interest rate reset every 28 days making the effective maturity date the next reset date, until February 2008 when the auctions began failing. At that time the instruments became illiquid and there was no secondary market. As discussed in Note 15, these instruments have subsequently been redeemed.

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, 2008

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, 2008, 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, 2008. 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, and Federal Farm Credit Banks) 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, NC Education Assistance Authority securities, Federal Home Loan Bank securities and Federal Farm Credit Bank securities. These investments are 35.8%, 22.3%, 11.4% and 7.1%, respectively, of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 207,924,575
Cash (demand deposits)	31,414,715
Less Sweep	(27,232,000)
Fireman's Relief Fund	1,335,631
Petty cash	13,171
Total cash and investments	\$ 213,456,092

Totals per Statement of Net Assets:

Cash and investments - unrestricted	\$ 117,836,838
Cash and investments - restricted	87,949,659
Pension trust cash and investments	6,333,997
Private-purpose trust cash and investments	1,335,598
Total cash and investments	\$ 213,456,092

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

Primary Government

	Balance July 1, 2007	Increases	Decreases	Transfers	Balance June 30, 2008
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 36,857,645	\$ 346,327	\$ (1,092,228)	\$ -	\$ 36,111,744
Construction in progress	5,216,444	480,003	-	(2,587,199)	3,109,248
Total capital assets, not being depreciated	<u>42,074,089</u>	<u>826,330</u>	<u>(1,092,228)</u>	<u>(2,587,199)</u>	<u>39,220,992</u>
Capital assets being depreciated:					
Infrastructure	440,694,369	4,093,523	-	-	444,787,892
Buildings and improvements	67,446,081	2,221,053	-	2,587,199	72,254,333
Equipment, furniture and fixtures	21,175,722	905,861	(137,943)	-	21,943,640
Vehicles	31,379,965	7,187,172	(3,004,318)	-	35,562,819
Total capital assets being depreciated	<u>560,696,137</u>	<u>14,407,609</u>	<u>(3,142,261)</u>	<u>2,587,199</u>	<u>574,548,684</u>
Less accumulated depreciation for:					
Infrastructure	(141,727,107)	(12,026,993)	-	-	(153,754,100)
Buildings and improvements	(21,282,400)	(2,273,595)	-	-	(23,555,995)
Equipment, furniture and fixtures	(16,389,506)	(1,913,113)	83,613	-	(18,219,006)
Vehicles	(22,621,061)	(2,969,527)	3,037,615	-	(22,552,973)
Total accumulated depreciation	<u>(202,020,074)</u>	<u>\$ (19,183,228)</u>	<u>\$ 3,121,228</u>	<u>\$ -</u>	<u>(218,082,074)</u>
Total capital assets being depreciated, net	<u>358,676,063</u>				<u>356,466,610</u>
Governmental activity capital assets, net	<u>\$ 400,750,152</u>				<u>\$ 395,687,602</u>

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

Administration	\$ 225,948
Public safety	3,236,116
Environmental protection	1,459,943
Transportation	12,494,013
Economic and physical development	632,693
Recreation and community facilities	831,603
Capital assets held by certain internal service funds are charges to the various governmental functions based on the usage of the funds	<u>302,912</u>
Total depreciation expense	<u>\$ 19,183,228</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Note 3 - Capital Assets (continued)

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

	Balance July 1, 2007	Increases	Decreases *	Transfers	Balance June 30, 2008
Business-type activities:					
Electric Fund					
Capital assets not being depreciated:					
Land	\$ 4,546,467	\$ 688,799	\$ -	\$ -	\$ 5,235,266
Construction in progress	9,541,476	11,322,752	(11,340,544) *	-	9,523,684
Total capital assets not being depreciated	<u>14,087,943</u>	<u>12,011,551</u>	<u>(11,340,544)</u>	<u>-</u>	<u>14,758,950</u>
Capital assets being depreciated:					
Electric utility system	329,141,218	13,285,686	(1,736,113)	-	340,690,791
Buildings and improvements	37,513,291	101,222	(8,486)	-	37,606,027
Equipment and machinery	14,308,625	516,397	(114,309)	141,852	14,852,565
Computer programs	10,769,597	560,837	(205,151)	-	11,125,283
Vehicles	5,061,660	1,012,197	(256,263)	(59,107)	5,758,487
Office equipment	1,670,654	-	(106,880)	16	1,563,790
Total capital assets being depreciated	<u>398,465,045</u>	<u>15,476,339</u>	<u>(2,427,202)</u>	<u>82,761</u>	<u>411,596,943</u>
Less accumulated depreciation for:					
Electric utility system	(162,126,905)	(11,001,210)	1,451,080	-	(171,677,035)
Buildings and improvements	(10,946,023)	(1,253,632)	7,637	-	(12,192,018)
Equipment and machinery	(6,892,135)	(648,703)	105,649	(15,925)	(7,451,114)
Computer programs	(8,869,997)	(805,752)	205,153	-	(9,470,596)
Vehicles	(3,677,595)	(209,776)	256,261	58,951	(3,572,159)
Office equipment	(1,418,971)	(74,248)	106,781	(16)	(1,386,454)
Total accumulated depreciation	<u>(193,931,626)</u>	<u>\$ (13,993,321)</u>	<u>\$ 2,132,561</u>	<u>\$ 43,010</u>	<u>(205,749,376)</u>
Total capital assets being depreciated, net	<u>204,533,419</u>				<u>205,847,567</u>
Electric fund capital assets, net	<u>\$ 218,621,362</u>				<u>\$ 220,606,517</u>
Water and Wastewater Fund					
Capital assets not being depreciated:					
Land	\$ 7,686,100	\$ 530,660	\$ (291)	\$ -	\$ 8,216,469
Construction in progress	10,001,356	33,079,921	(38,085,721) *	-	4,995,556
Total capital assets not being depreciated	<u>17,687,456</u>	<u>33,610,581</u>	<u>(38,086,012)</u>	<u>-</u>	<u>13,212,025</u>
Capital assets being depreciated:					
Wastewater system	348,748,061	20,523,354	-	-	369,271,415
Water system	216,959,010	17,274,662	(8,359)	(125,927)	234,099,386
Buildings and improvements	4,222,796	70,611	(8,486)	-	4,284,921
Equipment and machinery	8,223,720	578,396	(338,831)	(15,925)	8,447,360
Computer programs	10,044,434	528,776	(230,271)	-	10,342,939
Vehicles	4,985,174	1,110,596	(403,526)	59,107	5,751,351
Office equipment	832,586	-	(71,149)	(16)	761,421
Total capital assets being depreciated	<u>594,015,781</u>	<u>40,086,395</u>	<u>(1,060,622)</u>	<u>(82,761)</u>	<u>632,958,793</u>
Less accumulated depreciation for:					
Wastewater system	(104,987,520)	(7,772,183)	-	-	(112,759,703)
Water system	(79,537,427)	(4,684,303)	4,322	-	(84,217,408)
Buildings and improvements	(2,027,496)	(137,431)	7,637	-	(2,157,290)
Equipment and machinery	(5,967,549)	(423,305)	299,621	15,925	(6,075,308)
Computer programs	(8,195,732)	(809,378)	230,270	-	(8,774,840)
Vehicles	(3,255,835)	(232,143)	396,880	(58,951)	(3,150,049)
Office equipment	(760,401)	(10,930)	71,148	16	(700,167)
Total accumulated depreciation	<u>(204,731,960)</u>	<u>\$ (14,069,673)</u>	<u>\$ 1,009,878</u>	<u>\$ (43,010)</u>	<u>(217,834,765)</u>
Total capital assets being depreciated, net	<u>389,283,821</u>				<u>415,124,028</u>
Water and Wastewater fund capital assets, net	<u>\$ 406,971,277</u>				<u>\$ 428,336,053</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 - Capital Assets (continued)

	Balance July 1, 2007	Increases	Decreases	Transfers	Balance June 30, 2008
Business-type activities (continued):					
Nonmajor funds					
Capital assets not being depreciated:					
Land	\$ 2,320,593	\$ -	\$ -	\$ -	\$ 2,320,593
Construction in progress	6,417,040	1,036,347	(1,631,133)	-	5,822,254
Total capital assets not being depreciated	8,737,633	1,036,347	(1,631,133)	-	8,142,847
Capital assets being depreciated:					
Buildings and improvements	42,430,740	1,631,133	-	-	44,061,873
Furniture, fixtures and equipment	2,678,396	284,108	-	-	2,962,504
Vehicles	6,734,784	2,094,331	-	-	8,829,115
Total capital assets being depreciated	51,843,920	4,009,572	-	-	55,853,492
Less accumulated depreciation for:					
Buildings and improvements	(25,717,630)	(1,309,380)	-	-	(27,027,010)
Furniture, fixtures and equipment	(2,148,696)	(162,453)	-	-	(2,311,149)
Vehicles	(6,073,552)	(393,165)	-	-	(6,466,717)
Total accumulated depreciation	(33,939,878)	\$ (1,864,998)	\$ -	\$ -	(35,804,876)
Total capital assets being depreciated, net	17,904,042				20,048,616
Nonmajor fund capital assets, net	\$ 26,641,675				\$ 28,191,463
Business-type activities capital assets, net	\$ 652,234,314				\$ 677,134,033

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

Electric	\$ 13,993,321
Water and Wastewater	14,069,673
Transit	555,798
Airport	1,309,200
Total depreciation expense	\$ 29,927,992

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2008:

	General	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 5,459,937	\$ 190,765	\$ 990,396	\$ 6,641,098	\$ 19,731,712	\$ 9,127,075	\$ 2,083,804	\$ -
Incurring but not reported	-	-	1,543,568	1,543,568	497,605	497,604	-	-
Contracts payable	12,927	1,341,610	-	1,354,537	-	-	247,717	-
Interest payable	-	-	-	-	370,021	1,847,205	-	-
Retainage payable	-	251,357	-	251,357	-	-	-	-
Salaries and benefits payable	2,210,983	27,951	102,818	2,341,752	796,366	778,624	76,346	45,023
Total	<u>\$ 7,683,847</u>	<u>\$ 1,811,683</u>	<u>\$ 2,636,782</u>	<u>12,132,312</u>	<u>\$ 21,395,704</u>	<u>\$ 12,251,508</u>	<u>\$ 2,407,867</u>	<u>\$ 45,023</u>
Adjustment for interest payable				360,422				
				<u>\$ 12,492,734</u>				
Reconciliation to accounts payable on the financial statements:								
Unrestricted	\$ 7,683,847	\$ 1,811,683	\$ 2,636,782	\$ 12,132,312	\$ 16,395,462	\$ 8,994,189	\$ 2,407,867	\$ 45,023
Restricted	-	-	-	-	5,000,242	3,257,319	-	-
	<u>\$ 7,683,847</u>	<u>\$ 1,811,683</u>	<u>\$ 2,636,782</u>	<u>\$ 12,132,312</u>	<u>\$ 21,395,704</u>	<u>\$ 12,251,508</u>	<u>\$ 2,407,867</u>	<u>\$ 45,023</u>
Adjustment for interest payable				360,422				
				<u>\$ 12,492,734</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, 2008, are as follows:

Governmental activities

\$4,300,000 1987 Public Improvement Bonds due in various annual installments through April 1, 2009; interest at various rates between 5.8% and 6.0%.	\$ 100,000
\$13,800,000 1996 Public Improvement Bonds due in various annual installments, through December 1, 2016; interest at various rates between 4.9% and 5%.	6,050,000

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5 - Long-Term Obligations (continued)

\$4,900,000 1999 Street Improvement Bonds due in various installments beginning March 1, 2001 through March 1, 2017; interest at 4.32%.	\$ 2,425,000
\$275,000 2000 Public Improvement Bonds due in various annual installments beginning April 1, 2002 through April 1, 2021; interest at various rates between 4.9% and 5.1%.	198,061
\$2,400,000 2000 Street Improvement Bonds due in various installments beginning April 1, 2002 through April 1, 2018; interest at various rates between 4.9% and 5%.	1,900,000
\$5,535,000 2002 Refunding Bonds due in various annual installments through June 1, 2016; interest at various rates between 2% and 4%.	3,295,000
\$3,805,000 2003 Refunding Bonds due in various annual installments through June 1, 2010; interest at various rates between 2% and 3%.	955,000
\$8,450,000 2005 Public Improvement Bonds due in various semiannual installments through December 1, 2025; interest at various rates between 3.40% and 5.25%.	<u>7,175,000</u>
	<u>22,098,061</u>
Less: Loss on Defeasance	<u>(570,906)</u>
Total governmental general obligation bonds	<u>21,527,155</u>
 Business-type activities	
\$2,770,000 General Obligation Bonds, Series 1996 due in various annual installments through December 1, 2014; interest at various rates between 4.9% and 5%.	1,670,000
\$2,750,000 General Obligation Bonds, Series 1999 due in various annual installments through March 1, 2017; interest at 4.30%.	1,400,000
\$3,335,000 General Obligation Bonds, Series 2000 due in various annual installments through April 1, 2021; interest at various rates between 5.0% and 5.1%.	2,401,939

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5 - Long-Term Obligations (continued)

\$3,625,000 General Obligation Bonds, Series 2002 due in various installments through June 1, 2021; interest at various rates between 3.5% and 4.5%.	\$ 2,625,000
\$5,195,000 General Obligation Refunding Bonds, Series 2003 due in various annual installments through May 1, 2009; interest at various rates between 2.25% and 2.5%.	<u>945,000</u>
	9,041,939
Less: Loss on Defeasance	<u>(72,707)</u>
Total business type general obligation bonds	<u>8,969,232</u>
Total general obligations bonds	<u>\$ 30,496,387</u>

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 2008, are as follows:

Governmental activities:

\$16,390,000 1996 Municipal Building Projects Bonds due in various annual installments through February 1, 2018; interest at various rates between 5.40% and 5.70%.	\$ 2,520,000
\$5,835,000 2006 Municipal Building Projects Refunding Bonds due in various annual installments through February 1, 2018; interest at various rates between 3.00% and 5.25%.	4,425,000
\$3,920,000 2006 Municipal Building Projects Bonds for the construction of Festival Park due in various annual installments through February 1, 2012; interest at various rates between 3.00% and 5.25%	2,240,000
\$2,685,000 2006 Municipal Building Projects Bonds for the construction of Westover Recreation Center due in various annual installments through February 1, 2019; interest at various rates between 3.00% and 5.25%.	<u>2,100,000</u>
Total governmental revenue bonds	<u>11,285,000</u>

Business-type activities

\$40,755,000 Series 1997 Revenue Bonds due in various annual installments through March 1, 2010; interest at various rates between 4.70% and 4.90%.	2,055,000
\$19,325,000 Series 1999 Revenue Bonds due in various installments through March 1, 2010; interest at various rates between 4.90% and 5.00%.	1,675,000
\$19,175,000 Series 2001 Revenue Refunding Bonds due in various semiannual installments through March 1, 2016; interest at various rates between 4.10% and 5.50%.	11,495,000
\$78,280,000 Series 2003 Revenue Refunding Bonds due in various annual installments through March 1, 2024; fixed rate swap at 3.42%.	74,755,000

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5 - Long-Term Obligations (continued)

\$55,150,000 Series A 2003 Variable Rate Revenue and Revenue Refunding Bonds due in various annual installments through March 1, 2020; fixed rate swap at 3.74%.	\$ 53,750,000
\$30,065,000 Series B 2003 Variable Rate Revenue Refunding Bonds due in various annual installments through March 1, 2009; interest resets weekly.	6,980,000
\$17,025,000 Series 2008 Revenue Bonds due in annual installments through March 1, 2023; interest at various rates between 3.5% and 4.5%.	<u>17,025,000</u>
Total business-type revenue bonds	167,735,000
Less: Loss on Defeasance	<u>(8,819,330)</u>
Total revenue bonds	<u>\$ 170,200,670</u>

Total interest expense related to the revenue and general obligation bonds totaled \$8,112,873 for the year ended June 30, 2008 and of that amount, \$175,686 was capitalized during the year.

C - Notes Payable

Notes payable financed by the governmental funds is serviced by the federal and state financial assistance fund. Notes payable financed by the Electric/Water and Wastewater Funds are accounted for in the respective funds.

The City has incurred debt to finance certain community development and capital project activities. The City has also 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. During 2006, the City issued \$142,140,000 in Revenue Notes to provide funds to make a prepayment under a Prepayment Agreement with PEC (see Prepaid expenses in Note 1). At June 30, 2008, the revenue note was paid in full.

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

Business-type activities

\$7,595,127 State revolving loan due in various annual installments through May 1, 2021; interest at 2.6% paid semiannually on May 1 and November 1.	\$ 4,936,833
--	--------------

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Note 5 - Long-term debt (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.	\$ 15,272,863
--	---------------

\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest	<u>277,200</u>
---	----------------

Total business-type notes payable	<u>20,486,896</u>
-----------------------------------	-------------------

Total notes payable	<u>\$ 20,486,896</u>
---------------------	----------------------

Total interest expense related to the notes payable obligations totaled \$977,702 for the year ended June 30, 2008.

D - Lease Agreements

The City has entered into lease agreements as lessee for financing certain equipment, vehicles and fixtures, which have been pledged as security for these leases. 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 \$339,000 in 2009 including interest at rates ranging from 4.19% to 4.55%	\$ 8,352,078
--	--------------

Capital lease obligations payable in various monthly installments of approximately \$105,526 in 2009 including interest at 2.91%	1,160,795
--	-----------

Capital lease obligations payable in various monthly installments of approximately \$86,057 in 2009 including interest at 3.81%.	2,065,367
--	-----------

Capital lease obligations payable in various monthly installments of approximately \$56,724 in 2009 including interest at 3.05%	1,304,672
---	-----------

Capital lease obligations payable in various monthly installments of approximately \$60,852 beginning in 2009 including interest at 3.375%	<u>3,590,274</u>
--	------------------

Less: amount representing interest	<u>(2,129,270)</u>
Present value of the minimum lease payments	<u>\$ 14,343,916</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Note 5 - Long-Term Obligations (continued)

The following is an analysis of leased property under capital leases as of June 30, 2008:

Classes of Property	Cost	Depreciation	Value
Equipment	\$ 8,093,600	\$ 5,423,057	\$ 2,670,543
Vehicles	4,630,035	1,662,698	2,967,337
Buildings and improvement	16,789,518	2,297,200	14,492,318
Total	<u>\$ 29,513,153</u>	<u>\$ 9,382,955</u>	<u>\$ 20,130,198</u>

Total interest expense related to the capital lease obligations totaled \$418,198 for the year ended June 30, 2008.

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, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion
Governmental activities:					
General obligation debt	\$ 24,973,296	\$ -	\$ 2,875,235	\$ 22,098,061	\$ 2,890,235
Revenue bonds	13,135,000	-	1,850,000	11,285,000	1,555,000
Capitalized leases	14,990,943	3,303,940	3,950,967	14,343,916	4,076,348
Notes payable	5,000	-	5,000	-	-
Arbitrage payable	32,220	-	32,220	-	-
Compensated absences	4,328,961	5,983,544	5,333,115	4,979,390	2,825,791
Net OPEB Obligation	-	5,406,725	-	5,406,725	-
	<u>57,465,420</u>	<u>\$ 14,694,209</u>	<u>\$ 14,046,537</u>	<u>58,113,092</u>	<u>11,347,374</u>
Less: loss on defeasance (net of amortization)	(664,104)			(570,906)	
Total governmental activities	<u>\$ 56,801,316</u>			<u>\$ 57,542,186</u>	<u>\$ 11,347,374</u>

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion
Business-type activities:					
General obligation debt	\$ 10,626,704	\$ -	\$ 1,584,765	\$ 9,041,939	\$ 1,629,765
Revenue bonds	162,360,000	17,025,000	11,650,000	167,735,000	12,690,000
Notes payable	64,396,136	-	43,909,240	20,486,896	1,267,849
Compensated absences	3,109,884	3,131,907	3,190,595	3,051,196	1,527,435
Net OPEB Obligation	-	1,254,162	-	1,254,162	-
	<u>240,492,724</u>	<u>\$ 20,156,907</u>	<u>\$ 60,334,600</u>	<u>201,569,193</u>	<u>17,115,049</u>
Less: loss on defeasance (net of amortization)	(10,432,576)			(8,892,037)	-
Total business-type activities	<u>\$ 230,060,148</u>			<u>\$ 192,677,156</u>	<u>\$ 17,115,049</u>

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5 - Long-Term Obligations (continued)

F - Maturities of Long-Term Obligations

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

Governmental activities:

Year Ended	Bonds Payable		Revenue Bonds		Construction and Improvement Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,890,235	\$ 922,002	\$ 1,555,000	\$ 548,358	\$ 678,968	\$ 278,445
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
2014-2018	6,695,942	1,187,339	3,680,000	761,140	1,586,368	404,304
2019-2023	1,420,706	375,535	1,215,000	92,063	907,401	161,002
2024-2025	2,090,238	260,027	-	-	756,167	47,353
	<u>22,098,061</u>	<u>5,368,806</u>	<u>11,285,000</u>	<u>3,010,811</u>	<u>6,644,776</u>	<u>1,707,302</u>
Less: loss on defeasance (net of amortization)	(570,906)	-	-	-	-	-
	<u>\$ 21,527,155</u>	<u>\$ 5,368,806</u>	<u>\$ 11,285,000</u>	<u>\$ 3,010,811</u>	<u>\$ 6,644,776</u>	<u>\$ 1,707,302</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2009	\$ 3,397,380	\$ 207,020	\$ 8,521,583	\$ 1,955,825
2010	2,276,115	110,768	7,115,318	1,659,983
2011	672,195	58,031	4,741,398	1,412,676
2012	695,236	34,990	4,784,439	1,202,370
2013	658,214	11,159	4,212,417	989,270
2014-2018	-	-	11,962,310	2,352,783
2019-2023	-	-	3,543,107	628,600
2024-2025	-	-	2,846,405	307,380
	<u>7,699,140</u>	<u>421,968</u>	<u>47,726,977</u>	<u>10,508,887</u>
Less: loss on defeasance (net of amortization)	-	-	(570,906)	-
	<u>\$ 7,699,140</u>	<u>\$ 421,968</u>	<u>\$ 47,156,071</u>	<u>\$ 10,508,887</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 and arbitrage payable).

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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
2009	\$ 1,629,765	\$ 388,491	\$ 12,690,000	\$ 6,307,302	\$ 1,267,849	\$ 534,616	\$ 15,587,614	\$ 7,230,409
2010	734,765	333,503	10,675,000	5,751,130	1,267,849	502,172	12,677,614	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	14,047,814	5,107,491
2014-2018	2,993,823	630,820	86,925,000	15,269,958	6,220,444	1,537,554	76,139,267	17,438,332
2019-2023	1,179,292	113,228	33,060,000	4,753,555	5,381,731	736,339	39,621,023	5,603,122
2024-2026	-	-	9,820,000	335,844	2,545,476	135,419	12,365,476	471,263
	9,041,939	2,247,423	167,735,000	47,127,509	20,486,896	4,757,956	197,263,835	54,132,888
Less: Loss on defeasance (net of amortization)	(72,707)	-	(8,819,330)	-	-	-	(8,892,037)	-
	<u>\$ 8,969,232</u>	<u>\$ 2,247,423</u>	<u>\$ 158,915,670</u>	<u>\$ 47,127,509</u>	<u>\$ 20,486,896</u>	<u>\$ 4,757,956</u>	<u>\$ 188,371,798</u>	<u>\$ 54,132,888</u>

G - Legal Debt Margin

The legal debt margin of the City at June 30, 2008, approximated \$740,113,523.

H - Authorized But Un-issued Debt

At June 30, 2008, 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, minimum revenue bond coverage's and require 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, 2008.

J - Interest Rate Swap

Contracts. The City has two interest rate swap agreements in effect at June 30, 2008 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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, 2008 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	\$ 74,755,000	1/22/03	3.42%	59% of LIBOR + 34.5 bps	(\$1,979,857)	March 2024	Aa3/AA-/AA-
Series 2003A	53,750,000	9/11/03	3.74%	62.8 % of LIBOR + 31 bps	(2,019,421)	March 2020	Aa3/AA-/AA-
	<u>\$128,505,000</u>				<u>(\$3,999,278)</u>		

⁽¹⁾ LIBOR - London Interbank Offered Rate

⁽²⁾ Counterparty's guarantor

As of June 30, 2008 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 Aa3 by Moody's Investors Service (Moody's), AA- by Standard and Poor's (S&P), and AA- 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, 2008 of 3.12% and 3.41%. As of June 30, 2008, the rate on the City's Series 2003 and 2003A bonds were 1.50% and 1.52%, respectively, whereas the variable rates from the counterparty were 1.80% and 1.85%, respectively. For fiscal year 2008, the City experienced an actual synthetic rate of 3.42% and 3.61%, respectively.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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, 2008, 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	Total
	Principal	Interest	Swap, Net	
2009	\$ 2,715,000	\$ 1,938,325	\$ 2,227,457	\$ 6,880,782
2010	6,250,000	1,897,580	2,183,105	10,330,685
2011	9,175,000	1,803,124	2,072,374	13,050,498
2012	9,525,000	1,664,689	1,912,783	13,102,472
2013	9,885,000	1,520,895	1,746,082	13,151,977
2014-2018	59,100,000	5,217,379	5,939,179	70,256,558
2019-2023	22,035,000	1,496,759	1,637,357	25,169,116
2024	9,820,000	147,300	159,474	10,126,774
	<u>\$ 128,505,000</u>	<u>\$ 15,686,051</u>	<u>\$17,877,811</u>	<u>\$ 162,068,862</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, 2008, 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, 2008

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, the Variable Rate and Revenue Refunding Bonds, Series 2003B and the General Obligation Refunding Bonds, Series 2003, have been adjusted for the loss from defeasance (net of amortization) of \$8,892,037.

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)	\$ 667,360	\$ 667,360
Prepaid retiree insurance premiums (Internal Service)	12,000	12,000
Unearned rent (Proprietary)	29,117	29,117
Unearned grant receipts (Special Revenue)	483	483
Unearned receipts (Capital Projects)	35,000	35,000
Unearned grant receipts (Capital Projects)	561,805	561,805
Taxes receivable, net (General)	3,270,103	-
Taxes receivable, net (Special Revenue)	70,792	-
Accounts and notes receivable (General)	837,719	-
Accounts and notes receivable (Special Revenue)	7,043,214	-
Accounts and notes receivable (Capital Project)	146,364	-
Special assessments receivable, net (General)	660,365	-
 Total	 \$ 13,334,322	 \$ 1,305,765

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 \$11,849,508 for all employees for the policy ending June 30, 2008), 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, 2008

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 "first-dollar" auto liability coverage. 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, 2008 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, 2008, a liability for incurred but not reported claims of \$3,242,380 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.

	2008	2007
Liability at June 30,	\$ 2,912,656	\$ 4,521,606
Current year claims and changes in estimates	14,553,308	12,026,063
Actual claim payments	<u>(14,223,584)</u>	<u>(13,635,013)</u>
Liability at June 30,	<u>\$ 3,242,380</u>	<u>\$ 2,912,656</u>

The City does not carry flood insurance through the National Flood Insurance Plan (NFIP). The City's insurance carriers performed an analysis of the flood maps and made a determination that the City was not designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 8 - Risk Management (continued)

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 \$86.6 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, bond improvement, Linear Park, electric, water and wastewater projects. At June 30, 2008, cumulative expenditures to date totaled approximately \$71.4 million leaving an unexpended balance of \$15.2 million for projects that are expected to be completed at various dates through the year ended 2009.

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 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.

During the year ended June 30, 2008, the purchased power cost to PEC was \$90,810,146. This cost was without consideration of savings from the Purchased Power Prepayment Agreement. The City sold power in the amount of \$176,423 on the open market in fiscal year 2008.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Note 9 - Commitments and Contingent Liabilities (continued)

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 on the building throughout the term of the agreement. The building is 75.1% leased and the City has not been required to make any payments under the master lease at this date.

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 2013. 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>
2009	\$ 513,380
2010	426,993
2011	176,339
2012	101,411
2013	67,040
Total	<u>\$ 1,285,163</u>

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

For the fiscal year ended June 30, 2008, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$36,952 for the 144 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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 11 - Employee Retirement Systems (continued)

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, 2008, 2007 and 2006, were \$5,558,873, \$5,330,791 and \$5,011,993, respectively. The contributions made by the City equaled the required contributions for each year.

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

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, 2008, 2007 and 2006 was 0% of annual covered payroll.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 11 - Employee Retirement Systems (continued)

The annual required contribution calculation for June 30, 2008 was determined as part of the July 1, 2008, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4% per year to retirement age. Both (a) and (b) included an inflation component of 3%. 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, 2008. There was no annual required contribution for the current year under this plan; the trend information has been omitted from these statements. This benefit plan is a contributory, defined benefit retirement plan, which covers all employees who participated in the ERP plan at April 1, 2003.

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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	29
Active plan members	<u>360</u>
Total	<u>389</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, 2008

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 \$379,324, or 2.30% 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, 2006 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, 2006 was 24 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	\$ 388,882
Interest on net pension obligation	(33,524)
Adjustment to annual required contribution	<u>28,414</u>
Annual pension cost	383,772
Contributions made	<u>379,324</u>
Increase (decrease) in net pension obligation	4,448
Net prepaid pension obligation beginning of year	<u>(462,399)</u>
Net prepaid pension obligation end of year	<u>\$ (457,951)</u>

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
2006	\$ 356,650	117.42%	\$ (400,553)
2007	324,110	119.08	(462,399)
2008	383,772	98.84	(457,951)

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Note 11 - Employee Retirement Systems (continued)

The fiscal year 2007-2008 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, 2008
ASSETS			
Cash and cash equivalents	\$ 2,146,562	\$ 4,187,435	\$ 6,333,997
Accounts receivable	6,289	-	6,289
Total assets	<u>2,152,851</u>	<u>4,187,435</u>	<u>6,340,286</u>
LIABILITIES			
Accounts payable	19,721	25,302	45,023
Total liabilities	<u>19,721</u>	<u>25,302</u>	<u>45,023</u>
NET ASSETS			
Held in trust for:			
Held in trust for benefits and other purposes	2,133,130	4,162,133	6,295,263
Total net assets	<u>\$ 2,133,130</u>	<u>\$ 4,162,133</u>	<u>\$ 6,295,263</u>

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	\$ 379,323	\$ -	\$ 379,323
Investment earnings	98,622	(284,106)	(185,484)
Total additions	<u>477,945</u>	<u>(284,106)</u>	<u>193,839</u>
DEDUCTIONS			
Benefit payments and premiums	465,370	90,456	555,826
Total deductions	<u>465,370</u>	<u>90,456</u>	<u>555,826</u>
CHANGE IN NET ASSETS	12,575	(374,562)	(361,987)
Total net assets - beginning	2,120,555	4,536,695	6,657,250
Total net assets - ending	<u>\$ 2,133,130</u>	<u>\$ 4,162,133</u>	<u>\$ 6,295,263</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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.

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, 2008, were \$1,769,041, which consisted of \$846,996 from the City and \$922,045 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, 2008

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 evaluation:

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 12.41 percent of annual covered payroll. For the current year, the City contributed \$995,265 or 1.88% of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$11,849,508 for all employees and retirees for the policy ending June 30, 2008. Retiree members contributed \$189,580 or 0.36% 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 Risk Management Internal Service Fund (RM Fund), which is maintained on the full accrual basis of accounting. The RM 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, 2008

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 has prospectively implemented GASB Statement 45 at June 30, 2008. The following table shows the components of the City's annual OPEB cost for the year, 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)	\$6,585,964
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	6,585,964
Contributions Made	995,265
Increase (decrease) in net OPEB obligation	5,590,699
Net OPEB obligation, beginning of the year	-
Net OPEB obligation, end of the year	\$5,590,699

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 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

Funded Status and Funding Progress. As of June 30, 2008 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 multiyear 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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

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 June 30, 2008:

Retirees	47
Employees on disability	22
Active members	<u>549</u>
Total	<u>618</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 3.8 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 has 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 year.

Annual Required Contribution (ARC)	\$1,070,188
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,070,188</u>
Contributions Made	-
Increase (decrease) in net OPEB obligation	<u>1,070,188</u>
Net OPEB obligation, beginning of the year	-
Net OPEB obligation, end of the year	<u>\$1,070,188</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

As of June 30, 2008 the plan was not funded. The most recent actuarial valuation was February 22, 2007. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$11,080,476.

The covered payroll (annual payroll of active employees covered by the plan) was \$27,983,314 and the ratio of the UAAL to the covered payroll was 40.0 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 is presented as required supplementary information following the notes to the financial statements.

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 February 22, 2007 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 percentage of projected payroll on an open basis. The remaining amortization period was 30 years.

Note 13 – Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2008, consist of the following:

Due From:	Due To:			Total
	General	Electric	Waste and Wastewater	
Airport	\$ 283,097	\$ -	\$ -	\$ 283,097
PWC Fleet Maintenance Fund	-	190,618	148,290	338,908
	<u>\$ 283,097</u>	<u>\$ 190,618</u>	<u>\$ 148,290</u>	<u>\$ 622,005</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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2008, consist of the following:

Transfer out:	Transfer in:					Total
	General	Nonmajor Governmental	Internal Service	Water and Wastewater	Nonmajor Enterprise	
General	\$ -	\$ 6,743,591	\$ 200,000	\$ 658,362	\$ 3,970,414	\$ 11,572,367
Nonmajor Governmental	3,191,886	41,345	-	1,918,779	-	5,152,010
Electric	9,991,013	-	-	-	-	9,991,013
Water and Wastewater	14,292	-	-	-	-	14,292
Internal Service	18,324	-	-	-	149,896	168,220
Totals	\$ 13,215,515	\$ 6,784,936	\$ 200,000	\$ 2,577,141	\$ 4,120,310	\$ 26,897,902

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, 2008, a total of \$10,005,305 was transferred from the electric and water and wastewater funds to the general fund. This transfer consisted of three components: (1) 5% of electric sales revenues totaling \$7,390,040, (2) reimbursement of general fund street light utility expenditures of \$2,646,330, and (3) a (\$31,065) reduction for reimbursement of lost electric sales revenues related to an annexation action.

Note 14 – Net Asset Deficits

The Police Benefit Trust Fund reported a deficit net asset balance of (\$29) as of June 30, 2008. This deficit will be eliminated with future donations.

Note 15 – Subsequent Events

The North Carolina State Education Assistance Agency instruments in the portfolio having final stated maturities ranging from 2015 to 2036 have been called, effective July 31, 2008 resolving the matter of illiquid investments for the City of Fayetteville.

On August 28, 2008 the PWC Supplemental Employees' Retirement Plan Board of Trustees voted to liquidate the Supplemental Employees' Retirement Plan. It has yet to go before the Public Works Commissioners and the City Council of the City of Fayetteville.



Required Supplementary Information

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

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)
12/31/1998	\$878,608	\$1,337,500	\$458,892	65.69%	\$9,011,331	5.09%
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%

The annual required contribution for the fiscal year ended June 30, 2008 was determined as part of the December 31, 2006 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, 2006 was 24 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>
1999	\$ 111,500	128.32%	\$ 143,075
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	117.10%	385,957
2008	388,882	97.54%	379,324

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, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 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

Note that this schedule is provided for informational purposes only. The Commission uses the aggregate actuarial cost method under which such a schedule is not required.

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>
-------------------------------	---	-----------------------------------

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, 2008
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*	4.0%
* Includes inflation at	3.0%
Cost-of-living adjustments	None

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 OPEB cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2008	\$ 6,585,964	0.00%

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	29
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%

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 OPEB cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 1,070,188	0.00%	\$ 1,070,188

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	February 22, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of projected payroll on an open basis
Amortization period	29
Actuarial assumptions:	
Investment rate of return*	5.25%
Annual medical cost trend rates*	10% - 5%
* Includes inflation at	3.0%
Cost-of-living adjustments	None

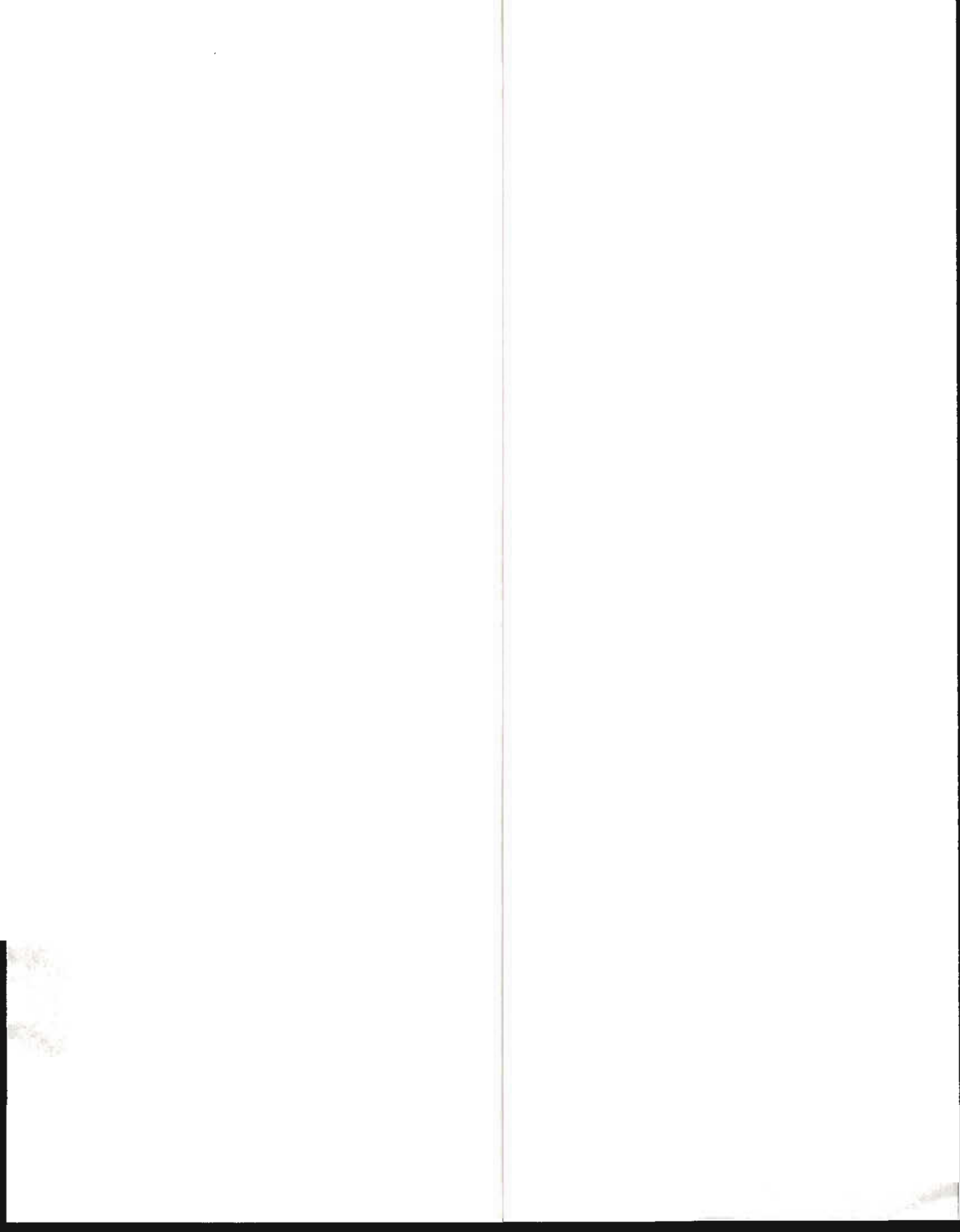


Supplemental Financial Information

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2008 and 2007

ASSETS	2008	2007
Cash and investments	\$ 45,689,040	\$ 46,163,255
Taxes receivable	3,270,102	3,717,738
Accounts receivable	13,051,069	12,083,219
Interfund receivable	283,097	314,702
Assessments receivable	498,602	551,639
Inventories	115,378	174,993
Restricted cash and investments	3,305,317	156,401
Total assets	\$ 66,212,605	\$ 63,161,947
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 7,683,847	\$ 7,585,610
Unearned deposits	84,470	100,645
Deferred revenues	5,435,547	5,825,396
Total liabilities	13,203,864	13,511,651
Fund balances		
Fund balances:		
Reserved		
By State statute	12,334,683	11,492,910
For encumbrances	2,934,985	6,554,473
For streets - Powell Bill	-	156,401
For inventories	115,378	174,993
For downtown	234,296	197,061
For JP Riddle - Stadium	17,507	14,585
For county recreation	1,563,891	1,097,826
For donations	26,166	-
Unreserved		
Designated		
For subsequent year's expenditures	9,163,213	3,598,129
For special purpose	5,550,563	1,710,539
For debt service	3,238,353	3,450,644
Undesignated	17,829,706	21,202,735
Total fund balances	53,008,741	49,650,296
Total liabilities and fund balances	\$ 66,212,605	\$ 63,161,947

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008
With Comparative Actual Statements for the Year Ended June 30, 2007

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 52,142,463	\$ 678,267	\$ 52,820,730	\$ 57,090,702
Prior year	1,695,997	(71,397)	1,624,600	1,162,004
Penalties	315,475	4,872	320,347	321,964
Total ad valorem taxes	54,153,935	611,742	54,765,677	58,574,670
Other taxes				
Local option sales tax	31,180,350	478,912	31,659,262	30,488,647
Utility franchise tax	3,174,732	220,738	3,395,470	3,280,209
Telecommunications sales tax	1,779,844	123,752	1,903,596	1,697,989
Piped natural gas tax	593,977	41,299	635,276	650,889
Video franchise tax	1,998,754	138,972	2,137,726	935,196
Vehicle license tax	636,430	(437)	635,993	623,019
Privilege license	916,824	67,903	984,727	920,196
Cablevision franchise tax	456,460	35,442	491,902	1,243,013
Vehicle gross receipt	394,000	22,176	416,176	391,124
Total other taxes	41,131,371	1,128,757	42,260,128	40,220,282
Intergovernmental				
Federal	30,096	20,192	50,288	36,531
State	8,333,704	256,921	6,590,625	6,004,789
Local	3,271,418	161,195	3,432,613	3,422,830
Total intergovernmental	9,635,218	438,308	10,073,526	9,464,150
Other functional				
Permits and fees	2,307,945	(493,066)	1,814,879	2,418,213
Property leases	888,818	(481,660)	407,158	354,211
Engineering/planning services	325,083	20,739	345,822	821,167
Public safety services	643,247	143,236	786,483	697,681
Environmental services	64,195	9,187	73,382	63,254
Recreation and cultural services	975,509	17,333	992,842	908,190
Parking revenues	157,658	23,713	181,371	110,064
Other fees and services	196,010	(104,528)	91,482	102,401
Total other functional	5,558,465	(865,046)	4,693,419	5,475,181
Miscellaneous				
Refunds and sundry	664,969	33,460	698,429	914,573
Indirect cost allocation	896,598	46,923	943,521	904,704
Special use assessment	130,700	73,616	204,316	180,072
Sale of assets	158,400	116,982	275,382	201,112
Total miscellaneous	1,850,667	270,981	2,121,648	2,200,461
Interest earned on Investments	1,491,100	1,009,814	2,500,914	2,901,379
Total revenues	113,820,756	2,594,556	116,415,312	118,836,123

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008
With Comparative Actual Statements for the Year Ended June 30, 2007

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Expenditures				
Current				
Administration				
Legislative				
Personnel	\$ 266,083	\$ 4,393	\$ 261,690	\$ 302,445
Operating	418,163	84,151	334,012	293,413
	<u>684,246</u>	<u>88,544</u>	<u>595,702</u>	<u>595,858</u>
City attorney				
Personnel	497,847	12,312	485,535	468,900
Operating	385,212	62,247	322,965	397,635
	<u>883,059</u>	<u>74,559</u>	<u>808,500</u>	<u>866,535</u>
Executive				
Personnel	1,064,211	10,657	1,053,554	1,030,675
Operating	235,240	128,570	106,670	148,663
	<u>1,299,451</u>	<u>139,227</u>	<u>1,160,224</u>	<u>1,179,338</u>
Human resources development				
Personnel	858,863	20,598	838,265	659,059
Operating	260,686	25,954	234,732	280,585
	<u>1,119,549</u>	<u>46,552</u>	<u>1,072,997</u>	<u>939,644</u>
Management services				
Personnel	572,829	8,117	564,712	551,531
Operating	322,858	87,284	235,574	249,818
Assets	7,150	-	7,150	-
Inventory	142,000	13,441	128,559	142,754
Cost redistribution	(175,489)	2,836	(178,325)	(186,502)
	<u>869,348</u>	<u>111,678</u>	<u>757,670</u>	<u>757,601</u>
Information technology				
Personnel	492,707	23,969	468,738	440,103
Operating	1,425,690	320,639	1,105,051	718,947
Assets	355,195	277,822	77,373	96,945
Cost redistribution	(6,068)	1	(6,069)	(6,066)
	<u>2,267,524</u>	<u>622,431</u>	<u>1,645,093</u>	<u>1,249,929</u>
Human relations				
Personnel	202,476	6,266	196,210	189,706
Operating	42,712	17,061	25,651	34,155
Payments to agencies	3,249	-	3,249	60
	<u>248,437</u>	<u>23,327</u>	<u>225,110</u>	<u>223,921</u>
Finance				
Personnel	1,197,752	13,876	1,183,876	1,023,408
Operating	1,269,829	127,141	1,142,688	1,165,363
Assets	96,000	96,000	-	-
	<u>2,563,581</u>	<u>237,017</u>	<u>2,326,564</u>	<u>2,188,771</u>
General government				
Personnel	101,163	195	100,968	118,124
Operating	7,187,170	203,346	6,983,824	7,911,523
Assets	45,768	34,048	11,720	143,240
Inventory	1,889,477	26	1,889,451	1,495,691
Cost redistribution	(1,899,029)	-	(1,899,029)	(1,661,187)
Payments to agencies	264,000	-	264,000	352,142
	<u>7,588,549</u>	<u>237,615</u>	<u>7,350,934</u>	<u>8,359,533</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008
With Comparative Actual Statements for the Year Ended June 30, 2007

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Expenditures (continued)				
Current (continued)				
Administration (continued)				
Public buildings				
Personnel	\$ 729,508	\$ 7,507	\$ 722,001	\$ 660,972
Operating	1,092,088	96,824	995,264	1,227,123
Assets	22,105	22,105	-	33,875
	<u>1,843,701</u>	<u>126,436</u>	<u>1,717,265</u>	<u>1,921,970</u>
Project management				
Personnel	225,259	6,324	218,935	222,964
Operating	20,558	10,353	10,205	12,040
	<u>245,817</u>	<u>16,677</u>	<u>229,140</u>	<u>235,004</u>
Total administration	<u>19,613,262</u>	<u>1,724,063</u>	<u>17,889,199</u>	<u>18,518,104</u>
Public safety				
Police				
Personnel	30,943,292	532,936	30,410,356	30,098,926
Operating	5,645,340	854,484	4,790,856	4,874,349
Assets	4,301,980	905,035	3,396,945	1,103,879
Payments to agencies	3,000	-	3,000	3,000
	<u>40,893,612</u>	<u>2,292,455</u>	<u>38,601,157</u>	<u>36,080,154</u>
Fire				
Personnel	16,236,957	893	16,236,064	15,461,348
Operating	2,483,676	233,384	2,250,292	2,268,501
Assets	624,012	1	624,011	1,453,873
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>19,269,645</u>	<u>234,278</u>	<u>19,035,367</u>	<u>19,108,722</u>
Inspections				
Personnel	2,285,300	18,105	2,267,195	2,169,562
Operating	475,311	98,591	376,720	355,560
	<u>2,760,611</u>	<u>116,696</u>	<u>2,643,915</u>	<u>2,525,122</u>
Total public safety	<u>62,923,868</u>	<u>2,643,429</u>	<u>60,280,439</u>	<u>57,713,998</u>
Environmental protection				
Solid waste				
Personnel	3,779,092	164,385	3,614,707	3,208,877
Operating	3,929,523	331,573	3,597,950	4,328,606
Assets	3,505,564	731,269	2,774,295	997,825
	<u>11,214,179</u>	<u>1,227,227</u>	<u>9,986,952</u>	<u>8,535,308</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008

With Comparative Actual Statements for the Year Ended June 30, 2007

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Expenditures (continued)				
Current (continued)				
Environmental protection (continued)				
Cemeteries				
Personnel	\$ 123,418	\$ 515	\$ 122,903	\$ 148,085
Operating	46,173	24,352	21,821	18,397
	<u>169,591</u>	<u>24,867</u>	<u>144,724</u>	<u>166,482</u>
Urban forestry				
Personnel	134,389	2,297	132,092	126,485
Operating	22,455	13,428	9,027	18,804
	<u>156,844</u>	<u>15,725</u>	<u>141,119</u>	<u>145,289</u>
Street Sweeping				
Personnel	373,387	5,500	367,887	329,089
Operating	235,701	11,044	224,657	182,920
Assets	180,000	180,000	-	154,682
Cost redistribution	-	-	-	(314)
	<u>789,088</u>	<u>196,544</u>	<u>592,544</u>	<u>666,377</u>
Total environmental protection	<u>12,329,702</u>	<u>1,464,363</u>	<u>10,865,339</u>	<u>9,513,456</u>
Transportation				
Streets				
Personnel	2,609,812	44,906	2,564,906	2,425,879
Operating	5,133,741	646,309	4,487,432	3,833,688
Assets	204,204	8,000	196,204	266,809
Cost redistribution	-	-	-	(66,508)
	<u>7,947,757</u>	<u>699,215</u>	<u>7,248,542</u>	<u>6,459,868</u>
Engineering				
Personnel	1,286,623	12,539	1,274,084	1,213,846
Operating	177,597	41,972	135,625	128,336
Assets	16,127	73	16,054	34,797
	<u>1,480,347</u>	<u>54,584</u>	<u>1,425,763</u>	<u>1,376,979</u>
Parking				
Operating	210,236	12,153	198,083	190,545
Assets	140,000	140,000	-	-
	<u>350,236</u>	<u>152,153</u>	<u>198,083</u>	<u>190,545</u>
Total transportation	<u>9,778,340</u>	<u>905,952</u>	<u>8,872,388</u>	<u>8,027,392</u>
Economic and physical development				
Central business district				
Operating	116,193	49,997	66,196	64,455
Community development				
Personnel	99,085	176	98,909	93,733
Operating	1,033,037	896,395	136,642	906,945
	<u>1,132,122</u>	<u>896,571</u>	<u>235,551</u>	<u>1,000,678</u>
Planning and development				
Personnel	443,694	2,953	440,741	318,954
Operating	378,201	125,466	252,735	147,026
Payments to agencies	15,000	13,699	1,301	6,494
	<u>836,895</u>	<u>142,118</u>	<u>694,777</u>	<u>472,474</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008
With Comparative Actual Statements for the Year Ended June 30, 2007

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Expenditures (continued)				
Current (continued)				
Economic and physical development (continued)				
Total economic and physical development	\$ 2,085,210	\$ 1,088,686	\$ 996,524	\$ 1,537,607
Recreation and community facilities				
Parks & Recreation				
Personnel	6,959,305	90,725	6,868,580	6,615,741
Operating	4,469,938	699,092	3,770,846	3,625,356
Assets	654,002	367,853	286,149	361,073
	<u>12,083,245</u>	<u>1,157,670</u>	<u>10,925,575</u>	<u>10,602,170</u>
Total recreation and community facilities	<u>12,083,245</u>	<u>1,157,670</u>	<u>10,925,575</u>	<u>10,602,170</u>
Debt service	<u>11,552,818</u>	<u>3,378,327</u>	<u>8,174,491</u>	<u>9,205,145</u>
Total expenditures	<u>130,366,445</u>	<u>12,362,490</u>	<u>118,003,955</u>	<u>115,117,872</u>
Revenues over (under) expenditures	<u>(16,545,689)</u>	<u>14,957,046</u>	<u>(1,588,643)</u>	<u>3,718,251</u>
Other financing sources (uses)				
Appropriated fund balance	10,752,094	(10,752,094)	-	-
Transfers in	13,442,816	(227,301)	13,215,515	9,727,693
Transfers (out)	(11,837,366)	264,999	(11,572,367)	(7,292,408)
Capital leases, bonds and other debt	4,188,145	(884,205)	3,303,940	-
Total other financing sources (uses)	<u>16,545,689</u>	<u>(11,598,601)</u>	<u>4,947,088</u>	<u>2,435,285</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,358,445</u>	<u>3,358,445</u>	<u>6,153,536</u>
Fund balance				
Beginning of year - July 1			<u>49,650,296</u>	<u>43,496,760</u>
End of year - June 30			<u>\$ 53,008,741</u>	<u>\$ 49,650,296</u>



Nonmajor Governmental Funds

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 4,437,159	\$ 4,153,781	\$ 8,590,940
Taxes receivable	70,792	-	70,792
Accounts receivable	7,844,389	270,078	8,114,467
Restricted asset - cash and investments	454,821	5,118,257	5,573,078
Restricted asset - accounts receivable	-	3,907	3,907
Total assets	\$ 12,807,161	\$ 9,546,023	\$ 22,353,184
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 253,916	\$ 1,557,767	\$ 1,811,683
Deferred revenues	7,114,489	743,169	7,857,658
Total liabilities	7,368,405	2,300,936	9,669,341
Fund balances:			
Reserved			
By State statute	1,347,033	392,831	1,739,864
For encumbrances	707,020	818,875	1,525,895
For streets - Powell Bill	-	884,606	884,606
Unreserved			
Designated			
For subsequent year's expenditures	2,047,602	5,148,775	7,196,377
For special purpose	1,033,562	-	1,033,562
Undesignated	303,539	-	303,539
Total fund balances	5,438,756	7,245,087	12,683,843
Total liabilities and fund balances	\$ 12,807,161	\$ 9,546,023	\$ 22,353,184

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Other taxes and fees	\$ 6,514,026	\$ -	\$ 6,514,026
Intergovernmental	2,803,753	132,608	2,936,361
Miscellaneous	596,290	102,326	698,616
Interest earned on investments	255,406	274,352	529,758
Total revenues	<u>10,169,475</u>	<u>509,286</u>	<u>10,678,761</u>
Expenditures			
Current:			
Administration	-	3,915	3,915
Public safety	1,288,746	1,863,285	3,152,031
Environmental protection	2,606,973	-	2,606,973
Transportation	-	3,019,828	3,019,828
Economic and physical development	2,559,950	1,320,744	3,880,694
Recreation and community facilities	-	1,255,803	1,255,803
Debt service:			
Principal	1,955,769	-	1,955,769
Interest and fees	632,673	-	632,673
Total expenditures	<u>9,044,111</u>	<u>7,463,575</u>	<u>16,507,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,125,364</u>	<u>(6,954,289)</u>	<u>(5,828,925)</u>
Other financing sources (uses)			
Transfers in	2,597,139	4,187,797	6,784,936
Transfers out	<u>(3,122,577)</u>	<u>(2,029,433)</u>	<u>(5,152,010)</u>
Total other financing sources (uses)	<u>(525,438)</u>	<u>2,158,364</u>	<u>1,632,926</u>
Net change in fund balances	599,926	(4,795,925)	(4,195,999)
Fund balance - beginning	4,838,830	12,041,012	16,879,842
Fund balance - ending	<u>\$ 5,438,756</u>	<u>\$ 7,245,087</u>	<u>\$ 12,683,843</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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008**

	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	\$ 276,903	\$ -	\$ 4,160,256	\$ -	\$ 4,437,159
Taxes receivable	-	-	70,792	-	70,792
Accounts receivable	93,877	7,739,239	11,273	-	7,844,389
Interfund receivable	-	-	545,858	-	545,858
Restricted asset - cash and investments	-	454,821	-	-	454,821
Total assets	\$ 370,780	\$ 8,194,060	\$ 4,788,179	\$ -	\$ 13,353,019
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 59,170	\$ 95,592	\$ 99,154	\$ -	\$ 253,916
Interfund payables	-	545,858	-	-	545,858
Deferred revenues	-	7,043,697	70,792	-	7,114,489
Total liabilities	59,170	7,685,147	169,946	-	7,914,263
Fund balances:					
Reserved					
By State statute	93,877	696,025	557,131	-	1,347,033
For encumbrances	-	269,877	437,143	-	707,020
Unreserved					
Designated					
For subsequent year's expenditures	-	-	2,047,602	-	2,047,602
For special purpose	-	-	1,033,562	-	1,033,562
Undesignated	217,733	(456,989)	542,795	-	303,539
Total fund balances	311,610	508,913	4,618,233	-	5,438,756
Total liabilities and fund balances	\$ 370,780	\$ 8,194,060	\$ 4,788,179	\$ -	\$ 13,353,019

CITY OF FAYETTEVILLE, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	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	\$ 922,024	\$ -	\$ 5,592,002	\$ -	\$ 6,514,026
Intergovernmental	-	2,803,753	-	-	2,803,753
Miscellaneous	-	596,290	-	-	596,290
Interest earned on investments	66,342	-	188,067	997	255,406
Total revenues	<u>988,366</u>	<u>3,400,043</u>	<u>5,780,069</u>	<u>997</u>	<u>10,169,475</u>
Expenditures					
Current:					
Public safety	584,683	704,083	-	-	1,288,746
Environmental protection	-	-	2,606,973	-	2,606,973
Economic and physical development	-	2,553,370	-	6,580	2,559,950
Debt service:					
Principal	74,204	7,654	23,911	1,850,000	1,955,769
Interest and fees	3,214	281	1,035	628,143	632,673
Total expenditures	<u>662,081</u>	<u>3,265,388</u>	<u>2,631,919</u>	<u>2,484,723</u>	<u>9,044,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>326,285</u>	<u>134,655</u>	<u>3,148,150</u>	<u>(2,483,726)</u>	<u>1,125,364</u>
Other financing sources (uses)					
Transfers in	-	113,413	-	2,483,726	2,597,139
Transfers out	(3,122,577)	-	-	-	(3,122,577)
Total other financing sources (uses)	<u>(3,122,577)</u>	<u>113,413</u>	<u>-</u>	<u>2,483,726</u>	<u>(525,438)</u>
Net change in fund balances	<u>(2,796,292)</u>	<u>248,068</u>	<u>3,148,150</u>	<u>-</u>	<u>599,926</u>
Fund balance - beginning	<u>3,107,902</u>	<u>260,845</u>	<u>1,470,083</u>	<u>-</u>	<u>4,838,830</u>
Fund balance - ending	<u>\$ 311,610</u>	<u>\$ 508,913</u>	<u>\$ 4,618,233</u>	<u>\$ -</u>	<u>\$ 5,438,756</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008
(With Comparative Actual Amounts For Year Ended June 30, 2007)

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Revenues				
Other taxes				
Wireline 911 tax	\$ 361,922	\$ -	\$ 361,922	\$ 794,933
Wireless/consolidated 911 funds	703,759	(143,657)	560,102	269,666
Total other taxes	<u>1,065,681</u>	<u>(143,657)</u>	<u>922,024</u>	<u>1,064,599</u>
Interest earned on investments				
Wireless/consolidated 911	-	-	-	4,580
Wireline 911	134,210	(67,868)	66,342	136,013
Total interest earned on investments	<u>134,210</u>	<u>(67,868)</u>	<u>66,342</u>	<u>140,593</u>
Total revenues	<u>1,199,891</u>	<u>(211,525)</u>	<u>988,366</u>	<u>1,205,192</u>
Expenditures				
Current				
Public safety				
Wireless/consolidated 911				
Personnel	27,632	1,887	25,745	-
Operating	414,984	57,068	357,916	216,914
Assets	95,827	92,170	3,657	-
	<u>538,443</u>	<u>151,125</u>	<u>387,318</u>	<u>216,914</u>
Wireline 911				
Personnel	22,882	-	22,882	-
Operating	171,471	-	171,471	336,981
Assets	2,992	-	2,992	-
Cost redistribution	-	-	-	50,873
	<u>197,345</u>	<u>-</u>	<u>197,345</u>	<u>387,854</u>
Total public safety	<u>735,788</u>	<u>151,125</u>	<u>584,663</u>	<u>604,768</u>
Debt service				
Wireless/consolidated 911	38,881	172	38,709	-
Wireline 911	38,746	37	38,709	77,775
Total debt service	<u>77,627</u>	<u>209</u>	<u>77,418</u>	<u>77,775</u>
Total expenditures	<u>813,415</u>	<u>151,334</u>	<u>662,081</u>	<u>682,543</u>
Revenues over (under) expenditures	<u>386,476</u>	<u>(60,191)</u>	<u>326,285</u>	<u>522,649</u>
Other financing sources (uses)				
Appropriated fund balance	2,830,760	(2,830,760)	-	-
Transfers out	(3,217,236)	94,659	(3,122,577)	-
Total other financing sources (uses)	<u>(386,476)</u>	<u>(2,736,101)</u>	<u>(3,122,577)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (2,796,292)</u>	<u>(2,796,292)</u>	<u>522,649</u>
Fund balance				
Beginning of year - July 1			<u>3,107,902</u>	<u>2,585,253</u>
End of year - June 30			<u>\$ 311,610</u>	<u>\$ 3,107,902</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, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 7,205,434	\$ 4,240,432	\$ 2,142,249	\$ 2,313,286	\$ 4,411,469
State grants	1,478,788	954,686	172,052	478,390	1,261,024
County	25,538	25,729	12,607	12,077	25,199
Total intergovernmental	<u>8,709,760</u>	<u>5,220,847</u>	<u>2,326,908</u>	<u>2,803,753</u>	<u>5,697,692</u>
Miscellaneous					
Other	1,367,911	1,281,310	57,179	596,290	1,820,421
Total revenues	<u>10,077,671</u>	<u>6,502,157</u>	<u>2,384,087</u>	<u>3,400,043</u>	<u>7,518,113</u>
Expenditures					
Current					
Public safety	2,293,056	1,686,972	730,580	704,083	1,660,475
Economic and physical development	7,941,121	4,613,126	1,594,409	2,553,370	5,572,087
Total current	<u>10,234,177</u>	<u>6,300,098</u>	<u>2,324,989</u>	<u>3,257,453</u>	<u>7,232,562</u>
Debt service	<u>116,060</u>	<u>134,144</u>	<u>69,387</u>	<u>7,935</u>	<u>72,692</u>
Total expenditures	<u>10,350,237</u>	<u>6,434,242</u>	<u>2,394,376</u>	<u>3,265,388</u>	<u>7,305,254</u>
Revenues over (under) expenditures	<u>(272,566)</u>	<u>67,915</u>	<u>(10,289)</u>	<u>134,655</u>	<u>212,859</u>
Other financing sources (uses)					
Transfers in	272,566	192,930	10,289	113,413	296,054
Total other financing sources (uses)	<u>272,566</u>	<u>192,930</u>	<u>10,289</u>	<u>113,413</u>	<u>296,054</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 280,845</u>	<u>\$ -</u>	<u>248,068</u>	<u>\$ 508,913</u>
Fund balance					
Beginning of year - July 1				<u>260,845</u>	
End of year - June 30				<u>\$ 508,913</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, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 983,278	\$ 559,433	\$ -	\$ 115,476	\$ 674,909
PSN Anti-Gang; Operation Ceasefire	143,538	30,307	-	93,495	123,802
PSN Media Blitz	23,000	19,889	-	-	19,889
PSN Gun Tracer	13,412	13,412	-	-	13,412
JCPC Gang Violence Prevention	-	20,236	19,213	-	1,023
Gangs across the Carolinas	87,744	31,255	31,255	83,792	83,792
Juvenile Restitution	235,937	227,851	112,178	111,768	227,441
Gang Prevention	11,000	10,120	-	-	10,120
Local Law Enforcement Grant	-	62,536	62,536	-	-
Justice Assistance Grant	350,719	142,551	-	176,458	319,009
Operation Ceasefire	-	249,359	249,359	-	-
COPS Homeland Security	-	256,039	256,039	-	-
FY 07 Hazmat Equipment	251,571	-	-	-	-
FEMA Firefighter Grant	192,857	63,984	-	123,094	187,078
Total public safety	<u>2,293,056</u>	<u>1,686,972</u>	<u>730,580</u>	<u>704,083</u>	<u>1,660,475</u>
Economic and physical development					
Community Development Block Grant	4,266,507	3,057,590	916,484	1,156,837	3,297,943
Arsenal Park Archaeological	-	43,362	43,362	-	-
Military Business Park	519,750	-	-	-	-
NC Rural Economic Development	47,335	-	-	-	-
Wayside Signage	300,586	-	-	-	-
Assessment Payment	-	39,865	39,865	-	-
HOME	2,806,943	1,472,309	594,698	1,396,533	2,274,144
Total economic and physical development	<u>7,941,121</u>	<u>4,613,126</u>	<u>1,594,409</u>	<u>2,553,370</u>	<u>5,572,087</u>
Total expenditures by project	<u>\$ 10,234,177</u>	<u>\$ 6,300,098</u>	<u>\$ 2,324,989</u>	<u>\$ 3,257,453</u>	<u>\$ 7,232,562</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, 2008
(With Comparative Actual Amounts For Year Ended June 30, 2007)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Revenues				
Other fees				
Storm water fee	\$ 5,579,601	\$ (5,811)	\$ 5,573,790	\$ 2,246,098
Penalties	12,000	6,212	18,212	13,241
Total other fees	<u>5,591,601</u>	<u>401</u>	<u>5,592,002</u>	<u>2,259,339</u>
Interest earned on investments	<u>10,000</u>	<u>178,067</u>	<u>188,067</u>	<u>97,061</u>
Total revenues	<u>5,601,601</u>	<u>178,468</u>	<u>5,780,069</u>	<u>2,356,400</u>
Expenditures				
Current				
Environmental protection				
Personnel	1,248,905	10,417	1,238,488	981,132
Operating	3,979,293	2,827,388	1,151,905	845,752
Assets	889,399	747,819	141,580	336,724
Cost redistribution	75,000	-	75,000	74,745
Total environmental protection	<u>6,192,597</u>	<u>3,585,624</u>	<u>2,606,973</u>	<u>2,238,353</u>
Debt service	<u>24,947</u>	<u>1</u>	<u>24,946</u>	<u>25,051</u>
Total expenditures	<u>6,217,544</u>	<u>3,585,625</u>	<u>2,631,919</u>	<u>2,263,404</u>
Revenues over (under) expenditures	<u>(615,943)</u>	<u>3,764,093</u>	<u>3,148,150</u>	<u>92,996</u>
Other financing sources (uses)				
Transfers out	-	-	-	(5,000)
Appropriated fund balance	615,943	(615,943)	-	-
Total other financing sources (uses)	<u>615,943</u>	<u>(615,943)</u>	<u>-</u>	<u>(5,000)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,148,150</u>	<u>3,148,150</u>	<u>87,996</u>
Fund balance				
Beginning of year - July 1			<u>1,470,083</u>	<u>1,382,087</u>
End of year - June 30			<u>\$ 4,618,233</u>	<u>\$ 1,470,083</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, 2008
(With Comparative Actual Amounts For Year Ended June 30, 2007)

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Revenues				
Interest earned on investments	\$ 337	\$ 660	\$ 997	\$ 2,001
Expenditures				
Current				
Economic and physical development				
Operating	8,000	1,420	6,580	6,757
Debt service	2,478,143	-	2,478,143	2,510,452
Total expenditures	2,486,143	1,420	2,484,723	2,517,209
Revenues over (under) expenditures	(2,485,806)	2,080	(2,483,726)	(2,515,208)
Other financing sources (uses)				
Transfers in	2,485,806	(2,080)	2,483,726	2,515,208
Total financing sources (uses)	2,485,806	(2,080)	2,483,726	2,515,208
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	-
Fund balance				
Beginning of year - July 1			-	-
End of year - June 30			<u>\$ -</u>	<u>\$ -</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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 Proprietary Funds.

The following comprise the City's Capital Project Funds:

- General Government Fund
- Public Safety Fund
- Recreational and Cultural 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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2008

	General Government Fund	Public Safety Fund	Recreational and Cultural Fund	Transportation Fund	Water and Sewer Fund	Bond Improvement Fund	Economic and Physical Development		Linear Park Fund	Total Nonmajor Capital Project Funds
							Fund	Fund		
Assets										
Cash and investments	\$ 189,843	\$ -	\$ 947,410	\$ 2,570,866	\$ -	\$ 75,091	\$ 270,601	\$ 89,970	\$ 4,153,781	
Accounts receivable	-	47,996	12,474	175,060	-	15,823	7,976	10,749	270,078	
Interfund receivable	-	-	265,210	-	-	-	-	-	265,210	
Restricted asset - cash and investments	-	405,000	685,276	884,606	1,043,715	2,099,660	-	-	5,118,257	
Restricted asset - accounts receivable	-	-	-	-	3,907	-	-	-	3,907	
Total assets	\$ 189,843	\$ 452,996	\$ 1,910,370	\$ 3,630,532	\$ 1,047,622	\$ 2,190,574	\$ 278,577	\$ 110,719	\$ 9,811,233	
Liabilities and fund balances										
Liabilities:										
Accounts payable and accrued expenses	\$ -	\$ 6,219	\$ 1,743	\$ 974,125	\$ -	\$ 573,822	\$ -	\$ 1,858	\$ 1,557,767	
Interfund payables	-	265,210	-	-	-	-	-	-	265,210	
Deferred revenues	-	-	544,370	181,364	-	-	-	17,435	743,169	
Total liabilities	-	271,429	546,113	1,155,489	-	573,822	-	19,293	2,566,146	
Fund balances:										
Reserved										
By State statute	-	47,996	277,684	28,696	3,907	15,823	7,976	10,749	392,831	
For encumbrances	-	6,021	43,428	435,908	-	202,851	68,900	61,767	818,875	
For streets - Powell Bill	-	-	-	884,606	-	-	-	-	884,606	
Unreserved										
Designated										
For subsequent year's expenditures	189,843	127,550	1,043,145	1,125,833	1,043,715	1,388,078	201,701	18,910	5,148,775	
Total fund balances	189,843	181,567	1,364,257	2,475,043	1,047,622	1,616,752	278,577	91,426	7,245,087	
Total liabilities and fund balances	\$ 189,843	\$ 452,996	\$ 1,910,370	\$ 3,630,532	\$ 1,047,622	\$ 2,190,574	\$ 278,577	\$ 110,719	\$ 9,811,233	

CITY OF FAYETTEVILLE, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended June 30, 2008

	General Government Fund	Public Safety Fund	Recreational and Cultural Fund	Transportation Fund	Water and Sewer Fund	Bond Improvement Fund	Economic and Physical Development Fund	Linear Park Fund	Total Nonmajor Capital Project Funds
Revenues									
Intergovernmental	\$ -	\$ -	\$ 132,128	\$ -	\$ -	\$ -	\$ 480	\$ -	\$ 132,608
Miscellaneous	-	-	34,176	8,600	-	-	-	59,550	102,326
Interest earned on investments	-	71,142	46,838	1,244	49,252	97,263	-	8,613	274,352
Total revenues	-	71,142	213,142	9,844	49,252	97,263	480	68,163	509,286
Expenditures									
Current:									
Administration	3,915	-	-	-	-	-	-	-	3,915
Public safety	-	1,844,366	-	-	-	18,919	-	-	1,863,285
Transportation	-	-	-	3,019,828	-	-	-	-	3,019,828
Economic and physical development	-	-	-	-	-	1,075,141	245,603	-	1,320,744
Recreation and community facilities	-	-	794,174	-	-	110,376	-	351,253	1,255,803
Total expenditures	3,915	1,844,366	794,174	3,019,828	-	1,204,436	245,603	351,253	7,463,575
Excess (deficiency) of revenues over (under) expenditures	(3,915)	(1,773,224)	(581,032)	(3,009,984)	49,252	(1,107,173)	(245,123)	(283,090)	(6,954,289)
Other financing sources (uses)									
Transfers in	189,798	-	240,207	3,807,888	-	-	149,904	-	4,187,797
Transfers out	(68,308)	-	-	(41,345)	(1,918,779)	-	-	-	(2,029,433)
Total other financing sources (uses)	120,489	-	240,207	3,566,543	(1,918,779)	-	149,904	-	2,158,364
Net change in fund balances	116,574	(1,773,224)	(340,825)	558,559	(1,869,527)	(1,107,173)	(95,219)	(283,090)	(4,795,925)
Fund balance - beginning	73,268	1,954,791	1,705,082	1,918,484	2,917,149	2,723,925	373,796	374,516	12,041,012
Fund balance - ending	\$ 189,843	\$ 181,567	\$ 1,364,257	\$ 2,475,043	\$ 1,047,622	\$ 1,616,752	\$ 278,577	\$ 91,426	\$ 7,245,087

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, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Current					
Administration					
Information technology	687,402	683,442	-	3,915	687,357
Total expenditures	<u>687,402</u>	<u>683,442</u>	<u>-</u>	<u>3,915</u>	<u>687,357</u>
Revenues over (under) expenditures	<u>(687,402)</u>	<u>(683,442)</u>	<u>-</u>	<u>(3,915)</u>	<u>(687,357)</u>
Other financing sources (uses)					
Transfers in	756,711	756,711	-	189,798	946,509
Transfers out	(69,309)	-	-	(69,309)	(69,309)
Total other financing sources (uses)	<u>687,402</u>	<u>756,711</u>	<u>-</u>	<u>120,489</u>	<u>877,200</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 73,269</u>	<u>\$ -</u>	<u>116,574</u>	<u>\$ 189,843</u>
Fund balance					
Beginning of year - July 1				<u>73,269</u>	
End of year - June 30				<u>\$ 189,843</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, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ -	\$ 924	\$ -	\$ 71,142	\$ 72,066
Total revenues	-	924	-	71,142	72,066
Expenditures					
Current					
Public safety					
Fire Station #15	2,622,750	668,883	-	1,844,366	2,513,249
Total expenditures	2,622,750	668,883	-	1,844,366	2,513,249
Revenues over (under) expenditures	(2,622,750)	(667,959)	-	(1,773,224)	(2,441,183)
Other financing sources (uses)					
Proceeds from capital leases	2,415,000	2,415,000	-	-	2,415,000
Transfers in	207,750	207,750	-	-	207,750
Total other financing sources (uses)	2,622,750	2,622,750	-	-	2,622,750
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,954,791	\$ -	(1,773,224)	\$ 181,567
Fund balance					
Beginning of year - July 1				1,954,791	
End of year - June 30				<u>\$ 181,567</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Intergovernmental					
Federal grants/contributions	\$ 250,000	\$ -	\$ -	\$ -	\$ -
State grants/contributions	3,924,045	2,478,507	-	132,128	2,610,635
Total Intergovernmental	4,174,045	2,478,507	-	132,128	2,610,635
Miscellaneous					
Other	-	78,691	-	16,376	95,067
Donations	259,605	259,705	-	17,800	277,505
Total miscellaneous	259,605	338,396	-	34,176	372,572
Interest earned on Investments	-	71,516	-	46,838	118,354
Total revenues	4,433,650	2,888,419	-	213,142	3,101,561
Expenditures					
Current					
Recreational and community facilities					
Cape Fear River Park	350,000	26,746	-	252,417	279,163
Open Space Project	25,000	25,000	-	-	25,000
Freedom Park	434,605	403,628	-	18,425	422,053
Amtrak Station	693,500	671,144	-	1,200	672,344
Martin Luther King Park	50,000	50,000	-	-	50,000
Westover Recreation Center	-	173,734	173,734	-	-
Bonnie Doone Park	554,895	544,862	-	1,695	546,557
EE Miller Recreation Center	2,297,050	1,934,209	-	359,110	2,293,319
NC State Veterans Park	2,300,000	1,679,544	-	161,327	1,840,871
Western Area Neighborhood Park	800,000	-	-	-	-
Cape Fear River Trail Phase 2	1,250,000	-	-	-	-
Total expenditures	8,755,050	5,508,867	173,734	794,174	6,129,307
Revenues over (under) expenditures	(4,321,400)	(2,620,448)	(173,734)	(581,032)	(3,027,746)
Other financing sources (uses)					
Transfers in	2,199,350	2,201,174	173,734	240,207	2,287,647
Capital leases, bonds, and other debt	2,122,050	2,124,356	-	-	2,124,356
Total other financing sources (uses)	4,321,400	4,325,530	173,734	240,207	4,392,003
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,705,082	\$ -	(340,825)	\$ 1,364,257
Fund balance					
Beginning of year - July 1				1,705,082	
End of year - June 30				<u>\$ 1,364,257</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Intergovernmental					
State grants	\$ 258,000	\$ 198,867	\$ 89,364	\$ -	\$ 107,503
Miscellaneous					
Owner contribution	48,775	74,168	-	8,600	62,786
Other	10,204	88,550	58,142	-	30,408
Total miscellaneous	58,979	162,716	58,142	8,800	113,174
Interest earned on investments	-	3,248	-	1,244	4,492
Total revenues	316,979	362,831	147,506	9,844	225,169
Expenditures					
Current					
Transportation					
Traffic control system	1,629,069	1,251,288	-	-	1,251,268
Sidewalks	254,232	170,326	147,506	-	22,820
Parking improvements	271,275	119,450	-	146,018	265,468
Transportation improvements	7,937,229	5,155,668	1,620,628	2,873,810	6,408,852
Gateway beautifications	100,000	58,991	-	-	58,991
Miscellaneous street improvements	-	25,879	25,879	-	-
Total expenditures	10,191,805	6,781,582	1,794,011	3,019,828	8,007,399
Revenues over (under) expenditures	(9,874,826)	(6,418,751)	(1,646,505)	(3,009,984)	(7,782,230)
Other financing sources (uses)					
Transfers in	10,419,884	10,047,692	2,853,249	3,607,888	10,802,331
Transfers (out)	(545,058)	(1,710,457)	(1,206,744)	(41,345)	(545,058)
Total other financing sources (uses)	9,874,826	8,337,235	1,646,505	3,566,543	10,257,273
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,918,484	\$ -	558,559	\$ 2,475,043
Fund balance					
Beginning of year - July 1				1,918,484	
End of year - June 30				<u>\$ 2,475,043</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, 2008

	<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
Total miscellaneous	<u>3,449,709</u>	<u>3,449,709</u>	<u>-</u>	<u>-</u>	<u>3,449,709</u>
Interest earned on Investments	<u>125,000</u>	<u>222,051</u>	<u>-</u>	<u>49,252</u>	<u>271,303</u>
Total revenues	<u>3,574,709</u>	<u>3,671,760</u>	<u>-</u>	<u>49,252</u>	<u>3,721,012</u>
Revenues over (under) expenditures	<u>3,574,709</u>	<u>3,671,760</u>	<u>-</u>	<u>49,252</u>	<u>3,721,012</u>
Transfers (out)	<u>(3,574,709)</u>	<u>(754,611)</u>	<u>-</u>	<u>(1,918,779)</u>	<u>(2,673,390)</u>
Total other financing sources (uses)	<u>(3,574,709)</u>	<u>(754,611)</u>	<u>-</u>	<u>(1,918,779)</u>	<u>(2,673,390)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,917,149</u>	<u>\$ -</u>	<u>(1,869,527)</u>	<u>\$ 1,047,622</u>
Fund balance					
Beginning of year - July 1				<u>2,917,149</u>	
End of year - June 30				<u>\$ 1,047,622</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, 2008

	<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	10,000	10,000	-	-	10,000
Interest earned on investments	1,031,477	2,877,135	1,786,640	97,263	1,187,758
Total revenues	1,041,477	2,887,135	1,786,640	97,263	1,197,758
Expenditures					
Current					
Economic and physical development					
Bond administration	1,119,704	1,495,069	375,370	-	1,119,699
Debt service	91,275	750,435	659,424	-	91,011
Streets	9,768,170	15,818,817	8,144,063	958,452	8,633,206
Water and sewer	-	710,161	710,161	-	-
Slidewalks	806,066	3,208,149	2,411,178	-	796,971
Drainage	637,633	7,332,062	6,897,125	116,689	551,626
	<u>12,422,848</u>	<u>29,314,893</u>	<u>19,197,321</u>	<u>1,075,141</u>	<u>11,192,513</u>
Public Safety					
FSU Fire Station	3,576,070	3,475,264	-	18,919	3,494,183
Recreational and community facilities					
Debt service	167,743	167,743	-	-	167,743
Westover Recreational Center	2,771,016	2,767,918	-	-	2,767,918
Festival Park	4,364,832	4,249,578	-	106,406	4,355,984
Cape Fear River Park	1,019,852	879,579	-	3,970	883,549
	<u>8,323,443</u>	<u>8,064,818</u>	<u>-</u>	<u>110,376</u>	<u>8,175,194</u>
Total expenditures	24,322,361	40,854,775	19,197,321	1,204,436	22,861,890
Revenues over (under) expenditures	(23,280,884)	(37,967,640)	(17,410,681)	(1,107,173)	(21,664,132)
Other financing sources (uses)					
Transfers in	1,810,000	1,810,000	-	-	1,810,000
Capital leases, bonds, and other debt	21,470,884	38,881,565	17,410,681	-	21,470,884
Total other financing sources (uses)	23,280,884	40,691,565	17,410,681	-	23,280,884
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 2,723,925	\$ -	(1,107,173)	\$ 1,616,752
Fund balance					
Beginning of year - July 1				2,723,925	
End of year - June 30				<u>\$ 1,616,752</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, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Intergovernmental					
Federal grants	\$ -	\$ 338,204	\$ 338,204	\$ -	\$ -
State grants	2,825,702	2,483,738	-	480	2,484,218
Total Intergovernmental	2,825,702	2,821,942	338,204	480	2,484,218
Miscellaneous					
Private donations	3,058,621	2,781,545	-	-	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	6,042,578	5,848,006	338,204	480	5,510,282
Expenditures					
Current					
Economic and physical development					
Brownfields Pilot Project	-	338,203	338,204	1	-
USO/Amphitheater Demo/Festival Park	3,991,891	3,803,156	-	127,736	3,930,892
Cape Fear & Yadkin Valley Depot	3,282,128	3,104,743	-	597	3,105,340
300 Block of Hay Street	1,857,475	1,806,728	-	117,269	1,723,997
Total expenditures	9,131,494	8,852,830	338,204	245,603	8,760,229
Revenues over (under) expenditures	(3,088,918)	(3,004,824)	-	(245,123)	(3,249,947)
Other financing sources (uses)					
Transfers in	3,088,918	3,378,620	-	149,904	3,528,524
Total other financing sources (uses)	3,088,918	3,378,620	-	149,904	3,528,524
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 373,796	\$ -	(95,219)	\$ 278,577
Fund balance					
Beginning of year - July 1				373,796	
End of year - June 30				\$ 278,577	

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, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Intergovernmental					
County grants/contributions	\$ 130,000	\$ 112,565	\$ -	\$ -	\$ 112,565
Total intergovernmental	130,000	112,565	-	-	112,565
Miscellaneous					
Other (Donations)	1,219,285	1,137,289	-	59,550	1,196,839
Total miscellaneous	1,219,285	1,137,289	-	59,550	1,196,839
Interest earned on investments	715	30,554	-	8,613	39,167
Total revenues	1,350,000	1,280,408	-	68,163	1,348,571
Expenditures					
Current					
Recreational and community facilities					
Linear Park	1,400,000	955,992	-	351,253	1,307,245
Total expenditures	1,400,000	955,992	-	351,253	1,307,245
Revenues over (under) expenditures	(50,000)	324,416	-	(283,090)	41,326
Other financing sources (uses)					
Transfers in	50,000	50,100	-	-	50,100
Total other financing sources (uses)	50,000	50,100	-	-	50,100
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 374,516	\$ -	(283,090)	\$ 91,428
Fund balance					
Beginning of year - July 1				374,516	
End of year - June 30				\$ 91,428	



Proprietary Funds

- Enterprise Funds
- Internal Service Funds

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Electric Fund
June 30, 2008

Assets	Electric Fund	Uptown Revitalization Special Fund	Rate Stabilization Special Fund	Total
Current unrestricted assets				
Cash and cash equivalents	\$ 27,977,242	\$ -	\$ -	\$ 27,977,242
Investments	6,626,954	-	-	6,626,954
Receivables	19,245,287	-	-	19,245,287
Internal balances	190,652	(34)	-	190,618
Less allowance for doubtful accounts	(200,208)	-	-	(200,208)
Inventories	12,444,036	-	-	12,444,036
Other current assets	100,372	-	-	100,372
Total current unrestricted assets	<u>66,384,337</u>	<u>(34)</u>	<u>-</u>	<u>66,384,303</u>
Current restricted assets				
Cash and cash equivalents	13,171,050	15,490	16,333,514	29,520,054
Investments	5,397,326	-	-	5,397,326
Collateral pledged in lieu of deposits	268,165	-	-	268,165
Receivables	3,272	-	-	3,272
Total current restricted assets	<u>18,839,613</u>	<u>15,490</u>	<u>16,333,514</u>	<u>35,188,617</u>
Total current assets	<u>85,224,150</u>	<u>15,456</u>	<u>16,333,514</u>	<u>101,573,120</u>
Noncurrent assets				
Other assets	2,019,700	-	-	2,019,700
Capital assets:				
Land	5,235,266	-	-	5,235,266
Construction in process	9,523,684	-	-	9,523,684
Electric utility systems	169,013,756	-	-	169,013,756
Buildings	25,414,009	-	-	25,414,009
Equipment and machinery	7,401,451	-	-	7,401,451
Computer programs	1,654,687	-	-	1,654,687
Vehicles	2,186,328	-	-	2,186,328
Office equipment	177,336	-	-	177,336
Capital assets, net	<u>220,606,517</u>	<u>-</u>	<u>-</u>	<u>220,606,517</u>
Total noncurrent assets	<u>222,626,217</u>	<u>-</u>	<u>-</u>	<u>222,626,217</u>
Total assets	<u>\$ 307,850,367</u>	<u>\$ 15,466</u>	<u>\$ 16,333,514</u>	<u>\$ 324,199,337</u>
Liabilities and net assets				
Current liabilities to be paid from unrestricted current assets				
Current portion of long-term liabilities	\$ 8,661,428	\$ -	\$ -	\$ 8,661,428
Accounts payable and accrued expenses	16,395,462	-	-	16,395,462
Total current liabilities to be paid from unrestricted current assets	<u>25,056,890</u>	<u>-</u>	<u>-</u>	<u>25,056,890</u>
Current liabilities to be paid from restricted current assets				
Accounts payable and accrued expenses	5,000,242	-	-	5,000,242
Total current liabilities to be paid from restricted current assets	<u>5,000,242</u>	<u>-</u>	<u>-</u>	<u>5,000,242</u>
Total current liabilities	<u>30,057,132</u>	<u>-</u>	<u>-</u>	<u>30,057,132</u>
Noncurrent liabilities				
Long-term liabilities	23,413,417	-	-	23,413,417
Other liabilities	512,859	-	-	512,859
Unearned deposits	14,951	-	-	14,951
Total noncurrent liabilities	<u>23,941,227</u>	<u>-</u>	<u>-</u>	<u>23,941,227</u>
Total liabilities	<u>53,998,359</u>	<u>-</u>	<u>-</u>	<u>53,998,359</u>
Net assets				
Capital assets net of related debt	189,423,458	-	-	189,423,458
Restricted for -				
Capital Projects	3,272	-	-	3,272
Debt service	11,462	-	-	11,462
Unrestricted net assets	64,413,816	15,458	16,333,514	80,782,788
Total net assets	<u>253,852,008</u>	<u>15,456</u>	<u>16,333,514</u>	<u>270,200,978</u>
Total liabilities and net assets	<u>\$ 307,850,367</u>	<u>\$ 15,456</u>	<u>\$ 16,333,514</u>	<u>\$ 324,199,337</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes In Fund Net Assets
 Electric Fund
 Year ended June 30, 2008

	Electric Fund	Uptown Revitalization Fund	Rate Stabilization Fund	Total
Operating revenues				
Charges for services	\$ 166,899,655	\$ -	\$ -	\$ 166,899,655
Total operating revenues	<u>166,899,655</u>	<u>-</u>	<u>-</u>	<u>166,899,655</u>
Operating expenses				
Power supply and generation	99,426,511	-	-	99,426,511
Electric operation	10,730,185	-	-	10,730,185
General and administrative	10,254,699	-	-	10,254,699
Depreciation	13,993,321	-	-	13,993,321
Total operating expenses	<u>134,404,716</u>	<u>-</u>	<u>-</u>	<u>134,404,716</u>
Operating income (loss)	<u>32,494,939</u>	<u>-</u>	<u>-</u>	<u>32,494,939</u>
Nonoperating revenue (expense)				
Interest earned on investments	2,547,088	-	582,851	3,129,719
Gain (loss) on disposal of assets	(117,680)	-	-	(117,680)
Interest expense	(1,821,290)	-	-	(1,821,290)
Amortization	(1,139,871)	-	-	(1,139,871)
Finance costs	(112,843)	-	-	(112,843)
Total nonoperating revenue (expense)	<u>(844,618)</u>	<u>-</u>	<u>582,851</u>	<u>(61,965)</u>
Income (loss) before transfers and contributions	<u>31,850,323</u>	<u>-</u>	<u>582,851</u>	<u>32,432,974</u>
Transfers in	14,292	-	3,000,000	3,014,292
Transfers out	(3,000,000)	-	-	(3,000,000)
Transfers out - City of Fayetteville	(10,005,305)	-	-	(10,005,305)
Contributions	405,588	-	-	405,588
Change In net assets	<u>19,264,896</u>	<u>-</u>	<u>3,582,651</u>	<u>22,847,547</u>
Total net assets - beginning	<u>234,587,112</u>	<u>15,456</u>	<u>12,750,863</u>	<u>247,353,431</u>
Total net assets - ending	<u>\$ 253,852,008</u>	<u>\$ 15,456</u>	<u>\$ 16,333,514</u>	<u>\$ 270,200,978</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2008

(with comparative actual amounts for the year ended June 30, 2007)

	2008			2007 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Electric operations				
Sale of electricity	\$ 157,848,900	\$ (332,178)	\$ 157,516,722	\$ 151,700,168
City Services	6,884,800	(3,751,058)	3,133,542	2,196,872
Non-utility charges	1,420,100	186,102	1,608,202	1,241,380
Service charges	1,520,000	484,840	1,984,840	1,470,913
Miscellaneous	2,621,800	(163,251)	2,658,349	3,037,969
Total operating revenues	<u>170,495,200</u>	<u>(3,595,545)</u>	<u>168,899,655</u>	<u>159,847,302</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(117,680)	(117,680)	(295,047)
Interest earned on investments	2,000,000	547,068	2,547,068	2,520,607
Total non-operating revenues	<u>2,000,000</u>	<u>429,388</u>	<u>2,429,388</u>	<u>2,225,560</u>
Contributions				
Contributions	-	405,588	405,588	977,841
Total contributions	<u>-</u>	<u>405,588</u>	<u>405,588</u>	<u>977,841</u>
Transfers in				
Transfer from 2003A Water/Wastewater Fund	-	14,292	14,292	-
Total transfers in	<u>-</u>	<u>14,292</u>	<u>14,292</u>	<u>-</u>
Budgetary appropriations				
Department of Transportation financing	-	125,928	125,928	(7,749)
Appropriated net assets	4,301,085	(4,301,085)	-	-
Total budgetary appropriations	<u>4,301,085</u>	<u>(4,175,157)</u>	<u>125,928</u>	<u>(7,749)</u>
Total revenues	<u>\$ 176,796,285</u>	<u>\$ (6,921,438)</u>	<u>\$ 169,874,849</u>	<u>\$ 162,842,754</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 99,624,540	\$ 198,028	\$ 99,426,511	\$ 91,583,495
Administration	482,540	18,818	443,724	347,670
Apparatus repair shop	355,300	34,317	320,983	315,849
Electric meter shop	820,340	103,577	718,763	882,880
Construction and maintenance	8,067,410	775	8,068,835	5,934,791
Substation construction	1,047,900	28,280	1,019,640	936,672
Engineering	2,211,490	49,050	2,162,440	2,009,913
Total electric operations	<u>110,589,520</u>	<u>432,624</u>	<u>110,156,696</u>	<u>101,813,270</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

Expenditures (continued)	2008			2007 Actual
	Budget	Variance Positive (Negative)	Actual	
General and administrative				
Executive	\$ 666,715	\$ 15,337	\$ 651,378	\$ 641,847
Internal audit	110,920	596	110,324	103,038
Public information	529,650	699	528,951	522,542
Financial administration	180,370	35,292	145,078	137,439
Administrative - administration	155,870	55,716	100,154	102,595
Human resources	445,425	17,232	428,193	429,962
Accounting	450,290	25,049	425,241	451,055
Accounts receivable	704,595	28,913	677,682	611,540
Payroll	61,880	2,577	59,303	56,651
Customer service administration	1,913,970	227,099	1,686,871	1,637,936
Utility field services	1,197,885	206	1,197,679	1,174,674
Business planning	269,800	11,012	258,788	234,890
Business development	423,050	89,598	333,454	357,027
Risk management	541,920	48,410	493,510	452,882
Capital projects	200,010	8,530	191,480	184,748
Rates	145,485	50,624	94,861	88,776
Budget	104,060	3,184	100,878	96,199
Purchasing	244,215	129	244,086	222,543
Warehousing	378,465	604	375,861	381,061
Business planning, development & logistics	188,795	3,447	185,348	176,177
Fleet maintenance	1,106,050	148,672	957,378	909,570
Facilities maintenance	194,025	196	193,829	165,233
Telecommunications systems	449,545	168	449,377	436,441
Information systems	1,042,225	706	1,041,519	912,884
Pension expense	1,000	(18,420)	17,420	6,712
Medical insurance	2,171,000	(148,476)	2,319,476	2,008,247
Other	2,357,500	928,647	1,428,853	1,498,076
Allocated rent and fiber clearing	(2,095,600)	(3,944)	(2,091,656)	(2,152,606)
Overhead clearing	(2,738,900)	82,596	(2,821,498)	(2,705,414)
Total general and administrative	11,398,215	1,614,389	8,763,816	9,142,743
Total operating expenditures	121,987,735	2,047,223	119,940,512	110,956,013
Non-operating expenditures				
Interest expense	1,919,000	97,710	1,821,290	4,515,105
Finance costs	119,000	6,157	112,843	138,709
Total non-operating expenditures	2,038,000	103,867	1,934,133	4,653,814

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008		2007 Actual
	Budget	Variance Positive (Negative)	
Transfers out			
Transfers to City of Fayetteville	\$ 10,095,500	\$ 90,195	\$ 8,891,099
Transfers to Electric Rate Stabilization Fund	3,000,000	-	2,000,000
Total transfers out	<u>13,095,500</u>	<u>90,195</u>	<u>10,891,099</u>
Budgetary appropriations			
Inventory increase (decrease)	300,000	395,286	824,902
Vehicle and equipment	-	(365,634)	260,724
Debt principal payments	51,113,100	15	78,389,370
NCDOT Project payments	-	(66,373)	28,398
Capital outlay	22,570,650	5,689,933	19,128,119
Prepaid power credit adjustment	(34,306,700)	2,030,685	(70,472,808)
Total budgetary appropriations	<u>39,675,050</u>	<u>7,881,912</u>	<u>28,156,705</u>
Total expenditures	<u>\$ 176,786,285</u>	<u>\$ 10,123,197</u>	<u>\$ 154,857,631</u>
Reconciliation of change in net assets			
Total revenues		\$ (6,921,436)	\$ 162,842,754
Total expenditures		<u>10,123,197</u>	<u>154,857,631</u>
Subtotal		<u>\$ 3,201,761</u>	<u>8,185,123</u>
Reconciling Items:			
Budgetary appropriations			31,667,210
Depreciation			(13,993,321)
Amortization			(1,139,871)
OPEB expense			(470,863)
Transfer of assets (to)/from the 2003A Electric Revenue Bond Fund			-
Total reconciling items			<u>16,063,135</u>
Change in net assets			<u>\$ 19,264,896</u>
			<u>\$ 25,932,871</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, 2008

	Project Authorization	Total Prior Years	Current Year	Total
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>14,500,000</u>	<u>14,484,544</u>	<u>-</u>	<u>14,484,544</u>
Revenues under expenditures	<u>(14,500,000)</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
Total other financing sources	<u>14,500,000</u>	<u>14,500,000</u>	<u>-</u>	<u>14,500,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 15,456</u>	<u>-</u>	<u>\$ 15,456</u>
Reconciling items:				
Change in net assets			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Electric Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2008**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on Investments	\$ 2,225,000	\$ 1,581,138	\$ 582,651	\$ 2,163,789
Rate stabilization transfer	4,169,725	4,169,725	-	4,169,725
Total revenues	<u>6,394,725</u>	<u>5,750,663</u>	<u>582,651</u>	<u>6,333,514</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues under expenditures	<u>6,394,725</u>	<u>5,750,663</u>	<u>582,651</u>	<u>6,333,514</u>
Other financing sources				
Transfer from Electric Fund	15,000,000	12,000,000	3,000,000	15,000,000
Transfer to Electric Fund	(5,000,000)	(5,000,000)	-	(5,000,000)
Appropriated net assets	(16,394,725)	-	-	-
Total other financing sources	<u>(6,394,725)</u>	<u>7,000,000</u>	<u>3,000,000</u>	<u>10,000,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 12,750,863</u>	<u>3,582,651</u>	<u>\$ 16,333,514</u>
Change in net assets			<u>\$ 3,582,651</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2008

Assets	Water and Wastewater Fund	Annexation Reserve Fund	Annexation Capital Project Fund Phase IVB	2003 State Revolving Loan Capital Project Fund	2003A		Annexation Phase V Project 1 Capital Project Fund	Ft. Bragg Interim Water Service Project Fund	2008		Rim Road Water Main Capital Project Fund	Total
					Water and Wastewater Revenue Bond Fund	Water and Wastewater Rate Stabilization Fund			Revenue Bond Capital Project Fund	Revenue Bond Capital Project Fund		
Current unrestricted assets												
Cash and cash equivalents	\$ 6,968,905		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,968,905
Investments	547,350											647,350
Receivables	18,968,177											18,968,177
Internal balances	238,313						(27,464)			(62,559)		148,290
Less Allowance for doubtful accounts	(64,869)											(64,869)
Inventories	1,485,743											1,485,743
Other current assets	66,021											66,021
Total current unrestricted assets	25,909,640						(27,464)			(62,559)		25,819,617
Current restricted assets												
Cash and cash equivalents	15,385,462	654,644					3,136,173			2,421,694	63,843	23,648,036
Investments	19,890,204											19,890,204
Receivables	46,866						64,965	93,080		18,911	106,405	317,247
Other restricted current assets	104,869											104,869
Total current restricted assets	35,437,221	654,644					3,191,138	93,080		2,437,805	190,248	44,180,156
Total current assets	61,346,861	654,644					3,163,874	93,080		2,375,048	190,248	69,978,773
Noncurrent assets												
Other assets	4,060,070											4,060,070
Capital Assets:												
Land	8,216,468											8,216,468
Construction-in-process	2,567,407						414,787			1,813,362		4,995,556
Water system	149,881,976											149,881,976
Sewer system	296,511,712											296,511,712
Buildings	2,127,831											2,127,831
Equipment and machinery	2,372,052											2,372,052
Computer programs	1,568,099											1,568,099
Vehicles	2,601,302											2,601,302
Office equipment	61,254											61,254
Capital assets, net	426,107,699						414,787			1,813,362		428,336,053
Total noncurrent assets	430,187,874						414,787			1,813,362		432,396,123
Total assets	\$ 491,514,635	\$ 654,644	\$ -	\$ -	\$ -	\$ 2,156,220	\$ 3,578,461	\$ 93,080	\$ 4,188,408	\$ 190,248	\$ -	\$ 502,375,896

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2008

	Water and Wastewater Fund	Annexation Reserve Fund	Annexation Capital Project Phase IVB	2002 State Revolving Loan Capital Project Fund	2003A Water and Wastewater Revenue Bond 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	\$ 6,453,621										\$ 6,453,621
Accounts payable and accrued expenses	8,984,189										8,984,189
Total current liabilities to be paid from unrestricted current assets	17,447,810										17,447,810
Current liabilities to be paid from restricted current assets											
Accounts payable and accrued expenses	1,639,087						338,130	93,080	1,125,147	63,875	3,257,319
Total current liabilities to be paid from restricted current assets	1,639,087						338,130	93,080	1,125,147	63,875	3,257,319
Total current liabilities	19,086,897						336,130	93,080	1,125,147	63,875	20,705,129
Noncurrent liabilities											
Long-term liabilities	150,743,183										150,743,183
Other liabilities	3,771,041										3,771,041
Unearned deposits	3,169,085										3,169,085
Total noncurrent liabilities	157,683,309										157,683,309
Total liabilities	176,770,206						336,130	93,080	1,125,147	63,875	178,588,438
Net assets											
Capital assets net of related debt	286,095,367						414,787		1,813,362		288,326,516
Restricted for -											
Capital Projects							343,645		1,312,468		1,656,303
Unrestricted net assets	28,648,292	654,644				2,156,220	2,453,899		(82,659)	129,373	34,004,839
Total net assets	314,744,829	654,644				2,156,220	3,242,331		3,063,261	129,373	323,987,456
Total liabilities and net assets	\$ 491,514,935	\$ 654,644	\$ -	\$ -	\$ -	\$ 2,156,220	\$ 3,678,461	\$ 93,080	\$ 4,188,408	\$ 189,248	\$ 502,376,696

CITY OF FAYETTEVILLE, NORTH CAROLINA
 Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
 Water and Wastewater Fund
 Year ended June 30, 2008

	Water and Wastewater Fund	Annexation Reserves Fund	Annexation Capital Project Phase IVB	2002 State Revolving Loan Capital Project Fund	2003A Water and Wastewater Revenue Bond Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Capital Project Fund	FL Bragg Interim Water Service Project Fund	2008 Revenue Bond Capital Project Fund	Rim Road Water/Main Capital Project Fund	Total
Operating revenues											
Changes for services	\$ 55,317,032	-	-	-	-	-	-	\$ -	-	-	\$ 55,317,032
Miscellaneous operating income	-	-	-	-	-	-	-	1,783,025	-	-	1,783,025
Total operating revenues	55,317,032	-	-	-	-	-	-	1,783,025	-	-	57,099,057
Operating expenses											
Water operations	9,731,125	-	-	-	-	-	-	1,783,025	-	-	11,484,150
Sanitary sewer operations	9,535,221	-	-	-	-	-	-	-	-	-	9,535,221
General and administrative	11,002,002	-	-	-	-	-	-	-	-	-	11,002,002
Depreciation	14,069,673	-	-	-	-	-	-	-	-	-	14,069,673
Total operating expenses	44,338,021	-	-	-	-	-	-	1,783,025	-	-	46,101,046
Operating income (loss)	10,979,011	-	-	-	-	-	-	-	-	-	10,979,011
Nonoperating revenue (expense)											
Interest earned on investments	1,808,172	27,096	-	-	-	76,226	112,042	-	-	-	2,023,536
Gain (loss) on disposal of assets	22,802	-	-	-	-	-	-	-	-	-	22,802
Interest expense	(5,430,068)	-	-	-	-	-	-	-	-	-	(5,430,068)
Amortization	(925,388)	-	-	-	-	-	-	-	-	-	(925,388)
Finance costs	(369,053)	-	-	-	-	-	-	-	-	-	(369,053)
Total nonoperating revenue (expense)	(4,962,545)	27,096	-	-	-	76,226	112,042	-	-	-	(4,877,179)
Income (loss) before transfers and contributions	6,016,466	27,096	-	-	-	76,226	112,042	-	-	-	6,301,832
Transfers in:											
Transfers in - City of Fayetteville	15,532,297	-	-	18,959,168	-	500,000	6,531,061	-	10,719,321	168,528	50,429,395
Capital Contributions	(34,697,098)	-	(104,001)	-	(675,069)	-	(6,838,116)	-	(7,856,090)	(282,341)	(50,449,687)
Change in net assets	539,435	-	-	-	-	-	1,818,779	-	-	118,827	2,677,141
Total net assets - beginning	14,351,322	-	-	-	-	-	-	-	-	101,859	14,452,981
Total net assets - ending	1,612,822	27,096	(104,001)	18,959,168	(675,069)	576,226	1,732,784	-	3,063,261	128,373	23,317,662
Total net assets - beginning	313,131,807	827,546	104,001	(18,959,168)	675,069	1,576,994	1,509,547	-	-	-	300,659,796
Total net assets - ending	\$ 314,744,829	\$ 854,644	\$ -	\$ -	\$ -	\$ 2,156,220	\$ 3,242,331	\$ -	\$ 3,063,261	\$ 128,373	\$ 323,987,458

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund

Year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008			2007 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Water operations				
Water Sales	\$ 23,810,702	\$ 979,559	\$ 24,790,261	\$ 22,892,950
Connection fees	660,700	(253,369)	407,331	1,352,168
City Services	103,498	60,685	164,163	139,130
Total water operations	24,574,900	786,855	25,361,755	24,184,248
Sanitary sewer operations				
Sewer charges	27,349,232	755,426	28,104,658	26,303,879
Connection fees	402,600	(188,013)	214,587	1,118,323
City services	60,288	(18,576)	43,692	55,373
Total sanitary sewer operations	27,812,100	550,837	28,362,937	27,477,575
Other operating revenues				
Non-utility charges	995,800	20,833	1,016,233	976,021
Service charges	354,000	17,377	371,377	319,647
Miscellaneous	274,500	(89,770)	204,730	150,365
Total other operating revenues	1,624,100	(31,780)	1,592,340	1,446,033
Total operating revenues	54,011,100	1,305,932	55,317,032	53,107,858
Non-operating revenues				
Gain (loss) on asset disposal	-	22,802	22,802	(191,209)
Interest earned on investments	1,400,000	408,172	1,808,172	1,781,264
Total non-operating revenues	1,400,000	430,974	1,830,974	1,590,055
Contributions				
Contributions	6,300,900	(2,777,286)	3,523,614	2,336,819
Total contributions	6,300,900	(2,777,286)	3,523,614	2,336,819
Transfers in				
Transfer from City of Fayetteville	539,900	(65)	539,835	-
Transfer from 2003A Water/Wastewater	-	49,644	49,644	-
Transfer from Phase IVB	-	104,001	104,001	-
Total transfers in	539,900	153,580	693,480	-
Budgetary appropriations				
Department of Transportation financing	-	1,053,833	1,053,833	1,297,777
Cumberland county note proceeds	39,600	-	39,600	39,600
Series 2008 bond proceeds	17,225,330	2	17,225,332	-
Appropriations of net assets	6,553,295	(6,553,295)	-	-
Total budgetary appropriations	23,818,225	(5,489,660)	18,318,585	1,337,377
Total revenues	\$ 86,070,125	\$ (6,386,460)	\$ 79,683,885	\$ 58,372,107
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,117,180	\$ 75,178	\$ 1,042,002	\$ 1,093,848
Water meter shop	262,420	181,472	80,948	110,473
Construction and maintenance	3,599,120	24,248	3,574,874	3,124,330
Contract system maintenance	112,320	599	111,721	-
P. O. Hoffer water treatment plant	2,892,076	85,702	2,808,374	3,161,574
Glenville Lake water treatment plant	1,523,586	194	1,523,402	1,412,897
Water Resources environmental system protection	143,925	4,880	139,245	145,157
Laboratory	231,845	5,125	226,720	220,784
Environmental	93,230	741	92,489	92,062
Watersheds	151,850	18,300	133,350	113,552
Total water operations	10,127,382	398,237	9,731,125	9,474,677

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund

Year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008			2007 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
Operating expenditures (continued)				
Sanitary sewer operations				
Administration and engineering	\$ 1,117,180	\$ 75,178	\$ 1,042,002	\$ 1,093,846
Sewer construction and maintenance	3,644,506	27,211	3,617,295	3,327,271
Contract system maintenance	74,880	399	74,481	-
Cross Creek WW treatment plant	2,093,926	108	2,093,818	1,873,077
Rockfish Creek WW treatment plant	2,051,756	35,948	2,015,808	2,177,498
Residuals management	233,540	177	233,363	214,206
Water resource environmental system protection	143,925	4,680	139,245	145,155
Laboratory	231,845	5,125	226,720	220,783
Environmental	93,230	741	92,489	92,063
Total sanitary sewer operations	9,684,788	149,567	9,535,221	9,143,699
General and administrative				
Executive	353,515	94,193	259,322	242,110
Internal audit	109,720	588	109,132	101,819
Public information	589,150	169	588,981	516,802
Financial administration	171,270	30,469	140,801	127,042
Administrative administration	155,670	64,477	91,193	120,240
Human resources	442,225	17,199	425,026	410,671
Accounting	450,290	38,870	411,320	450,088
Accounts receivable	705,195	27,129	678,066	612,147
Payroll	61,680	2,666	59,214	56,627
Customer service administration	1,518,970	172,145	1,346,825	1,365,581
Utility field service	1,181,585	187,829	993,756	1,043,408
Business development	318,050	35,143	282,907	273,589
Business planning	269,800	2,909	266,891	234,660
Risk management	551,520	36,756	514,764	353,847
Capital projects	194,510	8,131	186,379	184,355
Rates	145,385	50,825	94,560	98,644
Budget	103,860	3,585	100,375	96,199
Purchasing	244,015	96	243,919	224,238
Warehouse	337,965	94,236	243,729	310,416
Business planning, development & logistics	166,295	5,202	181,093	175,365
Fleet maintenance	1,241,950	(143,361)	1,385,311	1,242,015
Facilities maintenance	192,725	1,082	191,643	165,324

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008		2007 Actual
	Budget	Variance Positive (Negative)	
Expenditures (continued)			
Operating expenditures (continued)			
General and administrative (continued)			
Telecommunications systems	\$ 447,045	\$ 79	\$ 446,966
Information systems	1,042,225	6,746	1,035,479
Pension expenses	1,000	(13,735)	14,735
Medical insurance	2,354,500	(66,074)	2,420,574
Other	1,547,300	604,105	943,195
Overhead clearing	(2,787,500)	391,046	(3,178,546)
Total general and administrative	12,130,215	1,652,605	10,477,610
Total operating expenditures	31,942,365	2,198,408	29,743,956
Non-operating expenditures			
Interest expense	5,419,300	(10,768)	5,430,068
Finance costs	389,000	20,947	368,053
Total non-operating expenditures	5,808,300	10,179	5,798,121
Transfers out			
Transfer to City of Fayetteville	-	-	554,850
Transfer to WWW Rate Stabilization Fund	500,000	-	500,000
Transfer to Annexation Phase V Project 1 Fund	6,466,142	1	754,611
Transfer to 2008 WWW Bond Fund	10,610,511	-	-
Transfer to Rim Road Water Main Fund	205,200	16,672	188,528
Total transfers out	17,781,853	16,673	1,808,461
Budgetary appropriations			
Inventory increase	-	(428,725)	(336,454)
Vehicle and equipment	-	(887,672)	604,359
Other debt related payments	2,067,457	(2)	-
Debt principal payments	6,078,300	1,291,620	4,825,630
Note payments	-	(1,244,241)	1,291,456
NC DOT project payments	2,609,200	982,316	1,012,877
Capital outlay	19,582,650	9,807,726	14,731,905
Total budgetary appropriations	30,537,607	9,521,022	22,129,773
Total expenditures	\$ 86,070,125	\$ 11,746,283	\$ 74,323,842
			\$ 58,145,563

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund

Year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008		2007 Actual
	Budget	Variance Positive (Negative) Actual	
Reconciliation of change in net assets			
Total revenue	\$ (6,386,460)	\$ 79,883,665	\$ 58,372,107
Total expenditures	11,746,283	74,323,842	58,145,563
Subtotal	<u>\$ 5,359,823</u>	5,359,823	226,544
Reconciling Items:			
Budgetary appropriations		2,698,020	20,792,396
Depreciation		(14,069,673)	(12,898,335)
Amortization		(925,398)	(932,976)
OPEB expense		(524,392)	-
Developer and FIF credits		12,719,060	14,393,929
Assessments		(1,881,352)	-
Transfer of assets (to) / from Annexation Capital Project Fund Phase IVB		-	27,774
Transfer of assets (to) / from Annexation Capital Project Fund Phase V-1		6,764,178	-
Transfer of assets (to) / from Rim Road Water Main Capital Project Fund		282,341	-
Transfer of assets (to) / from State Revolving Loan Capital Project Fund		(16,958,188)	13,273,474
Transfer (to) / from 2003A Water and Wastewater Bond Capital Project Fund		611,133	926,305
Transfer (to) / from Series 2008 Revenue Bond Capital Project Fund		7,547,250	-
Total reconciling items		<u>(3,747,001)</u>	<u>35,582,567</u>
Change in net assets		<u>\$ 1,612,822</u>	<u>\$ 35,809,111</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, 2008

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 56,127	\$ 127,546	\$ 27,098	\$ 154,644
Total revenues	<u>56,127</u>	<u>127,546</u>	<u>27,098</u>	<u>154,644</u>
 Revenues under expenditures	 <u>56,127</u>	 <u>127,546</u>	 <u>27,098</u>	 <u>154,644</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>(56,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(56,127)</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
 Revenues and other financing sources over expenditures	 <u>\$ -</u>	 <u>\$ 627,546</u>	 27,098	 <u>\$ 654,644</u>
Reconciling items:				
Change in net assets			<u>\$ 27,098</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation Capital Project Fund - Phase IVB
From Inception and for the Year Ended June 30, 2008

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 346,127	\$ 346,127	\$ -	\$ 346,127
Total revenues	<u>346,127</u>	<u>346,127</u>	<u>-</u>	<u>346,127</u>
Expenditures				
Construction	-	12,151,342	-	12,151,342
Engineering	-	1,947,698	-	1,947,698
Rights of way	-	158,017	-	158,017
Less City of Fayetteville participation	-	(4,207,623)	-	(4,207,623)
Interest cost	-	234,268	-	234,268
Other	-	651,505	-	651,505
Total expenditures	<u>10,935,208</u>	<u>10,935,207</u>	<u>-</u>	<u>10,935,207</u>
Revenues under expenditures	<u>(10,589,081)</u>	<u>(10,589,080)</u>	<u>-</u>	<u>(10,589,080)</u>
Other financing sources (uses)				
Bond proceeds	10,354,812	10,354,812	-	10,354,812
Transfer to Water and Wastewater Fund	(104,000)	-	(104,001)	(104,001)
Transfer from Annexation Phase IVA Fund	338,269	338,269	-	338,269
Total other financing sources	<u>10,589,081</u>	<u>10,693,081</u>	<u>(104,001)</u>	<u>10,589,080</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 104,001</u>	<u>(104,001)</u>	<u>\$ -</u>
Change in net assets			<u>\$ (104,001)</u>	

Capital Project Fund closed at June 30, 2008.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of 2002 State Revolving Loan Capital Project Fund
From Inception and for the Year Ended June 30, 2008

	Project Authorization	Total Prior Years	Current Year	Total
Revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	15,080,779	-	15,080,779
Engineering	-	1,561,059	-	1,561,059
Other/Contingency	-	328,010	-	328,010
Total expenditures	<u>17,442,000</u>	<u>16,969,848</u>	<u>-</u>	<u>16,969,848</u>
Revenues under expenditures	<u>(17,442,000)</u>	<u>(16,969,848)</u>	<u>-</u>	<u>(16,969,848)</u>
Other financing sources (uses)				
State revolving loan proceeds	17,442,000	16,969,848	-	16,969,848
Total other financing sources	<u>17,442,000</u>	<u>16,969,848</u>	<u>-</u>	<u>16,969,848</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling Items:				
Transfer of assets (to) from the Water and Wastewater Fund			16,958,168	
Change in net assets			<u>\$ 16,958,168</u>	

Capital Project Fund closed at June 30, 2008.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of 2003A Water and Wastewater Revenue Bond Capital Project Fund
From Inception and for the Year Ended June 30, 2008

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 118,347	\$ 108,306	\$ 10,041	\$ 118,347
Total revenues	<u>118,347</u>	<u>108,306</u>	<u>10,041</u>	<u>118,347</u>
Expenditures				
Construction	-	5,004,648	612,589	5,617,237
Engineering	-	247,461	-	247,461
Other	-	495,383	8,585	503,968
Total expenditures	<u>6,368,666</u>	<u>5,747,492</u>	<u>621,174</u>	<u>6,368,666</u>
Revenues under expenditures	<u>(6,250,319)</u>	<u>(5,639,186)</u>	<u>(611,133)</u>	<u>(6,250,319)</u>
Other financing sources (uses)				
2003 Revenue Bond proceeds	6,513,307	6,513,307	-	6,513,307
Transfer to Electric and Water/Wastewater Funds	(262,988)	(199,052)	(63,936)	(262,988)
Total other financing sources	<u>6,250,319</u>	<u>6,314,255</u>	<u>(63,936)</u>	<u>6,250,319</u>
Ravenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 675,069</u>	<u>(675,069)</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			611,133	
Transfer of assets to the Water and Wastewater fund			(611,133)	
Change in net assets			<u>\$ (675,069)</u>	

Capital Project Fund closed June 30, 2008.

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, 2008

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 178,300	\$ 79,994	\$ 76,226	\$ 156,220
Total revenues	<u>178,300</u>	<u>79,994</u>	<u>76,226</u>	<u>156,220</u>
Other financing sources				
Transfer from Water and Wastewater Fund	2,000,000	1,500,000	500,000	2,000,000
Appropriated net assets	<u>(2,178,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(178,300)</u>	<u>1,500,000</u>	<u>500,000</u>	<u>2,000,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,579,994</u>	576,226	<u>\$ 2,156,220</u>
Change in net assets			<u>\$ 576,226</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, 2008

	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	-	325	112,042	112,367
Total revenues	<u>93,470</u>	<u>325</u>	<u>116,427</u>	<u>116,752</u>
Expenditures				
Construction	-	-	5,557,129	5,557,129
Engineering	-	910,683	74,816	985,499
Rights of way	-	195,693	83,913	279,606
Other	-	89,601	271,514	361,115
Total expenditures	<u>14,285,816</u>	<u>1,195,977</u>	<u>5,987,372</u>	<u>7,163,349</u>
Revenues under expenditures	<u>(14,192,346)</u>	<u>(1,195,652)</u>	<u>(5,870,945)</u>	<u>(7,066,597)</u>
Other financing sources				
Bond proceeds	4,547,362	-	4,547,362	4,547,362
Transfer from the City	4,822,492	754,611	1,918,779	2,673,390
Transfer from Water and Wastewater Fund	4,822,492	754,611	1,918,779	2,673,390
Total other financing sources	<u>14,192,348</u>	<u>1,509,222</u>	<u>8,384,920</u>	<u>8,894,142</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 313,570</u>	<u>2,513,975</u>	<u>\$ 2,827,545</u>
Reconciling items:				
Capital outlay			5,982,987	
Transfer of assets (to)/from the Water and Wastewater Fund			(8,764,178)	
Change in net assets			<u>\$ 1,732,784</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, 2008

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Miscellaneous Operating Revenues	\$ 6,728,945	\$ 1,412,327	\$ 1,763,025	\$ 3,175,352
Total Revenues	<u>6,728,945</u>	<u>1,412,327</u>	<u>1,763,025</u>	<u>3,175,352</u>
Expenditures				
Design, budget and schedule	2,343,025	585,756	585,757	1,171,513
Initial capital payment	628,524	-	-	-
Transition costs	274,112	274,112	-	274,112
Interim plant operations	3,253,284	542,214	1,100,694	1,642,908
Interim operations major	230,000	10,245	76,574	86,819
Total expenditures	<u>6,728,945</u>	<u>1,412,327</u>	<u>1,763,025</u>	<u>3,175,352</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, 2008

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 61,450	\$ -	\$ 67,423	\$ 67,423
Total revenues	<u>61,450</u>	<u>-</u>	<u>67,423</u>	<u>67,423</u>
Expenditures				
Construction	-	-	8,963,765	8,963,765
Engineering	-	-	91,278	91,278
Other	-	-	372,993	372,993
Total expenditures	<u>10,671,961</u>	<u>-</u>	<u>9,428,036</u>	<u>9,428,036</u>
Revenues under expenditures	<u>(10,610,511)</u>	<u>-</u>	<u>(9,360,613)</u>	<u>(9,360,613)</u>
Other financing sources				
Bond proceeds	10,610,511	-	10,810,511	10,610,511
Total other financing sources	<u>10,610,511</u>	<u>-</u>	<u>10,810,511</u>	<u>10,610,511</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	1,249,898	<u>\$ 1,249,898</u>
Reconciling items:				
Capital outlay			9,360,613	
Transfer of assets (to) / from the Water and Wastewater Fund			(7,547,250)	
Change in net assets			<u>\$ 3,063,261</u>	

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, 2008

	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>340,400</u>	<u>-</u>	<u>282,341</u>	<u>282,341</u>
Revenues under expenditures	<u>(340,400)</u>	<u>-</u>	<u>(282,341)</u>	<u>(282,341)</u>
Other financing sources				
NCDENR contribution	-	-	56,659	56,659
NC Rural Economic Development Center Grant	-	-	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
Total other financing sources	<u>340,400</u>	<u>-</u>	<u>408,714</u>	<u>408,714</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>126,373</u>	<u>\$ 126,373</u>
Reconciling Items:				
Capital outlay			282,341	
Transfer of assets (to) / from the Water and Wastewater Fund			(282,341)	
Change in net assets			<u>\$ 126,373</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



Nonmajor Enterprise Funds

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2008**

	<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	\$ 610,851	\$ 5,079,337	\$ 182,802	\$ 5,872,990
Accounts receivable	2,075,572	520,942	-	2,596,514
Inventories	176,371	6,030	-	182,401
Restricted cash and investments	-	415,644	-	415,644
Total current assets	<u>2,862,794</u>	<u>6,021,953</u>	<u>182,802</u>	<u>9,067,549</u>
Noncurrent assets				
Other assets	-	22,000	-	22,000
Capital assets	3,956,491	24,234,972	-	28,191,463
Total noncurrent assets	<u>3,956,491</u>	<u>24,256,972</u>	<u>-</u>	<u>28,213,463</u>
Total assets	<u>\$ 6,819,285</u>	<u>\$ 30,278,925</u>	<u>\$ 182,802</u>	<u>\$ 37,281,012</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,011,322	\$ 261,204	\$ 135,341	\$ 2,407,867
Interfund payables	-	283,097	-	283,097
Accrued vacation	82,879	68,466	-	151,345
Total current liabilities	<u>2,094,201</u>	<u>612,767</u>	<u>135,341</u>	<u>2,842,309</u>
Noncurrent liabilities				
Net OPEB Obligation	179,073	79,814	-	258,887
Deferred revenues	1,303	27,814	-	29,117
Total noncurrent liabilities	<u>180,376</u>	<u>107,628</u>	<u>-</u>	<u>288,004</u>
Total liabilities	<u>2,274,577</u>	<u>720,395</u>	<u>135,341</u>	<u>3,130,313</u>
Net assets				
Invested in capital assets, net of related debt	3,956,491	24,234,972	-	28,191,463
Restricted for:				
Capital projects	-	415,644	-	415,644
Unrestricted	588,217	4,907,914	47,461	5,543,592
Total net assets	<u>4,544,708</u>	<u>29,558,530</u>	<u>47,461</u>	<u>34,150,699</u>
Total liabilities and net assets	<u>\$ 6,819,285</u>	<u>\$ 30,278,925</u>	<u>\$ 182,802</u>	<u>\$ 37,281,012</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
Year Ended June 30, 2008**

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 744,684	\$ 3,079,094	\$ -	\$ 3,823,778
Other revenue from operations	29,661	145,076	-	174,737
Total operating revenues	<u>774,345</u>	<u>3,224,170</u>	<u>-</u>	<u>3,998,515</u>
Operating expenses				
Personnel	2,800,670	1,176,424	-	3,977,094
Maintenance and operations	2,227,543	1,185,568	1,945,629	5,358,740
Depreciation	555,798	1,309,200	-	1,864,998
Total operating expenses	<u>5,584,011</u>	<u>3,671,192</u>	<u>1,945,629</u>	<u>11,200,832</u>
Operating income (loss)	<u>(4,809,666)</u>	<u>(447,022)</u>	<u>(1,945,629)</u>	<u>(7,202,317)</u>
Nonoperating revenue (expense)				
Interest earned (expensed) on investments	-	238,940	-	238,940
Federal and State grants	2,183,076	146,092	-	2,329,168
Miscellaneous revenue	5,974	84,297	-	90,271
Gain (loss) on disposal of capital assets	1,196	447	-	1,643
Interest expense	-	(18,022)	-	(18,022)
Amortization	-	(22,000)	-	(22,000)
Miscellaneous expense	-	(275,143)	-	(275,143)
Total nonoperating revenue (expense)	<u>2,190,246</u>	<u>154,611</u>	<u>-</u>	<u>2,344,857</u>
Income (loss) before transfers and contributions	<u>(2,619,420)</u>	<u>(292,411)</u>	<u>(1,945,629)</u>	<u>(4,857,460)</u>
Transfers in	2,127,220	-	1,993,090	4,120,310
Capital contributions	2,067,936	822,403	-	2,890,339
Change in net assets	<u>1,575,736</u>	<u>529,992</u>	<u>47,461</u>	<u>2,153,189</u>
Total net assets - beginning	<u>2,968,972</u>	<u>29,028,538</u>	<u>-</u>	<u>31,997,510</u>
Total net assets - ending	<u>\$ 4,544,708</u>	<u>\$ 29,558,530</u>	<u>\$ 47,461</u>	<u>\$ 34,150,699</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2008**

	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Recycling Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating activities				
Cash received from customers	\$ (1,345,231)	\$ 3,556,931	\$ -	\$ 2,211,700
Other operating revenue	30,195	143,546	-	173,741
Cash paid to or on behalf of employees for services	(2,643,631)	(1,073,647)	-	(3,717,278)
Cash paid for goods and services	(284,829)	(1,687,056)	(1,810,288)	(3,782,173)
Net cash provided by (used in) operating activities	<u>(4,243,496)</u>	<u>939,774</u>	<u>(1,810,288)</u>	<u>(5,114,010)</u>
Noncapital financing activities				
Transfers in	2,127,220	-	1,993,090	4,120,310
Federal and State grants	2,183,076	146,092	-	2,329,168
Miscellaneous	5,974	84,297	-	90,271
Net cash provided (used) by noncapital financing activities	<u>4,316,270</u>	<u>230,389</u>	<u>1,993,090</u>	<u>6,539,749</u>
Capital and related financing activities				
Proceeds from sale of assets	1,196	447	-	1,643
Contributed capital received	2,067,936	822,403	-	2,890,339
Acquisition and construction of capital assets	(2,303,480)	(1,111,307)	-	(3,414,787)
Principal paid on debt maturities	-	(31,605)	-	(31,605)
Interest paid on debt maturities	-	(18,022)	-	(18,022)
Net cash provided (used) by capital and related financing activities	<u>(234,348)</u>	<u>(338,084)</u>	<u>-</u>	<u>(572,432)</u>
Investing activities				
Interest and dividends	-	238,940	-	238,940
Net cash provided (used) by investing activities	<u>-</u>	<u>238,940</u>	<u>-</u>	<u>238,940</u>
Net increase in cash and cash equivalents/investments	<u>(161,574)</u>	<u>1,071,019</u>	<u>182,802</u>	<u>1,092,247</u>
Cash and cash equivalents/investments				
Beginning of year	<u>772,425</u>	<u>4,423,962</u>	<u>-</u>	<u>5,196,387</u>
End of year	<u>\$ 610,851</u>	<u>\$ 5,494,981</u>	<u>\$ 182,802</u>	<u>\$ 6,288,634</u>
Cash and cash equivalents	\$ 610,851	\$ 5,494,981	\$ 182,802	\$ 6,288,634
Total cash and cash equivalents/investments	<u>\$ 610,851</u>	<u>\$ 5,494,981</u>	<u>\$ 182,802</u>	<u>\$ 6,288,634</u>
Unrestricted cash and equivalents/investments	\$ 610,851	\$ 5,079,337	\$ 182,802	\$ 5,872,990
Restricted cash and equivalents/investments	-	415,644	-	415,644
Total cash and cash equivalents/investments	<u>\$ 610,851</u>	<u>\$ 5,494,981</u>	<u>\$ 182,802</u>	<u>\$ 6,288,634</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2008**

	<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)	\$ (4,809,666)	\$ (447,022)	\$ (1,945,629)	\$ (7,202,317)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	555,798	1,309,200	-	1,864,998
Nonoperating payments for goods and services	-	(275,143)	-	(275,143)
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(1,920,914)	477,837	-	(1,443,077)
(Increase) decrease in inventory	(169,001)	(922)	-	(169,923)
Increase (decrease) in accounts payable and accrued liabilities	1,942,714	(209,976)	135,341	1,868,079
Increase (decrease) in accrued compensated absences	(22,034)	7,516	-	(14,518)
Increase (decrease) in deferred revenues	534	(1,530)	-	(996)
Increase (decrease) in net OPEB Obligation	179,073	79,814	-	258,887
Total adjustments	<u>566,170</u>	<u>1,386,796</u>	<u>135,341</u>	<u>2,088,307</u>
Net cash provided by (used in) operating activities	<u>\$ (4,243,496)</u>	<u>\$ 939,774</u>	<u>\$ (1,810,288)</u>	<u>\$ (5,114,010)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008

(With Comparative Actual Amounts for Year Ended June 30, 2007)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Operating revenues				
Charges for services	\$ 716,368	\$ 28,316	\$ 744,684	\$ 749,413
Other revenues from operations	39,190	(9,529)	29,661	51,773
Total operating revenues	<u>755,558</u>	<u>18,787</u>	<u>774,345</u>	<u>801,186</u>
Operating expenditures				
Personnel	2,643,659	28	2,643,631	2,420,713
Maintenance and operations	2,323,783	247,762	2,076,021	1,713,189
Total operating expenditures	<u>4,967,442</u>	<u>247,790</u>	<u>4,719,652</u>	<u>4,133,902</u>
Operating loss	<u>(4,211,884)</u>	<u>266,577</u>	<u>(3,945,307)</u>	<u>(3,332,716)</u>
Nonoperating revenues (expenses)				
Proceeds from sale of assets	-	1,196	1,196	-
Federal grants	1,232,450	(48,848)	1,183,602	969,162
State grants	850,068	-	850,068	846,849
Total nonoperating revenues (expenses)	<u>2,082,518</u>	<u>(47,652)</u>	<u>2,034,866</u>	<u>1,816,011</u>
Revenues under expenditures	<u>(2,129,366)</u>	<u>218,925</u>	<u>(1,910,441)</u>	<u>(1,516,705)</u>
Other financing sources (uses)				
Transfers in	2,129,366	(69,029)	2,060,337	1,516,704
Total other financing sources (uses)	<u>2,129,366</u>	<u>(69,029)</u>	<u>2,060,337</u>	<u>1,516,704</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 149,896</u>	<u>\$ 149,896</u>	<u>\$ (1)</u>
Reconciliation of change in net assets:				
Total revenues			\$ 4,869,548	\$ 4,133,901
Total expenditures			4,719,652	4,133,902
Subtotal			<u>149,896</u>	<u>(1)</u>
Depreciation			(555,798)	(555,127)
Net OPEB expense			(179,073)	-
Change in inventory			19,105	(10,838)
Decrease (increase) in accrued vacation			22,034	(1,836)
Subtotal			<u>(693,732)</u>	<u>(567,801)</u>
Change in net assets			<u>\$ (543,836)</u>	<u>\$ (567,802)</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, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 3,778,162	\$ 800,771	\$ 28,000	\$ 1,923,758	\$ 2,696,529
State grants	364,330	62,022	-	177,660	239,682
Miscellaneous	-	23,592	-	5,974	29,566
Total revenues	4,142,492	886,385	28,000	2,107,392	2,965,777
Expenditures					
FTA Capital 0271	1,238,560	791,824	-	446,339	1,238,163
FTA Capital 0292	-	35,000	35,000	-	-
FTA Capital 0313	1,239,430	17,412	-	1,188,902	1,206,314
FTA Capital 0327	940,000	137,140	-	76,737	213,877
FTA Capital 0357	555,000	14,605	-	292,756	307,361
FTA Capital 0378	20,000	-	-	-	-
FTA Capital 0406	270,209	4,985	-	16,107	21,092
FTA Capital 0425	387,000	-	-	324,462	324,462
Total expenditures	4,650,199	1,000,966	35,000	2,345,303	3,311,269
Revenues over (under) expenditures	(507,707)	(114,581)	(7,000)	(237,911)	(345,492)
Other financing sources (uses)					
Transfers in	507,707	464,146	7,000	48,708	505,854
Total other financing sources (uses)	507,707	464,146	7,000	48,708	505,854
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 349,565	\$ -	\$ (189,203)	\$ 160,362
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (189,203)	
Capital outlay				2,345,303	
Non-capitalizable items				(41,822)	
Change in net assets				\$ 2,114,278	

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, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 379,240	\$ 120,000	\$ 120,000	\$ 103,043	\$ 103,043
State grants	47,405	15,000	15,000	12,881	12,881
Total intergovernmental	<u>426,645</u>	<u>135,000</u>	<u>135,000</u>	<u>115,924</u>	<u>115,924</u>
Total revenues	<u>426,645</u>	<u>135,000</u>	<u>135,000</u>	<u>115,924</u>	<u>115,924</u>
Expenditures					
Current					
Transportation	474,050	150,000	150,000	128,805	128,805
Total expenditures	<u>474,050</u>	<u>150,000</u>	<u>150,000</u>	<u>128,805</u>	<u>128,805</u>
Revenues over (under) expenditures	<u>(47,405)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(12,881)</u>	<u>(12,881)</u>
Other financing sources (uses)					
Transfers in	47,405	44,230	15,000	18,175	47,405
Total other financing sources (uses)	<u>47,405</u>	<u>44,230</u>	<u>15,000</u>	<u>18,175</u>	<u>47,405</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 29,230</u>	<u>\$ -</u>	<u>\$ 5,294</u>	<u>\$ 34,524</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 5,294	
Change in net assets				<u>\$ 5,294</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Transportation					
FTA 90.2357	\$ -	\$ 150,000	\$ 150,000	\$ -	\$ -
FTA 90.2406	292,300	-	-	118,779	118,779
FTA 90.2425	181,750	-	-	10,026	10,026
Total transportation	<u>474,050</u>	<u>150,000</u>	<u>150,000</u>	<u>128,805</u>	<u>128,805</u>
Total expenditures by project	<u>\$ 474,050</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 128,805</u>	<u>\$ 128,805</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008

(With Comparative Actual Amounts for Year Ended June 30, 2007)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Operating revenues				
Charges for services	\$ 2,880,741	\$ 198,353	\$ 3,079,094	\$ 2,730,202
Other revenues from operations	136,399	8,677	145,076	305,063
Total operating revenues	<u>3,017,140</u>	<u>207,030</u>	<u>3,224,170</u>	<u>3,035,265</u>
Operating expenditures				
Personnel	1,129,025	39,932	1,089,093	1,101,013
Maintenance and operations	1,454,477	280,517	1,173,960	1,196,235
Capital outlay	212,671	64,001	148,670	145,038
Total operating expenditures	<u>2,796,173</u>	<u>384,450</u>	<u>2,411,723</u>	<u>2,442,286</u>
Operating income (loss)	<u>220,967</u>	<u>591,480</u>	<u>812,447</u>	<u>592,979</u>
Nonoperating revenues				
Interest earned on investments	100,000	74,149	174,149	156,978
Miscellaneous	84,297	-	84,297	84,297
Federal and State grants	141,536	4,556	146,092	114,380
Proceeds from sale of assets	-	447	447	11,619
Total nonoperating revenues	<u>325,833</u>	<u>79,152</u>	<u>404,985</u>	<u>367,274</u>
Nonoperating expenditures				
Interest expense	-	(18,022)	18,022	19,858
Public safety reimbursements	277,173	2,030	275,143	301,996
Total nonoperating expenditures	<u>277,173</u>	<u>(15,992)</u>	<u>293,165</u>	<u>321,854</u>
Revenues over (under) expenditures	<u>269,627</u>	<u>654,640</u>	<u>924,267</u>	<u>638,399</u>
Other financing sources (uses)				
Transfers (out)	(405,711)	49,627	(356,084)	-
Debt service - principal payment	-	(31,605)	(31,605)	(29,769)
Appropriated fund balance	136,084	(136,084)	-	-
Total other financing sources (uses)	<u>(269,627)</u>	<u>(118,062)</u>	<u>(387,689)</u>	<u>(29,769)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 536,578</u>	<u>\$ 536,578</u>	<u>\$ 608,630</u>
Reconciliation of change in net assets				
Total revenues			\$ 3,629,155	\$ 3,402,539
Total expenditures			<u>3,092,577</u>	<u>2,793,909</u>
Subtotal			536,578	608,630
Depreciation			(1,309,200)	(1,447,923)
Amortization			(22,000)	(22,000)
Change in accrued vacation			(7,517)	(1,416)
Change in inventory			922	(591)
Capital outlay			148,670	145,038
Principal payment			31,605	29,769
Net OPEB expense			(79,814)	-
Subtotal			<u>(1,237,334)</u>	<u>(1,297,123)</u>
Change in net assets			<u>\$ (700,756)</u>	<u>\$ (688,493)</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, 2008

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 6,706,328	\$ 8,855,683	\$ 4,973,383	\$ 644,385	\$ 4,526,685
State grants	1,242,137	698,113	199,939	178,018	676,192
Local income	294,183	281,782	-	-	281,782
Miscellaneous income	209,490	1,042,023	214,020	-	828,003
Investment Income	88,303	173,479	25,000	64,791	213,270
Total revenues	8,540,441	11,051,080	5,412,342	887,194	6,525,932
Expenditures					
NLVR/Terminal rehab	-	2,422,588	2,422,588	-	-
Masterplan update & land	-	1,605,423	1,605,423	-	-
Loop Road design	-	29,559	29,559	-	-
Local match / future projects	349,000	-	-	-	-
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	389,426
West GA Ramp Rehab	459,171	-	-	13,424	13,424
AIP-33 Airfield Lighting Vault	2,116,409	-	-	-	-
Miscellaneous parking lot improvements	-	88,775	88,775	-	-
Obstruction clearing	-	1,477,695	1,477,695	-	-
Stormwater improvements	361,114	218,659	-	9,092	227,751
AIP-30 loop, building, beacon	3,568,108	3,047,408	-	250,841	3,298,249
Security system installation	43,000	40,801	-	-	40,801
Runway Centerline Paint	-	3,544	3,544	-	-
Airport Fire Training Facility	1,186,746	1,039,223	-	137,099	1,176,322
14 Unit T-Hanger	588,366	561,723	-	-	561,723
Total expenditures	9,588,834	10,535,398	5,627,584	975,164	5,882,978
Revenues over (under) expenditures	(1,048,393)	515,682	(215,242)	(87,970)	642,954
Other financing sources (uses)					
Transfers in	1,045,109	918,900	215,242	356,085	1,059,743
Proceeds from sale	3,284	3,284	-	-	3,284
Total other financing sources (uses)	1,048,393	922,184	215,242	356,085	1,063,027
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,437,866	\$ -	\$ 268,115	\$ 1,705,981
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 268,115	
Capital outlay				975,164	
Non-capitalizable items				(12,531)	
Change in net assets				\$ 1,230,748	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2008
(With Comparative Actual Amounts for Year Ended June 30, 2007)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Operating revenues	\$ -	\$ -	\$ -	\$ -
Operating expenditures				
Maintenance and operations	1,993,090	47,461	1,945,629	-
Total operating expenditures	<u>1,993,090</u>	<u>47,461</u>	<u>1,945,629</u>	<u>-</u>
Operating income (loss)	<u>(1,993,090)</u>	<u>47,461</u>	<u>(1,945,629)</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,993,090)</u>	<u>47,461</u>	<u>(1,945,629)</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	1,993,090	-	1,993,090	-
Total other financing sources (uses)	<u>1,993,090</u>	<u>-</u>	<u>1,993,090</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 47,461</u>	<u>\$ 47,461</u>	<u>\$ -</u>
Reconciliation of change in net assets				
Total revenues			\$ 1,993,090	\$ -
Total expenditures			<u>1,945,629</u>	<u>-</u>
Subtotal			<u>47,461</u>	<u>-</u>
Change in net assets			<u>\$ 47,461</u>	<u>\$ -</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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
- Fleet Maintenance 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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Internal Service Funds
June 30, 2008

	Warranty Fleet Fund	Fleet Maintenance Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Assets					
Current assets					
Cash and investments	\$ 830,581	\$ -	\$ 14,732,836	\$ -	\$ 15,563,417
Accounts receivable	3,589	-	36,951	962,359	1,002,899
Prepaid expenses	-	-	144,664	-	144,664
Total current assets	<u>834,170</u>	<u>-</u>	<u>14,914,451</u>	<u>962,359</u>	<u>16,710,980</u>
Noncurrent assets					
Capital assets	538,760	-	21,408	1,816,686	2,376,854
Total noncurrent assets	<u>538,760</u>	<u>-</u>	<u>21,408</u>	<u>1,816,686</u>	<u>2,376,854</u>
Total assets	\$ 1,372,930	\$ -	\$ 14,935,859	\$ 2,779,045	\$ 19,087,834
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued expenses	\$ 13,981	\$ -	\$ 2,296,769	\$ 326,032	\$ 2,636,782
Current portion of long term debt	-	-	-	97,324	97,324
Interfund payables	-	-	-	338,908	338,908
Accrued vacation	-	-	9,407	-	9,407
Total current liabilities	<u>13,981</u>	<u>-</u>	<u>2,306,176</u>	<u>762,264</u>	<u>3,082,421</u>
Noncurrent liabilities					
Net OPEB Obligation	-	-	27,396	74,913	102,309
Deferred revenues	-	-	12,000	-	12,000
Long-term debt	-	-	-	61,366	61,366
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>39,396</u>	<u>136,279</u>	<u>175,675</u>
Total liabilities	<u>13,981</u>	<u>-</u>	<u>2,345,572</u>	<u>898,543</u>	<u>3,258,096</u>
Net assets					
Invested in capital assets, net of related debt	538,760	-	21,408	1,816,686	2,376,854
Unrestricted	820,189	-	12,568,879	63,816	13,452,884
Total net assets	<u>1,358,949</u>	<u>-</u>	<u>12,590,287</u>	<u>1,880,502</u>	<u>15,829,738</u>
Total liabilities and net assets	\$ 1,372,930	\$ -	\$ 14,935,859	\$ 2,779,045	\$ 19,087,834

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2008**

	Warranty Fleet Fund	Fleet Maintenance Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating revenues					
Other revenue from operations	\$ -	\$ -	\$ 487,878	\$ -	\$ 487,878
Interfund charges and employee contributions	319,330	-	14,295,708	6,170,760	20,785,798
Total operating revenues	<u>319,330</u>	<u>-</u>	<u>14,783,586</u>	<u>6,170,760</u>	<u>21,273,676</u>
Operating expenses					
Personnel	-	-	398,788	-	398,788
Maintenance and operations	164,519	-	11,980,286	5,852,996	17,997,801
Depreciation	159,687	-	28,544	114,681	302,912
Total operating expenses	<u>324,206</u>	<u>-</u>	<u>12,407,618</u>	<u>5,967,677</u>	<u>18,699,501</u>
Operating income (loss)	<u>(4,876)</u>	<u>-</u>	<u>2,375,968</u>	<u>203,083</u>	<u>2,574,175</u>
Nonoperating revenue (expense)					
Interest earned (expensed) on investments	31,101	(1,848)	595,310	-	624,563
Gain (loss) on disposal of capital assets	26,362	-	-	-	26,362
Total nonoperating revenue (expense)	<u>57,463</u>	<u>(1,848)</u>	<u>595,310</u>	<u>-</u>	<u>650,925</u>
Income (loss) before transfers and contributions	<u>52,587</u>	<u>(1,848)</u>	<u>2,971,278</u>	<u>203,083</u>	<u>3,225,100</u>
Transfers in	200,000	-	-	-	200,000
Transfers out	-	(168,220)	-	-	(168,220)
Change in net assets	<u>252,587</u>	<u>(170,068)</u>	<u>2,971,278</u>	<u>203,083</u>	<u>3,256,880</u>
Total net assets - beginning	<u>1,106,362</u>	<u>170,068</u>	<u>9,619,009</u>	<u>1,677,419</u>	<u>12,572,858</u>
Total net assets - ending	<u>\$ 1,358,949</u>	<u>\$ -</u>	<u>\$ 12,590,287</u>	<u>\$ 1,880,502</u>	<u>\$ 15,829,738</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008**

	Warranty Fleet Fund	Fleet Maintenance Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating activities					
Cash received from customers	\$ 321,637	\$ 158,924	\$ 14,336,908	\$ 5,669,409	\$ 20,486,878
Other operating revenue	-	-	487,878	-	487,878
Cash received as deferred revenues	-	-	3,104	-	3,104
Cash paid to or on behalf of employees for services	-	-	(377,477)	(1,674,971)	(2,052,448)
Cash paid for goods and services	(150,538)	(8,737)	(11,644,865)	(3,824,900)	(15,629,040)
Net cash provided by (used in) operating activities	171,099	150,187	2,805,548	169,538	3,296,372
Noncapital financing activities					
Transfers in	200,000	-	-	-	200,000
Transfers out	-	(168,220)	-	-	(168,220)
Net cash provided (used) by noncapital financing activities	200,000	(168,220)	-	-	31,780
Capital and related financing activities					
Proceeds from sale of assets	26,362	-	-	-	26,362
Acquisition and construction of capital assets	(216,141)	-	-	(169,538)	(385,679)
Net cash provided (used) by capital and related financing activities	(189,779)	-	-	(169,538)	(359,317)
Investing activities					
Interest and dividends	31,101	(1,848)	595,310	-	624,563
Net cash provided (used) by Investing activities	31,101	(1,848)	595,310	-	624,563
Net increase in cash and cash equivalents/investments	212,421	(19,881)	3,400,858	-	3,593,398
Cash and cash equivalents/investments					
Beginning of year	618,160	19,881	11,331,978	-	11,970,019
End of year	\$ 830,581	\$ -	\$ 14,732,836	\$ -	\$ 15,563,417
Cash and cash equivalents	\$ 830,581	\$ -	\$ 14,732,836	\$ -	\$ 15,563,417
Total cash and cash equivalents/investments	\$ 830,581	\$ -	\$ 14,732,836	\$ -	\$ 15,563,417
Unrestricted cash and equivalents/investments	\$ 830,581	\$ -	\$ 14,732,836	\$ -	\$ 15,563,417
Total cash and cash equivalents/investments	\$ 830,581	\$ -	\$ 14,732,836	\$ -	\$ 15,563,417
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (4,876)	\$ -	\$ 2,375,968	\$ 203,083	\$ 2,574,175
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	159,687	-	28,544	114,681	302,912
Change in assets and liabilities					
(Increase) decrease in accounts receivable	2,307	2,080	41,200	(501,351)	(455,764)
(Increase) decrease in inventory	-	156,844	-	-	156,844
(Increase) decrease in prepaid items	-	-	104,311	-	104,311
(Increase) decrease in internal balances	-	-	-	159,984	159,984
Increase (decrease) in accounts payable and accrued liabilities	13,981	(8,737)	231,110	59,370	295,724
Increase (decrease) in accrued compensated absences	-	-	(6,085)	58,858	52,773
Increase (decrease) in deferred revenues	-	-	3,104	-	3,104
Increase (decrease) in net OPEB Obligation	-	-	27,396	74,913	102,309
Total adjustments	175,975	150,187	429,580	(33,545)	722,197
Net cash provided by (used in) operating activities	\$ 171,099	\$ 150,187	\$ 2,805,548	\$ 169,538	\$ 3,296,372

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2008
(With Comparative Actual Amounts for Year Ended June 30, 2007)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Operating revenues				
Interfund charges and employee contributions	\$ 322,879	\$ (3,549)	\$ 319,330	\$ 301,810
Total operating revenues	<u>322,879</u>	<u>(3,549)</u>	<u>319,330</u>	<u>301,810</u>
Operating expenditures				
Maintenance and operations	165,172	653	164,519	148,889
Capital outlay	246,124	29,983	216,141	191,029
Total operating expenditures	<u>411,296</u>	<u>30,636</u>	<u>380,660</u>	<u>339,918</u>
Operating income (loss)	<u>(88,417)</u>	<u>27,087</u>	<u>(61,330)</u>	<u>(38,108)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	5,000	26,101	31,101	25,308
Miscellaneous	(168,572)	168,572	-	-
Proceeds from disposal of capital assets	-	26,362	26,362	12,843
Total nonoperating revenues (expenditures)	<u>(163,572)</u>	<u>221,035</u>	<u>57,463</u>	<u>38,151</u>
Revenues over (under) expenditures	<u>(251,989)</u>	<u>248,122</u>	<u>(3,867)</u>	<u>43</u>
Other financing sources (uses)				
Transfers in	200,000	-	200,000	200,000
Appropriated fund balance	51,989	(51,989)	-	-
Total other financing sources (uses)	<u>251,989</u>	<u>(51,989)</u>	<u>200,000</u>	<u>200,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 196,133</u>	<u>\$ 196,133</u>	<u>\$ 200,043</u>
Reconciliation to change in net assets:				
Total revenues			\$ 576,793	\$ 539,961
Total expenditures			<u>380,660</u>	<u>339,918</u>
Subtotal			<u>196,133</u>	<u>200,043</u>
Depreciation			(159,687)	(124,665)
Capital outlay			216,141	191,029
Subtotal			<u>56,454</u>	<u>66,364</u>
Change in net assets			<u>\$ 252,587</u>	<u>\$ 266,407</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008
(With Comparative Actual Amounts for Year Ended June 30, 2007)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Operating revenues				
Other revenues from operations	\$ -	\$ -	\$ -	\$ 43
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>
Operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>
Nonoperating revenues (expenditures)				
Interest earned (expense)	-	(1,848)	(1,848)	13,782
Proceeds (loss) from disposal of capital assets	-	-	-	(106,602)
Total nonoperating revenue (expenditures)	<u>-</u>	<u>(1,848)</u>	<u>(1,848)</u>	<u>(92,820)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,848)</u>	<u>(1,848)</u>	<u>(92,777)</u>
Other financing sources (uses)				
Transfers out	(11,144)	(157,076)	(168,220)	(334,482)
Appropriated fund balance	11,144	(11,144)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(168,220)</u>	<u>(168,220)</u>	<u>(334,482)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (170,068)</u>	<u>\$ (170,068)</u>	<u>\$ (427,259)</u>
Reconciliation to change in net assets:				
Total revenues			\$ (1,848)	\$ 13,825
Total expenditures			<u>168,220</u>	<u>441,084</u>
Subtotal			<u>(170,068)</u>	<u>(427,259)</u>
Change in net assets			<u>\$ (170,068)</u>	<u>\$ (427,259)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2008

(With Comparative Actual Amounts for Year Ended June 30, 2007)

	Budget	Variance Positive (Negative)	2008 Actual	2007 Actual
Operating revenues				
Interfund charges and employee contributions	\$ 15,739,746	\$ (1,444,038)	\$ 14,295,708	\$ 13,842,650
Other revenues from operations	83,000	404,878	487,878	173,514
Total operating revenues	<u>15,822,746</u>	<u>(1,039,160)</u>	<u>14,783,586</u>	<u>14,016,164</u>
Operating expenditures				
Personnel	390,538	13,061	377,477	380,982
Maintenance and operations	13,970,800	2,122,197	11,848,603	11,341,744
Capital outlay	-	-	-	31,868
Total operating expenditures	<u>14,361,338</u>	<u>2,135,258</u>	<u>12,226,080</u>	<u>11,754,594</u>
Operating income (loss)	<u>1,461,408</u>	<u>1,096,098</u>	<u>2,557,506</u>	<u>2,261,570</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	235,000	360,310	595,310	511,736
Misellaneous	(1,701,625)	1,701,625	-	-
Total nonoperating revenue (expenditures)	<u>(1,466,625)</u>	<u>2,061,935</u>	<u>595,310</u>	<u>511,736</u>
Revenues over (under) expenditures	<u>(5,217)</u>	<u>3,158,033</u>	<u>3,152,816</u>	<u>2,773,306</u>
Other financing sources (uses)				
Appropriated fund balance	5,217	(5,217)	-	-
Total other financing sources (uses)	<u>5,217</u>	<u>(5,217)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 3,152,816</u>	<u>\$ 3,152,816</u>	<u>\$ 2,773,306</u>
Reconciliation to change in net assets:				
Total revenues			\$ 15,378,896	\$ 14,527,900
Total expenditures			12,226,080	11,754,594
Subtotal			<u>3,152,816</u>	<u>2,773,306</u>
Depreciation			(28,544)	(28,544)
Decrease (increase) in accrued vacation			6,085	394
Capital outlay			-	31,868
Change in net OPEB expense			(27,396)	-
Decrease (increase) in insurance liability			(131,683)	1,070,567
Subtotal			<u>(181,538)</u>	<u>1,074,285</u>
Change in net assets			<u>\$ 2,971,278</u>	<u>\$ 3,847,591</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2008
(with comparative actual amounts for the period ended June 30, 2007)**

	2008		Actual	2007 Actual
	Budget	Variance Positive (Negative)		
Revenues				
Operating revenues				
City services	\$ 3,702,296	\$ 360,389	\$ 4,062,685	\$ 3,874,003
PWC services	1,993,545	110,982	2,104,527	1,933,415
Other revenue	-	3,548	3,548	1,055
Total operating revenues	<u>5,695,841</u>	<u>474,919</u>	<u>6,170,760</u>	<u>5,808,473</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	-	-	1,717
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717</u>
Total revenues	<u>\$ 5,695,841</u>	<u>\$ 474,919</u>	<u>\$ 6,170,760</u>	<u>\$ 5,810,190</u>
Expenditures				
Operating expenditures				
Fleet maintenance	\$ 5,490,841	\$ (287,242)	\$ 5,778,083	\$ 5,579,733
Total operating expenditures	<u>5,490,841</u>	<u>(287,242)</u>	<u>5,778,083</u>	<u>5,579,733</u>
Budgetary appropriations				
Capital outlay	205,000	35,815	169,185	83,982
Total budgetary appropriations	<u>205,000</u>	<u>35,815</u>	<u>169,185</u>	<u>83,982</u>
Total expenditures	<u>\$ 5,695,841</u>	<u>\$ (251,427)</u>	<u>\$ 5,947,268</u>	<u>\$ 5,663,715</u>
Reconciliation of changes in net assets				
Total revenues	\$ 5,695,841	\$ 474,919	\$ 6,170,760	\$ 5,810,190
Total expenditures	5,695,841	(251,427)	5,947,268	5,663,715
Subtotal	<u>\$ -</u>	<u>\$ 223,492</u>	<u>223,492</u>	<u>146,475</u>
Reconciling items:				
Budgetary appropriations			169,185	83,982
Depreciation			(114,681)	(109,775)
OPEB expense			(74,913)	-
Change in net assets			<u>\$ 203,083</u>	<u>\$ 120,682</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



Fiduciary Funds

- Pension Trust Funds
- Private-purpose Trust Funds

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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

(This page left intentionally blank)

City of Fayetteville, North Carolina

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2008

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total
Assets			
Cash and investments			
Cash and cash equivalents	\$ 2,146,562	\$ 21,528	\$ 2,168,090
Mutual funds--bonds	-	2,051,324	2,051,324
Mutual funds--US equities	-	1,646,996	1,646,996
Mutual funds--international equities	-	467,587	467,587
Total cash and investments	<u>2,146,562</u>	<u>4,187,435</u>	<u>6,333,997</u>
Accounts receivable	6,289	-	6,289
Total assets	<u>2,152,851</u>	<u>4,187,435</u>	<u>6,340,286</u>
Liabilities			
Accounts payable	19,721	25,302	45,023
Total liabilities	<u>19,721</u>	<u>25,302</u>	<u>45,023</u>
Net assets			
Held in Trust for:			
Pension benefits	2,133,130	4,162,133	6,295,263
Total net assets	<u>\$ 2,133,130</u>	<u>\$ 4,162,133</u>	<u>\$ 6,295,263</u>

City of Fayetteville, North Carolina

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended June 30, 2008

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total
Additions			
Contributions	\$ 379,323	\$ -	\$ 379,323
Investment earnings	98,622	(284,106)	(185,484)
Total additions	477,945	(284,106)	193,839
Deductions			
Benefit payments and premiums	465,370	90,456	555,826
Total deductions	465,370	90,456	555,826
Change in net assets	12,575	(374,562)	(361,987)
Total net assets - beginning	2,120,555	4,536,695	6,657,250
Total net assets - ending	\$ 2,133,130	\$ 4,162,133	\$ 6,295,263

City of Fayetteville, North Carolina

Combining Statement of Fiduciary Net Assets
Private-purpose Trust Funds
June 30, 2008

	Police Benefit Trust Fund	Fireman's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ -	\$ 1,335,598	\$ 1,335,598
Interfund receivable	-	33	33
Accounts receivable	4	14,629	14,633
Total assets	<u>4</u>	<u>1,350,260</u>	<u>1,350,264</u>
Liabilities			
Interfund payable	<u>33</u>	-	<u>33</u>
Total liabilities	<u>33</u>	<u>-</u>	<u>33</u>
Net assets			
Held in Trust for benefits and other purposes	<u>(29)</u>	1,350,260	1,350,231
Total net assets	<u>\$ (29)</u>	<u>\$ 1,350,260</u>	<u>\$ 1,350,231</u>

City of Fayetteville, North Carolina

Combining Statement of Changes in Fiduciary Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2008

	Police Benefit Trust Fund	Fireman's Benefit Trust Fund	Total
Additions			
Other revenue from operations	\$ -	\$ 36,952	\$ 36,952
Contributions	575	117,959	118,534
Investment earnings	43	58,318	58,361
Total additions	618	213,229	213,847
Deductions			
Benefit payments and premiums	4,486	195,722	200,208
Total deductions	4,486	195,722	200,208
Change in net assets	(3,868)	17,507	13,639
Total net assets - beginning	3,839	1,332,753	1,336,592
Total net assets - ending	\$ (29)	\$ 1,350,260	\$ 1,350,231



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

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Current Tax Levy

Year Ended June 30, 2008

	<u>Total Property Valuation</u>	<u>Rate Per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
General Fund	\$ 10,338,942,092	\$ 0.530	\$ 54,796,393	\$ 47,838,500	\$ 6,957,893
Late Listing Penalties:					
General Fund			43,988	43,988	-
Subtotal			<u>54,840,381</u>	<u>47,882,488</u>	<u>6,957,893</u>
Discoveries:					
General Fund	33,908,030	0.530	179,713	163,535	16,177
Late Listing Penalties:					
General Fund			33,301	33,301	-
Subtotal			<u>213,014</u>	<u>196,836</u>	<u>16,177</u>
Releases:					
General Fund	(155,733,438)	0.530	(825,387)	(74,964)	(750,423)
Late Listing Penalties:					
General Fund			(11,477)	(11,477)	-
Subtotal			<u>(836,864)</u>	<u>(86,441)</u>	<u>(750,423)</u>
Adjusted Tax Levy			<u>54,216,530</u>	<u>47,992,883</u>	<u>6,223,647</u>
Uncollected Current Year Taxes at 6/30/2008			<u>(1,477,723)</u>	<u>(291,302)</u>	<u>(1,186,421)</u>
City-wide Current Year's Taxes Collected			<u>\$ 52,738,807</u>	<u>\$ 47,701,581</u>	<u>\$ 5,037,226</u>
City-wide Current Levy Collection Percentage			<u>97.27%</u>	<u>99.39%</u>	<u>80.94%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

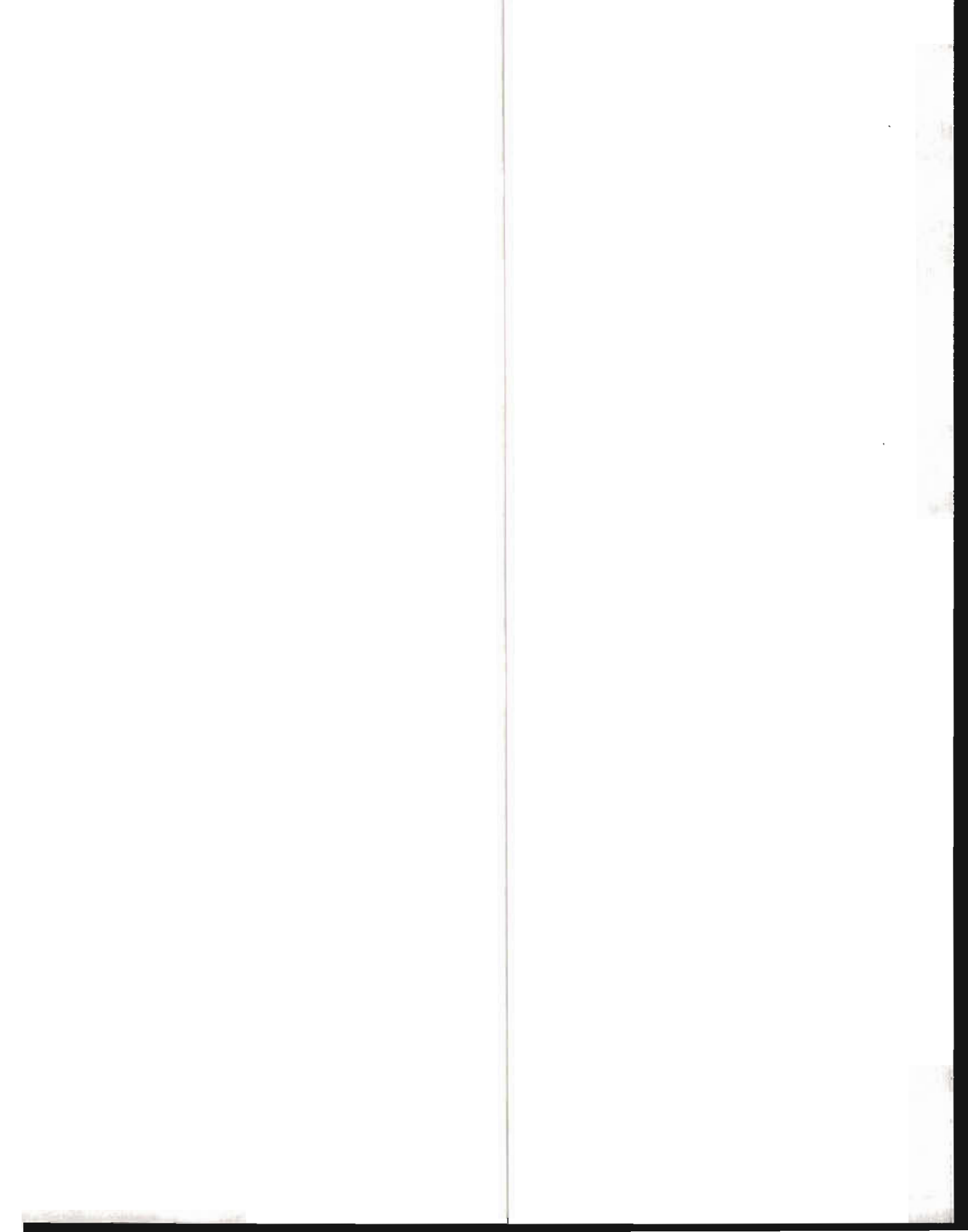
June 30, 2008

Fiscal Year Ended	Uncollected Balance June 30, 2007	Additions & Releases	Collections	Uncollected Balance June 30, 2008
2008	\$ -	\$ 54,216,530	\$ 52,738,807	\$ 1,477,723
2007	1,569,690	(131,983)	1,071,120	366,587
2006 Annexation	524,007	(1,139)	374,916	147,952
2006	369,296	(14,890)	99,850	254,556
All Prior	1,672,247	(170,757)	78,053	1,423,437
	<u>4,135,240</u>	<u>\$ 53,897,761</u>	<u>\$ 54,362,746</u>	<u>3,670,255</u>
Less: Allowance for Uncollectible Taxes				
General Fund	(809,178)			(801,167)
	<u>\$ 3,326,062</u>			<u>\$ 2,869,088</u>
General Fund Taxes Receivable				\$ 3,270,102
Less: CBTD Taxes Receivable				(1,178)
Less: Vehicle License Fee Receivable				(399,836)
General Fund Ad Valorem Taxes Receivable				<u>\$ 2,869,088</u>
 Reconciliations of collections and credit with revenues				
Ad Valorem Taxes per the fund financial statements			\$ 54,765,677	
Less Penalties & Interest			(320,348)	
Less Taxes - CBTD			(82,583)	
General Fund Ad Valorem Taxes			<u>\$ 54,362,746</u>	



Statistical Section

City of
Fayetteville
North Carolina



City of Fayetteville, North Carolina
STATISTICAL SECTION
(Unaudited)

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

CONTENTS

Financial Trends

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

Revenue Capacity

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

(This page left intentionally blank)

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

	Fiscal Year							Schedule 1
	2002	2003	2004	2005	2006	2007	2008	
Governmental Activities								
Invested in capital assets, net of related debt	\$ 248,607,987	\$ 256,858,830	\$ 252,737,261	\$ 263,057,769	\$ 351,170,168	\$ 353,407,779	\$ 354,462,766	
Restricted for:								
Capital projects	-	-	-	-	-	-	-	1,047,622
Other purposes	283,297	-	2,369,817	2,446,529	2,702,713	3,525,146	-	-
Grant Compliance	-	-	-	-	-	-	-	1,663,445
Unrestricted	52,882,952	53,401,259	60,110,564	63,005,016	69,389,778	73,912,222	70,335,914	
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	
Business-type activities								
Invested in capital assets, net of related debt	\$ 379,321,259	\$ 384,181,318	\$ 384,136,802	\$ 426,048,564	\$ 432,380,388	\$ 458,237,550	\$ 505,941,437	
Restricted for:								
Capital projects	4,572,922	-	10,953,452	512,536	527,965	420,040	2,075,219	
Debt service	3,294,937	25,695	8,998,444	817,633	608,520	816,070	11,462	
Other purposes	-	10,501,859	-	-	-	-	-	
Grant Compliance	-	-	-	-	-	-	-	
Unrestricted	72,534,455	69,785,451	71,918,803	73,155,311	97,657,374	121,366,653	122,199,894	
Total business-type activities net assets	\$ 459,723,573	\$ 464,494,323	\$ 476,007,501	\$ 500,534,044	\$ 531,384,248	\$ 581,640,313	\$ 630,228,012	
Primary Government								
Invested in capital assets, net of related debt	\$ 627,929,256	\$ 641,040,148	\$ 636,874,063	\$ 689,106,333	\$ 783,560,557	\$ 812,645,329	\$ 660,424,203	
Restricted for:								
Capital projects	4,572,922	-	10,953,452	512,536	527,965	420,040	3,122,841	
Debt service	3,294,937	25,695	8,998,444	817,633	808,520	616,070	11,462	
Other purposes	283,297	10,501,859	2,369,817	2,446,529	2,702,713	3,525,148	-	
Grant Compliance	-	-	-	-	-	-	-	
Unrestricted	125,227,407	123,186,710	132,029,367	136,180,327	167,027,153	195,278,875	166,344,445	
Total primary government net assets	\$ 761,307,819	\$ 774,754,412	\$ 791,225,143	\$ 829,043,356	\$ 954,626,908	\$ 1,012,685,462	\$ 1,057,977,759	

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 Seven Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities							
Administration	8,501,997	12,384,837	10,560,827	11,641,665	13,268,585	19,032,872	19,090,722
Public safety	39,896,830	40,577,181	43,882,505	47,285,832	52,752,676	58,609,521	63,458,091
Environmental protection	6,450,217	7,957,281	8,871,482	7,514,882	9,940,477	11,000,841	12,126,391
Transportation	12,091,432	12,123,658	13,846,642	14,018,971	17,115,971	16,702,014	20,386,537
Economic and physical development	7,407,147	5,459,943	4,418,477	5,827,998	5,132,048	1,229,375	4,568,635
Recreation and community facilities	6,371,366	8,525,888	6,134,504	9,305,228	10,501,677	14,020,434	12,113,646
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
Total governmental activities	83,718,140	87,812,260	90,054,611	98,135,718	111,498,134	123,218,559	133,765,431
Business type activities							
Electric	123,644,452	142,761,403	132,677,111	131,365,788	137,866,324	130,839,305	137,561,749
Water and wastewater	43,949,483	45,973,455	44,147,344	45,275,518	45,859,650	49,623,073	52,767,113
Transit	5,223,850	5,073,264	5,021,030	4,910,142	4,864,135	4,864,528	5,584,011
Airport	3,435,908	3,570,780	3,450,196	3,806,671	3,789,259	4,091,032	3,986,357
Solid Waste Recycling	-	-	-	-	-	-	1,945,629
Total business-type activities	176,253,673	197,378,902	185,295,881	185,298,119	192,349,388	189,417,938	201,844,859
Total primary government	259,971,813	285,191,162	275,350,292	283,433,837	303,847,502	312,834,495	335,640,290

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Program Revenues							
Governmental Activities							
Administration	852,799	670,144	719,892	728,451	702,004	800,275	755,883
Charges for services	1,720	5,325	5,215	7,501	5,832	32,298	63,268
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Public Safety							
Charges for services	1,541,852	1,883,207	2,138,108	2,861,753	4,448,932	3,708,443	3,213,741
Operating grants and contributions	822,450	1,113,043	1,345,821	2,489,423	480,476	673,108	309,869
Capital grants and contributions	183,122	133,554	5,750	514,389	367,540	95,867	45,154
Environmental Protection							
Charges for services	38,943	52,591	66,150	23,956	80,998	40,785	3,416,607
Operating grants and contributions	61,000	-	-	-	-	2,259,339	2,303,890
Capital grants and contributions	-	-	-	-	-	-	-
Transportation							
Charges for services	1,206,998	1,148,925	1,454,034	1,486,881	537,081	1,224,243	682,698
Operating grants and contributions	4,191,727	3,919,568	3,920,822	4,254,801	3,833,510	5,710,433	5,954,823
Capital grants and contributions	-	-	-	-	98,785	13,446	155,409

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

Schedule 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<i>Economic and physical development</i>							
Charges for services	\$ 1,208,072	\$ 79,387	\$ 1,073,827	\$ 715,099	\$ 57,172	\$ -	\$ -
Operating grants and contributions	2,739,278	3,282,985	1,792,478	2,743,690	1,742,466	1,778,840	2,384,282
Capital grants and contributions	-	-	1,526,900	2,060,539	2,423,512	1,163,385	338,664
<i>Recreation and community facilities</i>							
Charges for services	378,497	394,012	436,336	756,462	4,151,275	3,751,071	3,873,021
Operating grants and contributions	70,118	309,789	107,587	3,572,557	60,386	45,213	56,292
Capital grants and contributions	-	-	1,162,746	992,963	2,181,508	2,622,609	781,410
Total governmental activities programs	13,084,576	12,970,530	15,755,468	22,988,285	21,149,277	23,919,355	24,515,031
<i>Business-type activities:</i>							
<i>Electric</i>							
Charges for services	139,814,919	145,617,727	141,981,920	146,089,328	155,773,020	159,647,302	166,899,655
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	1,596,355	3,832,702	116,186	951,384	178,965	977,641	405,586
<i>Water and wastewater</i>							
Charges for services	43,703,832	43,008,035	45,282,126	47,044,634	51,508,272	54,520,183	57,080,057
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	7,184,899	8,605,351	8,029,173	13,900,547	14,125,818	16,730,748	14,452,981
<i>Transit</i>							
Charges for services	1,058,298	1,128,708	842,658	638,084	828,623	801,188	774,345
Operating grants and contributions	1,541,768	1,553,753	1,888,287	1,900,622	2,097,336	1,922,181	2,149,594
Capital grants and contributions	280,513	234,864	269,732	417,242	83,915	157,361	2,101,418
<i>Airport</i>							
Charges for services	1,977,915	2,353,279	2,119,754	2,406,129	2,849,936	3,035,265	3,224,170
Operating grants and contributions	-	118,315	14,799	-	-	114,380	146,092
Capital grants and contributions	2,193,558	1,991,289	2,002,812	2,418,216	1,145,929	3,565,784	822,403
<i>Solid Waste Recycling</i>							
Charges for services	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Total business-type activities program	199,352,055	208,244,041	202,547,427	215,944,187	228,571,714	241,472,031	248,056,301
Total primary government program	212,446,631	221,214,571	218,302,895	238,932,472	249,720,991	265,391,386	272,571,332
<i>Net (expense)/revenue</i>							
Governmental activities	\$ (70,623,564)	\$ (74,841,730)	\$ (74,289,143)	\$ (75,147,433)	\$ (90,346,857)	\$ (99,287,204)	\$ (108,280,400)
Business-type activities	23,096,382	10,885,139	17,251,748	30,646,088	38,222,346	52,054,095	48,211,442
Total primary government net expense	\$ (47,525,182)	\$ (63,976,591)	\$ (57,047,397)	\$ (44,501,385)	\$ (54,128,511)	\$ (47,243,109)	\$ (63,068,958)

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

Schedule 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental activities							
Ad valorem taxes	\$ 33,613,509	\$ 34,084,378	\$ 38,485,985	\$ 39,344,522	\$ 47,823,150	\$ 52,929,323	\$ 54,295,319
Other taxes	24,432,885	28,116,817	31,127,455	34,023,971	35,863,026	41,307,138	43,183,017
Unrestricted grants and contributions	370,032	547,091	569,087	571,232	576,491	786,290	801,089
Interest earned on investments	1,837,590	1,197,764	507,808	1,752,579	2,327,165	4,050,088	3,704,874
Miscellaneous	577,862	878,780	385,105	908,208	189,866	474,945	627,860
Gain on sale of capital assets	-	-	-	-	182,992	198,853	254,875
Transfers	7,142,178	7,902,191	8,171,258	8,418,200	8,601,682	7,150,058	3,307,854
Special Item	-	-	-	-	89,555,831	-	-
Total governmental activities	\$ 67,773,828	\$ 72,737,001	\$ 79,256,696	\$ 85,018,712	\$ 185,082,203	\$ 108,899,893	\$ 108,184,988
Business-type activities:							
Interest earned on investments	2,011,885	1,723,505	1,493,186	2,018,035	3,137,307	5,173,628	5,382,187
Miscellaneous	84,297	84,297	237,004	280,640	84,297	368,078	90,271
Transfers	(7,142,178)	(7,902,191)	(8,171,258)	(8,418,200)	7,936	12,319	(3,307,854)
Gain on sale of capital assets	-	-	-	-	-	-	1,643
Extraordinary item	-	-	702,500	-	(8,601,682)	(7,150,056)	-
Total business-type activities	\$ (5,046,016)	\$ (6,084,389)	\$ (5,738,568)	\$ (6,119,525)	\$ (5,372,142)	\$ (1,598,030)	\$ 2,176,257
Total primary government	\$ 62,727,810	\$ 66,652,612	\$ 73,518,128	\$ 78,899,187	\$ 179,710,061	\$ 105,301,863	\$ 108,361,255

Change in Net Assets							
Governmental activities	\$ (2,849,798)	\$ (2,104,729)	\$ 4,957,553	\$ 9,871,279	\$ 94,733,348	\$ 7,602,489	\$ (3,095,402)
Business-type activities	18,052,386	4,770,750	11,513,178	24,526,543	30,850,204	50,456,065	48,387,899
Total primary government	\$ 15,202,588	\$ 2,666,021	\$ 16,470,731	\$ 34,397,822	\$ 125,583,550	\$ 58,058,554	\$ 45,292,297

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 Seven Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 3

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	\$ 10,953,223	\$ 7,177,302	\$ 13,309,127	\$ 12,567,572	\$ 14,222,851	\$ 19,688,249	\$ 17,228,908
Unreserved	19,237,973	22,078,478	28,485,129	31,396,476	29,273,909	29,982,047	35,781,835
Total General Fund	\$ 30,191,196	\$ 29,255,778	\$ 41,804,256	\$ 43,964,048	\$ 43,496,760	\$ 49,650,296	\$ 53,008,741
All other governmental funds							
Reserved	\$ 5,852,530	\$ 6,493,914	\$ 6,991,081	\$ 10,827,524	\$ 8,445,918	\$ 5,285,867	\$ 4,150,385
Unreserved, reported in nonmajor:							
Special Revenue	3,684,707	2,915,937	2,217,571	2,332,583	2,402,644	3,569,224	3,384,703
Capital Projects	5,372,153	8,246,683	4,213,485	12,688,139	8,842,547	8,024,751	5,148,775
Total all other governmental funds	\$ 14,889,390	\$ 15,656,534	\$ 13,422,137	\$ 25,828,228	\$ 19,691,109	\$ 16,878,842	\$ 12,683,843

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

Schedule 4

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Ad valorem taxes	\$ 30,758,552	\$ 30,787,063	\$ 32,172,931	\$ 33,134,815	\$ 33,720,313	\$ 36,431,862	\$ 39,622,100	\$ 41,590,985	\$ 58,574,870	\$ 54,765,677
Other taxes	21,924,134	25,374,149	27,842,970	24,850,324	27,650,682	32,436,194	34,038,280	35,870,262	43,544,220	48,774,154
Intergovernmental	8,885,553	7,891,425	8,687,256	7,743,589	8,516,875	9,037,443	14,751,861	12,418,414	13,824,511	13,009,887
Other functional	2,752,236	2,870,264	3,256,015	3,124,847	3,494,800	3,925,901	5,003,804	6,015,649	5,475,181	4,693,419
Miscellaneous	1,288,114	1,623,888	1,759,276	2,107,275	2,153,238	2,386,356	3,903,274	5,117,571	4,543,875	2,820,264
Interest earned on investments	2,205,971	2,477,143	3,158,392	1,598,673	1,067,942	422,368	422,368	1,892,615	3,895,228	3,030,672
Total revenues	67,814,562	71,023,732	76,676,840	72,557,523	76,603,650	86,640,124	98,877,836	102,905,496	129,657,485	127,094,073
Expenditures										
Administration	7,690,771	8,582,433	9,176,326	8,469,916	8,025,614	10,685,384	11,600,043	13,235,511	18,261,328	17,798,870
Public safety	33,217,258	33,407,412	37,731,170	37,257,328	38,812,855	41,790,886	44,146,545	50,841,673	56,216,348	57,479,621
Environmental protection	5,449,574	8,036,349	6,826,421	5,889,085	7,591,417	8,605,600	6,500,062	8,970,319	10,075,527	10,439,749
Transportation	10,288,792	7,587,826	8,627,325	3,191,279	3,191,898	4,563,545	4,581,844	4,532,369	7,559,579	7,897,136
Economic and physical development	11,080,269	11,401,635	8,777,075	7,373,482	8,481,655	3,957,976	8,792,621	5,676,733	1,079,198	4,568,228
Recreation and community facilities	9,613,029	6,764,087	6,990,847	5,914,160	5,981,710	5,509,353	8,776,825	9,868,885	13,481,872	10,918,648
Capital outlay	-	-	-	8,730,230	7,178,068	12,201,995	20,236,090	17,185,840	19,409,969	14,848,258
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	4,760,663	4,699,331	4,500,741	4,969,074	4,747,232	5,240,161	6,997,440	6,476,146	9,159,387	8,681,196
Interest and fees	2,343,706	3,420,871	3,908,097	2,959,845	2,811,461	2,508,413	2,262,103	2,956,522	2,724,064	2,081,737
Issuance costs	-	-	-	-	103,985	58,084	368,683	-	-	-
Total expenditures	84,442,062	81,899,544	86,541,002	84,754,401	84,925,893	95,119,217	112,262,066	121,745,998	137,977,272	134,511,641
Excess of revenues over (under) expenditures	(16,627,500)	(10,875,812)	(9,864,162)	(12,196,878)	(8,122,243)	(8,479,093)	(13,384,230)	(18,840,502)	(8,319,787)	(7,417,568)
Other financing sources (uses)										
Refunding Bonds	-	-	-	-	9,168,034	3,815,605	21,281,589	-	-	-
Proceeds from capital leases, bonds and other debt	8,039,016	-	8,018,688	765,283	1,162,548	8,070,426	3,104,407	3,834,415	4,537,000	3,303,940
Transfers in	13,002,452	17,683,042	15,257,175	11,937,087	14,479,695	13,972,839	15,334,209	18,793,410	15,283,819	20,000,451
Transfers out	(5,999,976)	(5,900,885)	(6,653,081)	(4,801,624)	(6,907,086)	(5,801,581)	(6,916,009)	(8,381,728)	(8,158,783)	(16,724,377)
Payment to refund bond escrow agent	-	-	-	-	(5,469,212)	(3,768,439)	(6,255,297)	-	-	-
Premium on bonds	-	-	-	-	-	431,212	-	-	-	-
Total other financing sources (uses)	15,041,492	11,982,157	18,420,782	7,920,756	12,453,969	16,268,852	27,950,111	12,236,097	11,662,056	6,580,014
Net change in fund balances	\$ (1,586,008)	\$ 1,106,345	\$ 8,558,620	\$ (4,276,122)	\$ 4,331,726	\$ 7,789,759	\$ 14,565,881	\$ (6,604,405)	\$ 3,342,269	\$ (837,554)
Debt service as a percentage of noncapital expenditures	8.41%	9.81%	9.72%	10.43%	9.86%	9.41%	10.46%	10.94%	10.02%	8.99%

¹ Pre-GASB 34 capital outlay is not reflected.

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 ¹	Intangible Tax Reimbursement	Homestead Exemption	Tax Reimbursements	Vehicle License Tax	Privilege License	Cablevision and Other Franchise Tax ²	Vehicle Gross Receipt	Wireline 911 Tax	Wireless Consolidated 911	Total
2008	\$ 54,765,677	\$ 31,859,292	\$ 6,072,088	-	-	-	\$ 635,993	\$ 994,727	\$ 491,902	\$ 418,176	\$ 361,922	\$ 560,102	\$ 97,947,629
2007	56,574,670	30,466,847	6,554,283	-	-	-	623,019	920,196	1,243,013	391,124	794,833	289,666	99,669,661
2006	41,580,985	23,457,448	5,602,546	-	-	-	533,750	815,156	1,918,758	373,114	728,655	221,644	75,242,259
2005	39,622,100	22,543,521	5,245,207	-	-	-	469,468	731,719	1,547,289	344,913	602,657	194,283	71,501,077
2004	36,431,662	20,698,993	5,121,788	-	-	-	444,521	684,806	2,016,045	305,860	882,425	158,745	68,745,045
2003	33,720,313	16,676,147	5,239,363	-	-	-	408,018	891,861	1,249,389	302,685	879,552	176,400	59,543,736
2002	33,134,815	15,273,911	3,033,407	580,752	-	441,392	401,327	691,231	1,103,721	299,598	896,241	146,529	56,002,824
2001	32,172,931	16,160,378	4,771,319	598,325	40,684	891,685	396,590	637,682	1,217,802	269,824	900,193	117,408	57,974,899
2000	30,787,063	15,945,010	3,908,055	589,539	40,584	786,292	386,300	285,643	459,000	-	690,570	155,114	54,235,370
1999	28,689,738	15,145,211	3,035,748	608,950	54,008	795,307	349,289	286,200	804,530	-	663,891	-	60,823,872

¹ In fiscal year 1999, 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	Residential	Commercial	Industrial	Lighting	Other	Total	Total Direct Rate		
							Base Rate	Electric	
								first 500 kWh	Usage Rate ea kWh > 500
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	\$ 9.00	\$ 0.0750	\$ 0.0815
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	\$ 9.00	\$ 0.0719	\$ 0.0794
2006	911,632,771	755,229,052	356,355,125	27,855,361	53,069,016	2,104,141,325	\$ 9.00	\$ 0.0719	\$ 0.0794
2005	865,456,446	743,676,014	376,769,957	27,107,118	54,415,761	2,067,425,296	\$ 8.00	\$ 0.0710	\$ 0.0670
2004	882,688,409	744,796,652	379,140,092	26,154,389	53,410,167	2,086,189,689	\$ 8.00	\$ 0.0710	\$ 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
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
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
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
1999	804,752,902	675,203,426	438,124,122	13,791,540	66,329,547	1,998,201,537	\$ 8.00	\$ 0.0710	\$ 0.0670

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

Schedule 7

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio ³
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%
1999	4,589,090,096	1,012,291,548	110,058,489	-	5,711,440,133	0.510	5,832,165,969	97.93%

Source: Cumberland County Tax Office

Note: A revaluation of real property is required by North Carolina General Statutes at least every eight years. Last revaluation occurred in calendar year 2003. 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 1999 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
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
1999	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	2008 ¹			1999 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cumberland Associates				\$ 70,575,758	1	1.32%
Carolina Telephone & Telegraph	66,265,415	2	0.65%	55,012,853	2	1.03%
UDRT of North Carolina				27,715,152	3	0.52%
NC Natural Gas Corporation				16,831,861	4	0.32%
Edward Rose Bldg Co.				14,559,059	5	0.27%
Chason Ridge Partners Limited				12,038,061	6	0.23%
Heart of Fayetteville Motel Inc.				11,864,558	7	0.22%
Fayetteville Publishing Company	20,899,234	6	0.20%	10,970,513	8	0.21%
Hospital Corporation of America				10,840,473	9	0.20%
Loch Haven Builders				10,663,636	10	0.20%
Cross Creek Mall LLC	72,650,500	1	0.71%			
Centurion Aviation Services	50,075,000	3	0.49%			
Piedmont Natural Gas Co. Inc.	39,678,145	4	0.39%			
Hidden Creek Village	21,458,200	5	0.21%			
Cross Creek Phase 1 LLC	17,911,425	7	0.18%			
Morganton Development LLC	16,929,398	8	0.17%			
Village at Cliffdale	15,842,300	9	0.16%			
Morganton Place Apartments LLC	15,111,500	10	0.15%			
	\$ 336,821,117		3.31%	\$ 241,071,924		4.52%

¹ Assessed valuations are as of January 1, 2007 and the associated tax levies were due in the fiscal year ended June 30, 2008.

² Assessed valuations are as of January 1, 1998 and the associated tax levies were due in the fiscal year ended June 30, 1999.

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		
	Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	Amount	Percentage of Levy
2008	\$ 54,216,530	\$ 52,738,807	97.27%	\$ -	\$ 52,738,807	97.27%		
2007	52,534,182	50,964,492	97.01%	1,071,120	52,035,612	99.05%		
2006 ²	41,311,088	39,855,571	96.48%	1,055,090	40,910,661	99.03%		
2005	39,252,202	37,879,950	96.50%	1,055,115	38,935,065	99.19%		
2004	38,404,079	36,806,753	95.84%	1,269,791	38,076,544	99.15%		
2003	34,059,814	32,457,441	95.30%	1,283,719	33,741,160	99.06%		
2002	33,878,837	32,405,548	95.65%	1,171,581	33,577,129	99.11%		
2001	32,664,323	31,510,275	96.47%	920,977	32,431,252	99.29%		
2000	31,085,792	30,049,940	96.67%	754,612	30,804,552	99.10%		
1999	29,244,301	28,153,785	96.27%	787,658	28,941,443	98.96%		

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					
2008	\$ 33,383,061	\$ 14,343,916	\$ -	\$ 9,041,939	\$ 167,735,000	\$ 20,486,896		\$ 244,990,812	N/A	\$ 1,350	
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136		290,487,079	N/A	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	
1999	53,675,000	8,850,371	485,000	26,890,000	166,325,000	-		256,225,371	0.009%	2,112	

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 Property 1		Per Capita 2
	General Obligation Bonds	Revenue Bonds			Property 1		
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	4.06%		2,072
2000	74,435,000	181,140,000		255,575,000	4.20%		2,004
1999	80,565,000	166,325,000		246,890,000	4.32%		2,035

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, 2008
(Unaudited)

Schedule 13

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 245,679,407	62.37%	\$ 153,230,246
Subtotal, overlapping debt			153,230,246
City of Fayetteville direct debt			47,726,977
Total direct and overlapping debt			<u>\$ 200,957,223</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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 456,915,211	\$ 486,856,882	\$ 492,412,635	\$ 510,612,564	\$ 513,525,375	\$ 579,100,044	\$ 591,780,743	\$ 622,431,031	\$ 781,920,091	\$ 817,369,335
Total net debt applicable to limit	\$ 89,900,371	\$ 86,453,103	\$ 89,299,579	\$ 82,014,901	\$ 79,385,459	\$ 76,449,457	\$ 93,104,619	\$ 91,755,888	\$ 85,482,079	\$ 77,255,612
Legal debt margin	\$ 367,014,840	\$ 400,403,779	\$ 403,114,058	\$ 428,597,663	\$ 434,139,916	\$ 502,650,587	\$ 498,676,124	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523

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

1999	19.68%
2000	17.76%
2001	18.13%
2002	16.06%
2003	15.46%
2004	13.20%
2005	15.73%
2006	14.74%
2007	10.79%
2008	9.45%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value	\$
Debt Limit (8% of total assessed value)	10,217,116,684
Debt applicable to limit:	
Bonded debt	42,425,000
Notes payable	20,486,896
Capitalized leases	14,343,916
Subtotal	<u>77,255,812</u>

Authorized and unissued debt	-
Total Gross Debt	<u>77,255,812</u>
Less: Statutory deductions	-
Bonds issued and outstanding for water and sewer purposes	-
Authorized and unissued debt	-
Total amount of debt applicable to debt limit	<u>77,255,812</u>
Legal debt margin	<u>\$ 740,113,523</u>

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 ⁴	Net Available Revenue	Debt Service Requirements		Coverage ³
					Principal	Interest ²	
2008	\$ 222,216,687	\$ 150,679,743	\$ 36,339,385	\$ 107,876,329	\$ 55,559,241	\$ 6,821,608	1.73
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,600,871	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,263,069	1.97
2005	193,113,963	141,516,235		51,597,728	10,689,756	7,067,748	2.91
2004	187,264,046	140,800,522		46,463,524	7,794,756	7,164,702	3.11
2003	188,625,762	150,292,023		38,333,739	8,004,756	8,342,813	2.34
2002	183,518,751	131,502,090		52,016,661	6,464,756	8,945,847	3.38
2001	179,513,061	144,724,023		34,789,038	5,070,000	8,344,041	2.59
2000	171,187,369	131,515,579		39,671,790	4,510,000	8,421,931	3.07
1999	167,140,797	114,503,156		52,637,641	3,535,000	7,153,810	4.92

Notes:

- ¹ Total operating expenses exclusive of depreciation and amortization
- ² Interest above represents accrual based interest excluding capitalized interest
- ³ Coverage ratios above do not represent coverage calculations as defined in the Bond Order
- ⁴ Is the recognition of Prepaid Purchase Power Supply net of discount.
- ⁵ 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	
			Personal Income	Income			City	County
2008	181,453	N/A	N/A	N/A	52,912	N/A	\$2,301	\$2,752
2007	173,898	N/A	N/A	N/A	53,912	5.3%	2,253	2,747
2006	130,646	4,473,972,270	34,245	34,245	53,403	5.4%	2,062 (c)	2,505 (e)
2005	130,850	4,236,923,000	32,380	32,380	53,399	5.4%	2,987	3,684
2004	130,692	3,776,063,956	28,893	28,893	53,092	5.3%	2,680	3,352
2003	123,844	3,372,024,432	27,228	27,228	52,223	6.3%	2,421	3,018
2002	124,247	3,223,588,415	25,945	25,945	51,725	6.8%	2,420 (b)	2,974 (b)
2001	121,306	2,986,432,414	24,619	24,619	51,243	6.1%	2,499	3,023
2000	127,558	3,047,233,062	23,889	23,889	51,349	4.5%	2,537	3,019
1999	121,338	2,752,188,516	22,682	22,682	51,315	3.9%	2,458	2,910

Sources:

1. Office of State Budget and Management, Official Municipal Population Estimates for 1999 through 2008.
 2. Bureau of Economic Development, US Department of Commerce. Per capita income for Cumberland County.
 3. Cumberland County Schools, District Profile.
 4. Bureau of Labor Statistics, US Department of Labor. Calendar year unemployment statistics for Cumberland County. Data for 2007 and 2008 not available.
 5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics. Data for 2008 not available.
- (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 Employers¹
Current Year and Nine Years Ago
(Unaudited)

Schedule 17

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civil Service, Nonappropriated and Contracts)	8,857	1	7.30%	8,130	1	6.90%
Cumberland County Schools	6,700	2	5.52%	7,650	2	6.49%
Cape Fear Valley Health System	5,000	3	4.12%	4,040	3	3.43%
Wal-Mart (Distribution Center and Stores)	3,448	4	2.84%	-	-	-
Cumberland County Government	2,788	5	2.30%	2,450	5	2.08%
Goodyear Tire & Rubber Company	2,650	6	2.18%	3,500	4	2.97%
City of Fayetteville	1,996	7	1.65%	1,825	6	1.55%
State of North Carolina	1,530	8	1.26%	-	-	-
U.S. Postal Service	1,312	9	1.08%	1,500	8	1.27%
Methodist University	1,300	10	1.07%	-	-	-
Fayetteville State University	-	-	-	1,230	10	1.04%
Black & Decker Manufacturing Company	-	-	-	1,600	7	1.36%
Purolator, Inc.	-	-	-	1,490	9	1.26%
Total Employment (Ten Largest Civilian Employers)	35,581		29.32%	33,415		28.35%

Source: 2008 data PWC 2008 Revenue Bonds Official Statement and 1999 data PWC 1999 Revenue Bonds Official Statement and the 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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administration	120	114	89	92	85	84	85	76	92	97
Public Safety	634	642	650	662	674	751	800	806	834	827
Environmental Protection	81	89	90	85	101	101	108	91	123	145
Transportation	80	72	68	64	54	53	60	57	77	52
Economic and physical development	13	14	11	11	10	11	10	14	18	15
Recreation and community facilities	112	106	104	98	78	120	127	115	126	125
Electric	264	259	236	241	246	244	244	254	254	237
Internal Service	38	38	31	28	30	32	45	45	30	44
Water	171	170	158	155	154	154	153	145	139	193
Wastewater	145	141	132	131	133	134	135	133	142	90
Transit	61	66	63	63	59	48	53	52	50	54
Airport	20	19	14	13	13	13	15	14	21	18
Total	1,739	1,730	1,646	1,643	1,637	1,745	1,835	1,802	1,906	1,897

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Fire (1)										
Emergency responses	13,330	14,686	14,993	14,345	13,991	14,424	15,397	18,862	20,215	16,805 (2)
Fires extinguished	1,012	961	1,225	1,133	818	667	985	1,065	1,495	1,343 (2)
Fire inspections	3,432	5,785	4,833	3,286	4,860	3,358	3,369	4,584	4,824	4,898 (2)
Police (1)										
Number of law violations:										
Physical arrests	N/A	7,352	7,445	8,262	7,912	7,668	7,664	7,807	8,522	6,768 (3)
Traffic citations	N/A	18,791	26,639	37,440	28,653	28,944	22,171	19,225	28,339	37,267 (3)
Warning citations	N/A	13,559	12,915	13,366	9,689	9,026	11,528	11,114	12,493	9,484 (3)
Calls for service	191,498	179,226	186,305	189,468	174,353	185,200	191,331	199,314	204,549	182,976 (3)
Inspections										
Number of permits issued:										
Residential:										
New single family	237	165	189	186	277	335	386	691	586	362
New multi-family (apts/condominiums)	496	570	244	681	355	514	713	1,111	1,154	459
Number of units	622	695	715	623	672	735	750	1,095	1,222	1,303
Renovations										
Commercial:										
New	71	65	66	49	50	63	61	93	88	60
Renovations	363	324	357	302	305	300	307	281	301	299
Other:										
Miscellaneous	13,721	11,478	11,709	11,117	11,789	11,653	12,716	16,895	16,057	14,824
Yard sale	1,121	1,049	1,012	985	945	1,173	1,075	1,202	1,227	1,229

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

Schedule 19

	1999	2000	2001	2002	2003	2004	2005	2008	2007	2008
Cultural and Recreational										
Youth Sports participants	4,562	4,704	3,705	5,076	4,669	7,905	11,953 (4)	12,718 (4)	11,323	12,584
Adult Sports participants	220	120	825	1,720	1,795	1,797	2,267 (4)	1,768 (4)	1,676	1,648
Senior participants	N/A	N/A	N/A	N/A	N/A	39,189	53,136 (4)	54,172 (4)	68,718	85,564
Therapeutic participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	26,926 (4)	30,993	34,169
Park programs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25,209 (4)	29,181	29,359
Special events	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,415 (4)	3,698	2,745
Permitted events	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44 (4)	35	61
Mobile stage/bleacher rentals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46 (4)	36	50
Recreation centers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	419,041	514,943
Festival Park	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	107,148	323,028
Historical properties	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14,499	15,713
Picnic shelter rentals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28,597	30,041
Transportation										
Street Maintenance										
Street resurfacing (miles)	15.22	12.23	15.05	14.54	9.58	6.89	12.15	8.82	13.29	14.68
Streets maintained (miles)	478.11	479.83	496.21	496.07	523.52	529.53	532.22	688.65	704.48	721.19
-Number of traffic signals maintained (4)	130	162	162	182	168	170	169	175	178	178
Engineering										
Driveway permits (residential)	N/A	N/A	N/A	N/A	255	217	345	433	581	323
Driveway permits (commercial)	N/A	N/A	N/A	N/A	52	40	66	33	75	43
Public Utilities										
Water System:										
Water main breaks	130	85	217	157	155	126	152	119	128	146
Average daily consumption (Mgals) (4)	24,404	23,213	22,877	22,048	20,833	20,524	20,635	21,850	21,875	22,879
Peaks (MGD) (5)(7)	42.5	37.8	38.9	33.5	33.3	30.8	33.4	32.6	37.0	38.4
Total sold (Mgals) (8)	8,523,554	8,074,364	7,887,676	7,843,308	7,303,494	7,039,476	7,138,062	7,561,199	7,555,333	7,894,590

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

Schedule 19

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sewer System:										
Main breaks	N/A	N/A	61	89	175	122	149	208	150	156
Average daily consumption (Mgals) ⁽⁶⁾	18,112	15,475	15,015	15,221	14,955	14,941	15,337	15,810	16,026	16,509
Peaks (MGD) ⁽⁷⁾	25.9	28.6	24.1	23.1	27.0	32.0	28.1	28.6	27.9	27.7
Total sold (Mgals) ⁽⁸⁾	5,855,058	5,624,086	5,483,298	5,541,813	5,458,458	5,453,295	5,583,843	5,754,784	5,837,838	6,014,627
Electric System:										
Electric outages (minutes)	N/A	5,481,564	2,952,259	4,925,916	10,376,012	7,278,107	3,449,900	3,450,039	2,078,483	3,016,526
Peaks (MW) ⁽⁹⁾	430.7	438.1	437.0	441.4	443.4	440.1	439.3	474.5	462.5	478.8
Total Kwh sold (10)	1,949,528,942	1,976,502,319	1,986,525,100	1,937,714,341	2,047,025,956	2,041,587,543	2,022,148,431	2,080,681,493	1,983,810,584	2,073,630,914
Average daily consumption (Kwh)	5,474,525	5,555,070	5,850,185	5,514,211	5,748,623	5,717,142	5,864,179	5,764,771	5,585,720	5,811,055
Airport										
Number of enplaned passengers	157,727	149,244	131,286	129,705	120,851	158,782	153,524	153,164	175,432	127,123 ⁽¹¹⁾
Number of deplaned passengers	156,186	147,556	133,018	134,070	120,720	156,828	150,875	154,877	174,967	125,891 ⁽¹¹⁾

- (1) Statistics for the fire, police and airport functions are based on calendar years
- (2) Statistics for the Fire Department for 2008 are reflected through September 30, 2008
- (3) Statistics for the Police Department for 2008 are reflected through September 30, 2008
- (4) Statistics reflects the merger of Cumberland County and City of Fayetteville Parks and Recreation Department
- (5) Reflects highest monthly average
- (6) Reflects the number of traffic signals maintained end owned 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 2008 are reflected through August 31, 2008.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Fire										
Number of stations	9	10	10	10	11	13	13	15	15	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	N/A	13	12	12
Neighborhood parks (7 - 15 acres)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13	14	14
Community parks (30 - 50 acres)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	6	6
Sports complexes (40 - 80 acres)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2	2
Green spaces	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	8	8
Neighborhood school-parks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	32	34	34
Community school-parks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1
Linear parks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	3	3
Special use parks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12	6	7
Program sites	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	8	8
Regional parks (100 - 250 acres)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	3	3
Community center with gym	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16	16

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Utilities										
Water System:										
Miles of water main	N/A	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
Number of new service connections	1,555	1,478	1,650	2,027	3,284	2,300	2,360	2,962	3,154	2,285
Maximum daily capacity of treatment plant (MGD) (1)	50.0	50.0	50.0	50.0	50.0	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	1,798	1,243	2,214	2,363	2,253	2,408	2,299	3,142	3,006	2,260
Miles of sanitary/storm sewer	N/A	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
Maximum daily capacity of treatment plant (MGD) (1)	36.0	36.0	36.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0
Electric System:										
Number of new service connections	981	799	451	966	1,051	1,251	1,426	2,245	1,744	1,151
Distribution line circuit miles	2,386.00	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
Transportation										
Street Maintenance										
Streets maintained (miles)	478.11	479.83	496.21	496.07	523.52	529.53	532.22	688.65	704.48	721.19
Number of traffic signals (2)	26	27	27	27	27	27	27	29	178	178

(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

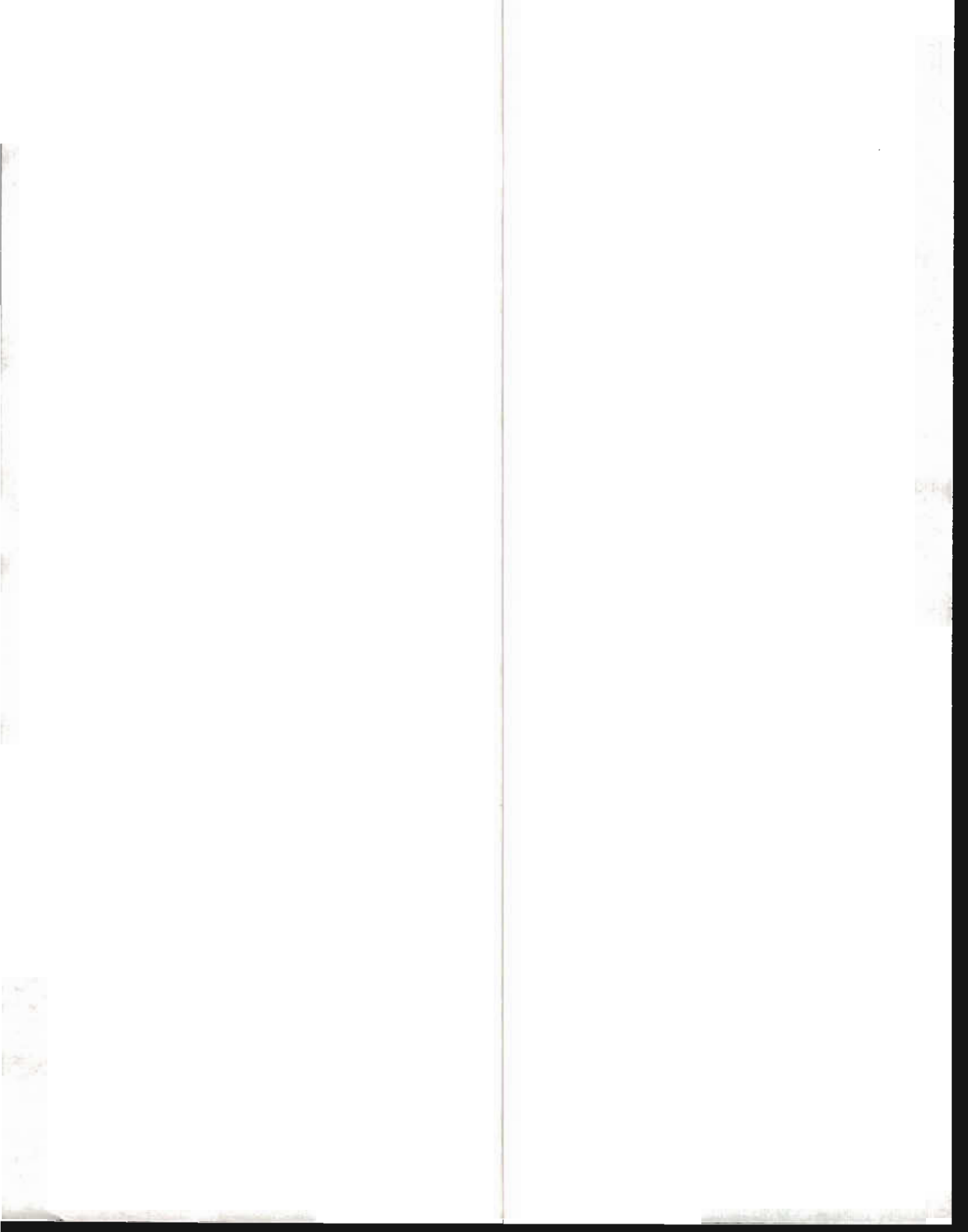
CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2008. 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 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.

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina
Page 2

We noted certain matters that we reported to management of the City, in a separate letter dated October 28, 2008.

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 28, 2008



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, 2008. 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; and 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, 2008.

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.

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina
Page 2

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.

Cherry, Bekert & Holland LLP

Fayetteville, North Carolina
October 28, 2008



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, 2008. 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, 2008.

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.

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina
Page 2

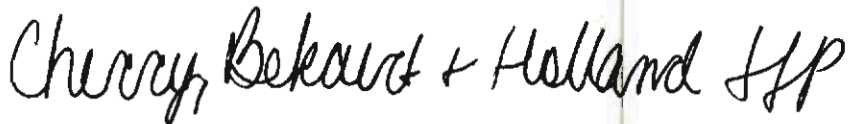
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State 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, Bekert & Holland LLP". The signature is written in a cursive, flowing style.

Fayetteville, North Carolina
October 28, 2008

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2008

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

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, 2008

Finding: 07-01

Status: Completed.

City of Fayetteville, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2008

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	\$ 888,512	\$ -	\$ 888,512
Community Development Block Grant	14.218		888,512	-	888,512
HOME Investment Partnership Program					
FY1996-1997	14.239	M-98-MC-37-0203	18,493	-	18,493
FY2001-2002	14.239	M-01-MC-37-0203	24,279	-	24,279
FY2004-2005	14.239	M-04-MC-37-0203	81,410	-	81,410
FY2005-2008	14.239	M-05-MC-37-0203	71,001	-	71,001
FY2006-2007	14.239	M-06-MC-37-0203	381,013	-	381,013
FY2007-2008	14.239	M-07-MC-37-0203	552,152	-	552,152
HOME Investment Partnership Program	14.239		1,088,349	-	1,088,349
<u>US DEPARTMENT OF JUSTICE</u>					
Office of Justice Programs					
Justice Assistance Grant	16.579	2005-DJBX0487	32,055	-	32,055
Justice Assistance Grant	16.579	2008DJBX0352	13,099	-	13,099
Justice Assistance Grant	16.738	2007DJBX0379	131,304	-	131,304
			178,458	-	178,458
Bulletproof Vest Partnership	16.607		8,362	-	8,362
FBI Overtime Reimbursements	16.000		7,743	-	7,743
Alcohol, Tobacco, and Firearms Overtime Reimbursements	16.000		16,050	-	16,050
Organized Crime and Drug Enforcement Task Force	16.000		10,188	-	10,188
US Marshall Service	16.000		7,946	-	7,946
Federal Forfeiture Fund	16.000		159,967	-	159,967
<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 Services Center	93.044	N/A	27,239	-	27,239
<u>US DEPARTMENT OF TRANSPORTATION</u>					
Federal Aviation Administration					
Airport Improvement Program					
Terminal Renovation Phase III	20.106	FAA-3-37-0021-30	144,188	-	144,188
Airport Fire Training Facility	20.106	FAA-3-37-0021-31	130,244	-	130,244
Airport Improvement Projects	20.106	FAA-3-37-0021-32	389,953	-	389,953
			644,385	-	644,385
Passed through NC Dept of Transportation					
Highway Planning and Construction Enhancement Agreement - Depot	20.205	E-4118	-	480	480
Federal Transportation Administration					
Preventative Maintenance & American with Disabilities Act Capital assistance grants:	20.507	NC 90.X425	1,183,602	-	1,183,602
Capital	20.507	NC 90.0271	357,071	-	357,071
Capital	20.507	NC 90.0313	984,334	-	984,334
Capital	20.507	NC 90.0327	81,390	-	81,390
Capital	20.507	NC 90.0357	243,005	-	243,005
Capital	20.507	NC 90.0406	12,891	-	12,891
Capital	20.507	NC 90.0425	265,069	-	265,069
Planning	20.507	NC 90.2406	95,022	-	95,022
Planning	20.507	NC 90.2425	8,021	-	8,021
			2,026,801	-	2,026,801
<u>US DEPARTMENT OF HOMELAND SECURITY</u>					
Hazmat Equipment Grant	97.067	2006-GE-T6-0010	123,094	-	123,094
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR141	139,508	-	139,508
			262,602	-	262,602

City of Fayetteville, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2008

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
STATE GRANTS:					
NC DEPARTMENT OF TRANSPORTATION					
Aviation Division					
Stormwater Improvements	N/A	36244.27.5.1	\$ -	\$ 8,182	\$ 8,182
Public Seating Upgrade	N/A	36244.27.7.1	-	94,500	94,500
Security Screening Areas	N/A	36244.27.7.2	-	63,254	63,254
Runway Centerline Painting	N/A	36244.27.7.4	-	6,584	6,584
West GA Ramp Rehabilitation	N/A	36244.27.8.1	-	12,082	12,082
			<u>-</u>	<u>184,602</u>	<u>184,602</u>
Public Transportation Division					
Maintenance Assistance	N/A	9.9051698	-	850,066	850,066
Capital	N/A	362237.2.1	-	43,587	43,587
Capital	N/A	36223.7.4.3	-	88,714	88,714
Capital	N/A	36223.7.5.3	-	7,371	7,371
Capital	N/A	36231.3.1.2	-	23,310	23,310
Capital	N/A	36231.3.2.2	-	14	14
Capital	N/A	36231.3.3.2	-	14,664	14,664
Planning	N/A	36231.3.2.6	-	11,879	11,879
Planning	N/A	36231.3.3.6	-	1,003	1,003
			<u>-</u>	<u>1,040,609</u>	<u>1,040,609</u>
Powell Bill	N/A		-	4,812,783	4,812,783
Rail Division					
Railroad Cross Improvements	N/A	Z-4506H	-	445	445
Amtrak	N/A	03-ST-009	-	1,080	1,080
			<u>-</u>	<u>1,525</u>	<u>1,525</u>
NC DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES					
Division of Waste Management					
Commercial Leaking Petroleum Underground Storage	N/A		-	39,873	39,873
Bernard Allen Emergency Drinking Water Fund	N/A		-	16,786	16,786
			<u>-</u>	<u>56,659</u>	<u>56,659</u>
Clean Water Management Trust Fund					
Glenville Lake Stormwater Management	N/A	2008A-701	-	20,846	20,846
			<u>-</u>	<u>20,846</u>	<u>20,846</u>
Division of Parks and Recreation					
Bonnie Doone Park	N/A	2005-398	-	382	382
			<u>-</u>	<u>382</u>	<u>382</u>
NC DEPARTMENT OF CRIME CONTROL & PUBLIC SAFETY					
Hazmat (RRT Grant)					
	N/A	RRT 3 Fayetteville	-	84,474	84,474
Pass through from Governor's Crime Commission					
Gangs Across the Carolinas FY07	N/A	026-1-07-001-BH-718	-	62,844	62,844
PSN Anti-Gang: Operation Ceasefire	N/A	026-1-06-001-B1-031	-	26,318	26,318
PSN Anti-Gang: Operation Ceasefire	N/A	026-1-07-001-B1-228	-	87,178	87,178
			<u>-</u>	<u>220,814</u>	<u>220,814</u>
NC DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION					
Pass through from Cumberland County					
Juvenile Restitution FYE 2008	N/A		-	87,610	87,610
			<u>-</u>	<u>87,610</u>	<u>87,610</u>
NC OFFICE OF THE STATE CONTROLLER					
NC Unauthorized Substance Tax					
	N/A		-	111,346	111,346
NC RURAL ECONOMIC DEVELOPMENT CENTER					
Alternate Water Supply for Contaminated Properties					
	N/A		-	45,000	45,000
NC VETERANS AFFAIRS DIVISION					
NC Veterans Parks Funds					
	N/A	1301-536980-17717711	-	130,666	130,666
			<u>-</u>	<u>130,666</u>	<u>130,666</u>
			<u>\$ 6,508,204</u>	<u>\$ 6,713,302</u>	<u>\$ 13,221,505</u>

City of Fayetteville, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2008

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct) & Pass-through Expenditures	State Expenditures	Total Expenditures
---	---------------------------	---	--	-----------------------	-----------------------

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" and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
2. The total local match requirements for the Federal and State Transit operating assistance grants was \$1,145,969. The actual local match which the City of Fayetteville expended for the operations of the transit system was \$1,145,969.
3. The total local contributions for the State Powell Bill assistance amounted to \$71,433.52 (this represents assessments received through 06/30/08).
4. The amount of HOME Investment Partnerships provided to CHDO's is \$222,399.39 as of June 30, 2008.
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, 2008. 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 Capital Project Fund. The total unexpended balance on-hand at June 30, 2008 is \$864,606.



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

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)



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, 2008. 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, 2008.

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 in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina
Page 2

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, Bekkert + Holland LLP". The signature is written in a cursive, flowing style.

Fayetteville, North Carolina
October 28, 2008

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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, 2008

Finding: 07-01

Status: Completed.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2008

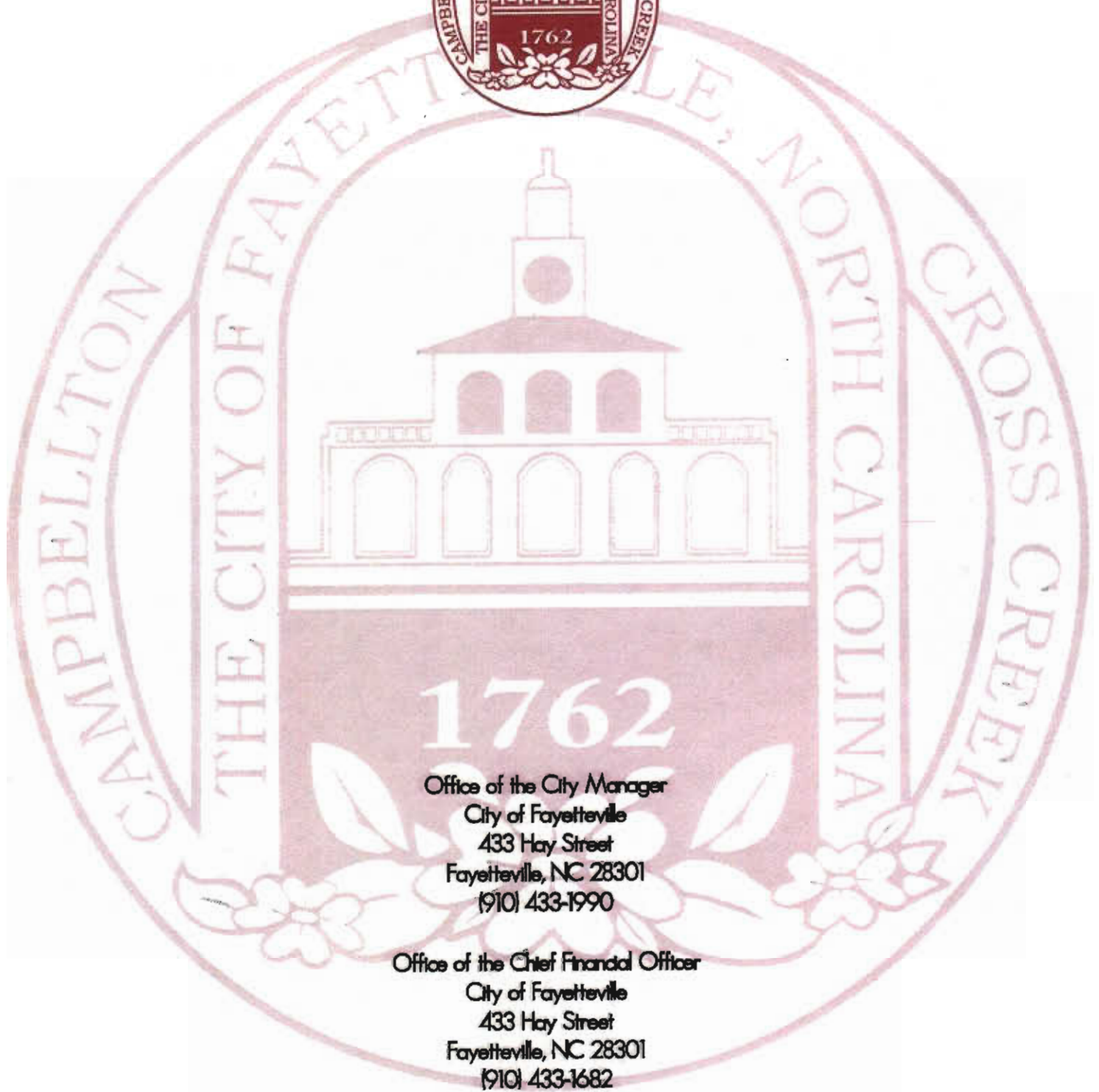
Project	Impose Effective Date	Use Effective Date	Cumulative Expenditures Actual	Approved Expenditures for PFC's	Amount of Use Approval	PFC Revenue Used In Prior Years	PFC Revenue Used In Current Year	Total PFC Revenues Used
APPLICATION 1 (# 00-01-C-00-FAY)								
Local share reimbursement AIP-12, Construction 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	757,596	757,596	37,880	37,880	-	37,880
Local share reimbursement AIP-13, Update Airport Master Plan	11/01/2000	11/01/2000	135,020	87,510	6,751	6,751	-	8,751
Local share reimbursement AIP-13, Design Highway 301 Connector	11/01/2000	11/01/2000	194,655	194,855	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	198,191	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	10,315	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	18,841	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-18, 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	31,619	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	78,585	78,299	3,915	3,915	-	3,915
Local share reimbursement AIP-21, Airport Entrance Road	11/01/2000	11/01/2000	360,018	350,000	17,500	17,500	-	17,500
Local share reimbursement AIP-21, Jetway Bridge Modifications	11/01/2000	11/01/2000	38,887	46,195	1,945	1,944	-	1,944
Local share reimbursement AIP-21, Security System Upgrade	11/01/2000	11/01/2000	91,512	70,815	4,575	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	06/18/2002	1,554,453	1,404,170	77,723	70,209	-	70,209
Security System Upgrade Phase II	11/01/2000	06/18/2002	141,216	139,340	6,967	6,987	-	8,967
Design & Construct RSA, Runway 4	11/01/2000	06/18/2002	858,872	949,000	44,500	42,943	-	42,943
Renovate Terminal, Phase II	11/01/2000	06/18/2002	2,224,052	2,475,430	252,581	111,203	-	111,203

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2008

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	\$ 44,500	\$ 40,000	\$ -	\$ 40,000
Renovate Terminal, Phase III	11/01/2000	06/18/2002	2,496,526	2,475,430	116,250	112,384	3,866	116,250
RSA Construction, Runway 22	11/01/2000	06/18/2002	1,855,290	1,263,890	92,785	86,389	-	86,389
NLVR Construction	11/01/2000	06/18/2002	540,322	180,000	27,016	25,567	-	25,567
Jet Bridge Modification Construction	11/01/2000	06/18/2002	-	125,500	6,275	-	-	-
Taxiway K Construction	11/01/2000	06/18/2002	463,002	225,000	24,150	22,500	-	22,500
TOTAL IMPOSE AND USE APPLICATION 1			\$ 22,054,889	\$ 21,114,714	\$ 1,233,106	\$ 1,057,525	\$ 3,866	\$ 1,061,391
APPLICATION 2 (# 05-03-C-00-FAY)								
Terminal Loop Roadway(Design/Constr.)	10/01/2005	10/01/2005	\$ 560,077	\$ 614,800	\$ 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	1,225	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	5,607	-	5,607
Pavement Condtion 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	222,607	60,000	80,000	-	11,130	11,130
Generator/Vault Upgrade	10/01/2005	10/01/2005	104,834	570,000	28,500	-	5,242	5,242
ARFF Expansion	10/01/2005	10/01/2005	16,975	820,000	31,000	-	949	949
Runway 4/22 Rehabilitation - Construction	10/01/2005	10/01/2005	-	515,000	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	43,010	200,000	10,000	-	2,151	2,151
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	1,176,323	500,000	25,000	25,000	-	25,000
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			\$ 4,509,839	\$ 8,474,216	\$ 614,686	\$ 272,920	\$ 19,471	\$ 292,391
Widen Taxiway A	10/01/2005			3,200,000	160,000			
South GA Ramp Overlay/Exp.	10/01/2005			431,000	43,100			
Runway 4/22 Hold Pads	10/01/2005			350,000	17,500			
TOTAL IMPOSE ONLY APPLICATION 2				3,981,000	220,600			
TOTAL APPLICATION 2			\$ 4,509,839	\$ 12,455,216	\$ 835,286	\$ 272,920	\$ 19,471	\$ 292,391
GRAND TOTAL			\$ 26,564,728	\$ 33,569,930	\$ 2,068,392	\$ 1,330,445	\$ 23,337	\$ 1,353,782

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
(910) 433-1682

City of
Fayetteville
North Carolina