

**CITY OF FAYETTEVILLE
NORTH CAROLINA**

*Report of Independent Certified Public Accountants
Financial Statements and Schedules
Year ended June 30, 2001*

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Annual Financial Report
For the Fiscal Year Ended June 30, 2001**

Table of Contents

<u>FINANCIAL SECTION</u>	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1 - 2
GENERAL PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS OVERVIEW)	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Annually Budgeted Governmental Fund Types	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types, Similar Trust Fund and Discretely Presented Component Unit	6
Combined Statement of Cash Flows - All Proprietary Fund Types, Similar Trust Fund and Discretely Presented Component Unit	7
Combined Statement of Changes in Plan Net Assets - All Pension Trust Funds	8
Notes to Financial Statements	9 - 38
<u>REQUIRED SUPPLEMENTAL FINANCIAL DATA</u>	
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress	39
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Employer Contributions	40
Law Enforcement Officers' Special Separation Allowance Notes to the Required Schedules	40
Public Works Commission Retirement System Required Supplementary Information - Schedule of Funding Progress	41
Public Works Commission Retirement System Required Supplementary Information - Schedule of Employer Contributions	42
Public Works Commission Retirement System Notes to the Required Schedules	42
<u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
GOVERNMENTAL FUNDS	
GENERAL FUND	
Comparative Balance Sheets - General Fund	43
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	44 - 48

CITY OF FAYETTEVILLE, NORTH CAROLINA

Annual Financial Report
For the Fiscal Year Ended June 30, 2001

Table of Contents (continued)

<u>SUPPLEMENTAL FINANCIAL INFORMATION (continued)</u>	<u>Page</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (continued)	
GOVERNMENTAL FUNDS (continued)	
SPECIAL REVENUE FUNDS	
Combining Balance Sheet - All Special Revenue Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds	50
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Emergency Response Fund	51
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Federal and State Financial Assistance Fund	52
Schedule of Expenditures By Project - Budget and Actual - Federal and State Financial Assistance Fund	53
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Storm Water Management Fund	54
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Fayetteville Finance Corp Fund	55
CAPITAL PROJECT FUNDS	
Combining Balance Sheet - All Capital Project Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Capital Project Funds	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Government Fund	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Public Safety Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Recreational and Cultural Fund	60
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Fund	61
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Bond Improvement Fund	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic and Physical Development Fund	63
PROPRIETARY FUNDS	
ENTERPRISE FUNDS	
Combining Balance Sheet - All Enterprise Funds	64
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - All Enterprise Funds	65
Combining Statement of Cash Flows - All Enterprise Funds	66

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Annual Financial Report
For the Fiscal Year Ended June 30, 2001**

Table of Contents (continued)

	<u>Page</u>
PROPRIETARY FUNDS (continued)	
ENTERPRISE FUNDS (continued)	
Combining Balance Sheet – Utility Fund	67 - 68
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings - Utility Fund	69
Combining Statement of Cash Flows - Utility Fund	70
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Electric Fund	71 - 73
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	74 - 77
Schedule of Revenues and Expenditures - 1993 Refunding Bond Capital Project Fund	78
Schedule of Revenues and Expenditures - 1995 Series A Bond Capital Project Fund	79
Schedule of Revenues and Expenditures - Annexation Capital Project Fund - Phase III	80
Schedule of Revenues and Expenditures - Annexation Capital Project Fund – Phase IV	81
Schedule of Revenues and Expenditures - 1997 Supplemental Capital Project Fund	82
Schedule of Revenues and Expenditures - Administration Building Capital Project Fund	83
Schedule of Revenues and Expenditures - State Revolving Loan Capital Project Fund	84
Schedule of Revenues and Expenditures - Uptown Revitalization Fund	85
Schedule of Revenues and Expenditures - Annexation Capital Reserve Fund	86
Schedule of Revenues and Expenditures - Rate Stabilization Fund	87
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Transit Fund	88
Schedule of Revenues and Expenditures - Transit Capital Project Fund	89
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Airport Fund	90
Schedule of Revenues and Expenditures - Airport Capital Project Fund	91
INTERNAL SERVICE FUNDS	
Combining Balance Sheet - All Internal Service Funds	92
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) - All Internal Service Funds	93
Combining Statement of Cash Flows - All Internal Service Funds	94
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Warranty Fleet Fund	95
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Fleet Maintenance Fund	96
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Insurance Fund	97

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Annual Financial Report
For the Fiscal Year Ended June 30, 2001**

Table of Contents (continued)

	<u>Page</u>
FIDUCIARY FUNDS	
TRUST FUNDS	
Combining Balance Sheet - All Trust Funds	98
Combining Statement of Changes in Plan Net Assets – All Pension Trust Funds	99
Statements of Revenues, Expenditures, and Changes in Fund Balances - Police Benefit Fund	100
Statements of Revenues, Expenses, and Changes in Fund Balances - Firemen's Relief Fund	101
Statements of Cash Flows - Firemen's Relief Fund	102
ACCOUNT GROUPS	
GENERAL FIXED ASSETS ACCOUNT GROUP	
Comparative Schedules of General Fixed Assets Account Group	103
GENERAL LONG-TERM DEBT ACCOUNT GROUP	
Comparative Schedules of General Long-Term Debt Account Group	104
<u>OTHER SUPPLEMENTAL FINANCIAL DATA</u>	
Schedule of Current Tax Levy	105
Schedule of Taxes Receivable	106
Schedule of Interfund Transfers	107
<u>OMB CIRCULAR A-133 AND STATE SINGLE AUDIT IMPLEMENTATION ACT COMPLIANCE SECTION</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	108
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	109 - 110
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	111 - 112
Schedule of Findings and Questioned Costs	113 - 114
Summary Schedule of Prior Year Audit Findings	115
Schedule of Expenditures of Federal and State Awards	116 - 118

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Annual Financial Report
For the Fiscal Year Ended June 30, 2001**

Table of Contents (continued)

	<u>Page</u>
<u>PASSENGER FACILITY CHARGE COMPLIANCE SECTION</u>	
Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Controls Over Compliance in accordance with the Passenger Facility Charge Program Audit Guide	119 - 120
Schedule of Findings and Questioned Costs	121
Summary Schedule of Prior Year Audit Findings	122
Schedule of Expenditures of Passenger Facility Charges	123 - 125
<u>CONTINUING DISCLOSURE INFORMATION</u>	
Continuing disclosure information (SEC Rule 15c2-12)	126 - 137

FINANCIAL SECTION

- * Report of Independent Certified Public Accountants
- * General Purpose Financial Statements (Combined Statements Overview)
- * Notes to the Financial Statements

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying general purpose financial statements of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Fayetteville's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, based on our audit, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Fayetteville, North Carolina, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 9 to the general purpose financial statements, the City of Fayetteville adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2001, on our consideration of the City of Fayetteville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Fayetteville, North Carolina, taken as a whole. The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and the accompanying schedule of expenditures of passenger facility charges as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, for the year ended June 30, 2001, and the combining and individual fund financial statements and schedules for the year ended June 30, 2000, are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Fayetteville, North Carolina. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements for the year ended June 30, 2001, and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Cherry, Ricketts & Nadel, L.L.P.

Fayetteville, North Carolina
October 9, 2001

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS OVERVIEW)**

These basic financial statements provide a summary of the financial position of all funds and account groups as well as the operating results of all funds. They also serve as an introduction to the more detailed schedules that follow in subsequent sections.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 June 30, 2001
 (With Comparative Totals For June 30, 2000)

ASSETS AND OTHER DEBITS	Governmental Fund Types			Proprietary Fund Types		Fiduciary
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fund Types Trust
Current assets						
Cash and investments	\$ 22,155,414	\$ 6,414,110	\$ 14,821,103	\$ 15,757,215	\$ 5,615,810	\$ 61,183,525
Taxes receivable	2,416,587	68,636				
Accounts receivable	12,474,439	3,051,541	124,425	34,502,095	35,529	80,136
Interfund receivable	469,299					
Assessments receivable	427,354	7,570				
Current portion of note receivable						
Inventories	99,612			11,817,631	300,379	
Prepaid expenses				106,705	88,305	
Total current assets	<u>38,042,705</u>	<u>9,541,857</u>	<u>14,945,528</u>	<u>62,183,646</u>	<u>6,040,023</u>	<u>61,263,661</u>
Restricted assets						
Cash and investments				32,311,388		
Accounts receivable				1,894,314		
Collateral pledged in lieu of security deposits				163,034		
Total restricted assets				<u>34,368,736</u>		
Non-current assets and other debits						
Noncurrent portion of note receivable						
Other assets				10,187,562		
Fixed assets				568,862,851	411,228	
Amount to be provided for the retirement of general long-term debt						
Total non-current assets and other debits				<u>579,050,413</u>	<u>411,228</u>	
Total assets and other debits	<u>\$ 38,042,705</u>	<u>\$ 9,541,857</u>	<u>\$ 14,945,528</u>	<u>\$ 675,602,795</u>	<u>\$ 6,451,251</u>	<u>\$ 61,263,661</u>

Account Groups		2001			2000		
		Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)	Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)
General Fixed Assets	General Long-Term Debt						
\$	\$	\$ 125,947,177	\$	\$ 125,947,177	\$ 136,652,050	\$	\$ 136,652,050
		2,485,223		2,485,223	2,282,915		2,282,915
		50,268,165	2,274	50,270,439	46,477,899	3,031	46,480,930
		469,299		469,299	427,733		427,733
		434,924		434,924	502,029		502,029
			58,404	58,404		58,404	58,404
		12,217,622		12,217,622	11,635,917		11,635,917
		195,010		195,010	218,315		218,315
		<u>192,017,420</u>	<u>60,678</u>	<u>192,078,098</u>	<u>198,196,858</u>	<u>61,435</u>	<u>198,258,293</u>
		32,311,388		32,311,388	42,943,037		42,943,037
		1,894,314		1,894,314	933,741		933,741
		163,034		163,034	201,594		201,594
		<u>34,368,736</u>		<u>34,368,736</u>	<u>44,078,372</u>		<u>44,078,372</u>
			305,507	305,507		363,911	363,911
		10,187,562		10,187,562	18,118,328		18,118,328
98,176,182		667,450,261		667,450,261	643,546,495		643,546,495
		63,242,549		63,242,549	60,108,884		60,108,884
98,176,182	63,242,549	<u>740,880,372</u>	<u>305,507</u>	<u>741,185,879</u>	<u>721,773,707</u>	<u>363,911</u>	<u>722,137,618</u>
\$ 98,176,182	\$ 63,242,549	\$ <u>967,266,528</u>	\$ <u>366,185</u>	\$ <u>967,632,713</u>	\$ <u>964,048,937</u>	\$ <u>425,346</u>	\$ <u>964,474,283</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 June 30, 2001
 (With Comparative Totals For June 30, 2000)

LIABILITIES, EQUITY, AND OTHER CREDITS	Governmental Fund Types			Proprietary Fund Types		Fiduciary
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fund Types Trust
Current liabilities						
Current portion of long-term debt	\$	\$	\$	\$ 9,284,716	\$ 2,659	\$
Accounts payable and accrued expenses	3,400,047	220,056	1,632,906	21,326,083	3,726,578	6,210
Interfund payables				469,299		
Accrued vacation				152,496	92,099	
Unearned deposits	46,466					
Total current liabilities	<u>3,446,513</u>	<u>220,056</u>	<u>1,632,906</u>	<u>31,232,594</u>	<u>3,821,336</u>	<u>6,210</u>
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses				6,965,833		
Non-current liabilities						
Unearned deposits				5,998,121		
Long-term debt				189,743,810		
Deferred revenues	5,058,398	2,806,890		(150)	10	
Total non-current liabilities	<u>5,058,398</u>	<u>2,806,890</u>		<u>195,741,781</u>	<u>10</u>	
Total liabilities	<u>8,504,911</u>	<u>3,026,946</u>	<u>1,632,906</u>	<u>233,940,208</u>	<u>3,821,346</u>	<u>6,210</u>
Equity and other credits						
Contributed capital				112,634,461	1,161,479	
Investments in general fixed assets						
Retained earnings (deficit)						
Reserved				26,426,711		
Unreserved				302,601,415	1,468,426	
Fund balance						
Reserved						
Reserved by State statute	11,100,033	320,856	124,425			
Reserved for encumbrances	917,168	741,809	4,969,844			
Reserved for employees' retirement benefits						61,257,451
(Schedules of funding progress for the plans are presented on pages 39 and 41)						
Reserved for inventories	99,612					
Reserved for downtown	231,344					
Reserved for wireless 911		58,267				
Unreserved						
Designated for special purpose	4,070,545	875,457				
Designated for subsequent year's expenditures	1,446,143	878,876	8,474,998			
Designated for debt service	1,139,278					
Undesignated	10,533,671	3,639,646	(256,645)			
Total equity and other credits	<u>29,537,794</u>	<u>6,514,911</u>	<u>13,312,622</u>	<u>441,662,587</u>	<u>2,629,905</u>	<u>61,257,451</u>
Total liabilities, equity, and other credits	<u>\$ 38,042,705</u>	<u>\$ 9,541,857</u>	<u>\$ 14,945,528</u>	<u>\$ 675,602,795</u>	<u>\$ 6,451,251</u>	<u>\$ 61,263,661</u>

Account Groups		2001			2000		
		Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)	Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)
General Fixed Assets	General Long-Term Debt						
\$	\$ 4,871,843	\$ 14,159,218	\$ 58,404	\$ 14,217,622	\$ 12,810,054	\$ 58,404	\$ 12,868,458
	273,942	30,585,822	2,274	30,588,096	29,843,243	3,031	29,846,274
		469,299		469,299	427,733		427,733
	2,399,859	2,644,454		2,644,454	2,195,972		2,195,972
		46,466		46,466	26,998		26,998
	7,545,644	47,905,259	60,678	47,965,937	45,304,000	61,435	45,365,435
		6,965,833		6,965,833	9,091,602		9,091,602
		5,998,121		5,998,121	12,120,068		12,120,068
	55,696,905	245,440,715	305,507	245,746,222	248,815,553	363,911	249,179,464
		7,865,148		7,865,148	6,096,090		6,096,090
	55,696,905	259,303,984	305,507	259,609,491	267,031,711	363,911	267,395,622
	63,242,549	314,175,076	366,185	314,541,261	321,427,313	425,346	321,852,659
		113,795,940		113,795,940	119,448,867		119,448,867
98,176,182		98,176,182		98,176,182	94,600,720		94,600,720
		26,426,711		26,426,711	54,396,483		54,396,483
		304,069,841		304,069,841	266,270,726		266,270,726
		11,545,314		11,545,314	9,195,439		9,195,439
		6,628,821		6,628,821	6,739,368		6,739,368
		61,257,451		61,257,451	65,101,343		65,101,343
		99,612		99,612	115,906		115,906
		231,344		231,344			
		58,267		58,267			
		4,946,002		4,946,002	3,837,235		3,837,235
		10,800,017		10,800,017	7,806,974		7,806,974
		1,139,278		1,139,278	1,301,314		1,301,314
		13,916,672		13,916,672	13,807,249		13,807,249
98,176,182		653,091,452		653,091,452	642,621,624		642,621,624
\$ 98,176,182	\$ 63,242,549	\$ 967,266,528	\$ 366,185	\$ 967,632,713	\$ 964,048,937	\$ 425,346	\$ 964,474,283

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 Year Ended June 30, 2001
 (With Comparative Totals For Year Ended June 30, 2000)

	Governmental Fund Types			Fiduciary	Totals	
	General Fund	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)	
					2001	2000
Revenues						
Ad valorem taxes	\$ 32,172,931	\$	\$	\$	\$ 32,172,931	\$ 30,787,063
Other taxes	24,784,367	2,858,603			27,642,970	25,374,149
Intergovernmental	5,394,453	3,193,867	98,936		8,687,256	7,891,425
Other functional	3,256,015				3,256,015	2,870,264
Miscellaneous	1,365,785	292,836	100,655		1,759,276	1,623,688
Interest earned on investments	2,244,282	392,201	521,596	313	3,158,392	2,477,143
Total revenues	<u>69,217,833</u>	<u>6,737,507</u>	<u>721,187</u>	<u>313</u>	<u>76,676,840</u>	<u>71,023,732</u>
Expenditures						
Current						
Administration	9,158,262		12,529	5,535	9,176,326	8,582,433
Public safety	35,972,443	1,755,582	3,145		37,731,170	33,407,412
Environmental protection	4,770,344	2,058,077			6,828,421	6,036,349
Transportation	6,183,115	107,810	2,336,400		8,627,325	7,587,626
Economic and physical development	879,707	2,432,356	5,465,012		8,777,075	11,401,635
Recreation and community facilities	6,829,619		161,228		6,990,847	6,764,087
Debt service	6,856,788	1,553,050			8,409,838	8,120,002
Total expenditures	<u>70,650,278</u>	<u>7,906,875</u>	<u>7,978,314</u>	<u>5,535</u>	<u>86,541,002</u>	<u>81,899,544</u>
Revenues over (under) expenditures	<u>(1,432,445)</u>	<u>(1,169,368)</u>	<u>(7,257,127)</u>	<u>(5,222)</u>	<u>(9,864,162)</u>	<u>(10,875,812)</u>
Other financing sources (uses)						
Operating transfers in	9,714,198	1,838,326	3,704,651		15,257,175	17,883,042
Operating transfers (out)	(6,853,081)				(6,853,081)	(5,900,885)
Proceeds from capital leases, bonds and other debt	2,006,688		6,010,900		8,016,688	
Total other financing sources (uses)	<u>4,867,805</u>	<u>1,838,326</u>	<u>9,714,651</u>		<u>16,420,782</u>	<u>11,982,157</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>3,435,360</u>	<u>668,958</u>	<u>2,457,524</u>	<u>(5,222)</u>	<u>6,556,620</u>	<u>1,106,345</u>
Fund balances						
Beginning of year - July 1	26,102,434	5,845,953	10,855,098	9,929	42,813,414	41,787,742
Residual equity transfer						(80,673)
End of year - June 30	<u>\$ 29,537,794</u>	<u>\$ 6,514,911</u>	<u>\$ 13,312,622</u>	<u>\$ 4,707</u>	<u>\$ 49,370,034</u>	<u>\$ 42,813,414</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
All Annually Budgeted Governmental Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Variance		Budget	Variance		Budget	Variance	
		(Unfavorable)	Favorable		(Unfavorable)	Favorable		(Unfavorable)	Actual
Revenues									
Ad valorem taxes	\$ 32,305,886	\$ (132,955)	\$ 32,172,931	\$	\$	\$ 32,305,886	\$ (132,955)	\$ 32,172,931	
Other taxes	23,814,360	970,007	24,784,367	19,023	2,858,603	26,653,940	989,030	27,642,970	
Intergovernmental	5,323,831	70,622	5,394,453	67,408	117,408	5,373,831	138,030	5,511,861	
Other functional	3,449,427	(193,412)	3,256,015			3,449,427	(193,412)	3,256,015	
Miscellaneous	1,173,016	192,769	1,365,785	10,343	10,343	1,173,016	203,112	1,376,128	
Interest earned on investments	1,377,590	866,692	2,244,282	185,201	392,201	1,584,590	1,051,893	2,636,483	
Total revenues	<u>67,444,110</u>	<u>1,773,723</u>	<u>69,217,833</u>	<u>3,096,580</u>	<u>3,378,555</u>	<u>70,540,690</u>	<u>2,055,698</u>	<u>72,596,388</u>	
Expenditures									
Current									
Administration	13,525,727	4,367,465	9,158,262			13,525,727	4,367,465	9,158,262	
Public safety	36,695,502	723,059	35,972,443	117,489	869,111	37,682,102	840,548	36,841,554	
Environmental protection	4,941,802	171,458	4,770,344	3,688,077	2,058,077	8,629,879	1,801,458	6,828,421	
Transportation	6,632,898	449,783	6,183,115			6,632,898	449,783	6,183,115	
Economic and physical development	1,000,726	121,019	879,707	3,500	9	1,004,226	121,028	883,198	
Recreation and community facilities	7,249,553	419,934	6,829,619			7,249,553	419,934	6,829,619	
Debt service	6,874,430	17,642	6,856,788	1,555,591	2,541	8,430,021	20,183	8,409,838	
Total expenditures	<u>76,920,638</u>	<u>6,270,360</u>	<u>70,650,278</u>	<u>6,233,768</u>	<u>4,483,729</u>	<u>83,154,406</u>	<u>8,020,399</u>	<u>75,134,007</u>	
Revenues over (under) expenditures	<u>(9,476,528)</u>	<u>8,044,083</u>	<u>(1,432,445)</u>	<u>(3,137,188)</u>	<u>(1,105,174)</u>	<u>(12,613,716)</u>	<u>10,076,097</u>	<u>(2,537,619)</u>	
Other financing sources (uses)									
Appropriated fund balance	4,723,637	(4,723,637)		1,604,190	(1,604,190)	6,327,827	(6,327,827)		
Operating transfers in	9,664,065	50,133	9,714,198	1,532,998	1,653,221	11,197,063	170,356	11,367,419	
Operating transfers (out)	(6,917,174)	64,093	(6,853,081)			(6,917,174)	64,093	(6,853,081)	
Proceeds from capital leases, bonds and other debt	2,006,000	688	2,006,688			2,006,000	688	2,006,688	
Total other financing sources (uses)	<u>9,476,528</u>	<u>(4,608,723)</u>	<u>4,867,805</u>	<u>3,137,188</u>	<u>(1,483,967)</u>	<u>12,613,716</u>	<u>(6,092,690)</u>	<u>6,521,026</u>	
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 3,435,360</u>	<u>\$ 3,435,360</u>	<u>\$</u>	<u>\$ 548,047</u>	<u>\$</u>	<u>\$ 3,983,407</u>	<u>\$ 3,983,407</u>	
Fund balances									
Beginning of year - July 1			26,102,434		5,166,773			31,269,207	
End of year - June 30			<u>\$ 29,537,794</u>		<u>\$ 5,714,820</u>			<u>\$ 35,252,614</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types, Similar Trust Fund and Discretely Presented Component Unit
Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Nonexpendable Trust
Operating revenues			
Charges for services	\$ 182,531,033	\$	\$
Interfund charges and employee contributions		9,606,409	
Interest earned on investments			81,661
Contributions			58,899
Other revenues from operations	198,306	137,996	41,412
Total operating revenues	<u>182,729,339</u>	<u>9,744,405</u>	<u>181,972</u>
Operating expenses			
General and administrative	9,188,200		
Power supply and generation	111,859,237		
Water purification and distribution	9,336,362		
Sewer collection and treatment	8,822,172		
Services to customers	5,518,052		
Personnel	3,611,390	1,601,096	
Benefit payments and premiums			106,602
Maintenance and operations	2,060,256	8,602,404	
Depreciation	26,391,695	160,283	
Total operating expenses	<u>176,787,364</u>	<u>10,363,783</u>	<u>106,602</u>
Operating income (loss)	<u>5,941,975</u>	<u>(619,378)</u>	<u>75,370</u>
Nonoperating revenues (expenses)			
Interest earned on investments	3,600,204	322,975	
Federal and State grants	1,169,846		
Passenger facility charges	220,404		
Miscellaneous	28,415		
Interest expense	(9,526,447)	(232)	
Gain on disposal of assets	571,085		
Amortization	(979,230)		
Total nonoperating revenues (expenses)	<u>(4,915,723)</u>	<u>322,743</u>	
Net income (loss) before contributions and operating transfers	<u>1,026,252</u>	<u>(296,635)</u>	<u>75,370</u>

2001			2000		
Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)	Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)
\$ 182,531,033	\$ 32,166	\$ 182,563,199	\$ 174,514,226	\$ 32,166	\$ 174,546,392
9,606,409		9,606,409	7,912,170		7,912,170
81,661	32,383	114,044	68,356	35,793	104,149
58,899		58,899	53,828		53,828
377,714		377,714	330,044		330,044
<u>192,655,716</u>	<u>64,549</u>	<u>192,720,265</u>	<u>182,878,624</u>	<u>67,959</u>	<u>182,946,583</u>
9,188,200		9,188,200	8,950,545		8,950,545
111,859,237		111,859,237	99,864,093		99,864,093
9,336,362		9,336,362	8,814,047		8,814,047
8,822,172		8,822,172	8,016,492		8,016,492
5,518,052		5,518,052	5,870,402		5,870,402
5,212,486		5,212,486	4,668,134		4,668,134
106,602		106,602	108,045		108,045
10,662,660	32,166	10,694,826	9,537,114	32,166	9,569,280
26,551,978		26,551,978	24,230,610		24,230,610
<u>187,257,749</u>	<u>32,166</u>	<u>187,289,915</u>	<u>170,059,482</u>	<u>32,166</u>	<u>170,091,648</u>
5,397,967	32,383	5,430,350	12,819,142	35,793	12,854,935
3,923,179		3,923,179	4,876,078		4,876,078
1,169,846		1,169,846	1,213,223		1,213,223
220,404		220,404			
28,415		28,415	(4,956)		(4,956)
(9,526,679)	(32,383)	(9,559,062)	(9,734,646)	(35,793)	(9,770,439)
571,085		571,085	209,800		209,800
(979,230)		(979,230)	(965,955)		(965,955)
<u>(4,592,980)</u>	<u>(32,383)</u>	<u>(4,625,363)</u>	<u>(4,406,456)</u>	<u>(35,793)</u>	<u>(4,442,249)</u>
804,987		804,987	8,412,686		8,412,686

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types, Similar Trust Fund and Discretely Presented Component Unit
Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Nonexpendable Trust
Contributions and operating transfers			
Capital contributions	\$ 14,471,528	\$	\$
Operating transfers in	1,390,104		
Operating transfers (out)	(9,794,198)		
Total contributions and operating transfers	<u>6,067,434</u>		
Net income (loss)	7,093,686	(296,635)	75,370
Depreciation on contributed fixed assets that reduces contributed capital	3,032,292		
Retained earnings			
Beginning of year - July 1	318,902,148	1,765,061	1,205,972
Cumulative effect of change in method of accounting for depreciation			
End of year - June 30	<u>\$ 329,028,126</u>	<u>\$ 1,468,426</u>	<u>\$ 1,281,342</u>

2001			2000		
Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)	Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)
\$ 14,471,528	\$	\$ 14,471,528	\$	\$	\$
1,390,104		1,390,104	869,654		869,654
(9,794,198)		(9,794,198)	(13,013,032)		(13,013,032)
<u>6,067,434</u>		<u>6,067,434</u>	<u>(12,143,378)</u>		<u>(12,143,378)</u>
6,872,421		6,872,421	(3,730,692)		(3,730,692)
3,032,292		3,032,292	3,026,752		3,026,752
321,873,181		321,873,181	309,529,382		309,529,382
			<u>13,047,739</u>		<u>13,047,739</u>
<u>\$ 331,777,894</u>	<u>\$</u>	<u>\$ 331,777,894</u>	<u>\$ 321,873,181</u>	<u>\$</u>	<u>\$ 321,873,181</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Fund and Discretely Presented Component Unit
Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Cash flows from operating activities			
Operating income (loss)	\$ 5,941,975	\$ (619,378)	\$ 75,370
Adjustments to reconcile operating income (loss) to cash provided by operating activities			
Depreciation	26,391,695	160,283	
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(830,285)	5,622	5,936
(Increase) decrease in inventories	(576,409)	(21,591)	
(Increase) decrease in prepaid expenses	111,617	(88,305)	
(Increase) decrease in other assets	326,110		
(Increase) decrease in customer refunds and meter deposits			
Increase (decrease) in accounts payable and accrued expenses	(3,001,135)	822,947	
Increase (decrease) in accrued vacation	29,945	20,269	
Increase (decrease) in interfund payable	41,566		
Increase (decrease) in deferred revenues	(1,685,683)	(1,051)	
Net cash provided (used) by operating activities	<u>26,749,396</u>	<u>278,796</u>	<u>81,306</u>
Cash flows from non-capital financing activities			
Proceeds from Federal and State grants	1,169,846		
Operating transfers in	1,390,104		
Operating transfers (out)	<u>(9,794,198)</u>		
Net cash provided (used) by non-capital financing activities	<u>(7,234,248)</u>		

2001			2000		
Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)	Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)
\$ 5,397,967	\$ 32,383	\$ 5,430,350	\$ 12,819,142	\$ 35,793	\$ 12,854,935
26,551,978		26,551,978	24,230,610		24,230,610
(818,727)		(818,727)	(4,819,830)		(4,819,830)
(598,000)		(598,000)	(490,167)		(490,167)
23,312		23,312	80,490		80,490
326,110		326,110	(1,028,697)		(1,028,697)
			1,631,886		1,631,886
(2,178,188)		(2,178,188)	8,384,430		8,384,430
50,214		50,214	(10,963)		(10,963)
41,566		41,566	427,733		427,733
(1,686,734)		(1,686,734)	(3,726)		(3,726)
27,109,498	32,383	27,141,881	41,220,908	35,793	41,256,701
1,169,846		1,169,846	1,212,651		1,212,651
1,390,104		1,390,104	869,654		869,654
(9,794,198)		(9,794,198)	(13,013,032)		(13,013,032)
(7,234,248)		(7,234,248)	(10,930,727)		(10,930,727)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Fund and Discretely Presented Component Unit
Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets and other adjustments	\$ (45,072,823)	\$ (42,537)	\$
Proceeds from sale of capital assets	1,370,798		
Miscellaneous non-operating income	28,415		
Proceeds from bond issue	18,002,489		
Payments of interest and principal on debt	(17,451,447)	(5,384)	
Federal and state grants			
Proceeds from state loan issue	3,073,493		
Passenger facility charges	220,404		
Payment for refunded bonds	(18,245,000)		
Capital contributions	11,906,891		
Net cash provided (used) by capital and related financing activities	(46,166,780)	(47,921)	
Cash flows from investing activities			
Interest earned on investments	3,600,204	322,975	
(Purchase) sale of investments, net	14,851,440		
Net cash provided (used) by investing activities	18,451,644	322,975	
Net increase (decrease) in cash and cash equivalents	(8,199,988)	553,850	81,306
Cash and cash equivalents at beginning of year	38,268,591	5,061,960	1,129,974
Cash and cash equivalents at end of year	\$ 30,068,603	\$ 5,615,810	\$ 1,211,280
Reconciliation to the financial statements:			
Cash and cash equivalents	\$ 30,068,603	\$ 5,615,810	\$ 1,211,280
Investments	18,000,000		
Total cash and investments	\$ 48,068,603	\$ 5,615,810	\$ 1,211,280
Unrestricted cash and investments	\$ 15,757,215	\$ 5,615,810	\$ 1,211,280
Restricted cash and investments	32,311,388		
Total cash and investments	\$ 48,068,603	\$ 5,615,810	\$ 1,211,280
Supplemental disclosure of noncash investing and financial activity			
Contribution of fixed assets	\$ 2,564,637		

2001			2000		
Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)	Totals Primary Government (Memorandum Only)	Component Unit Fayetteville Air Cargo Facilities	Totals Reporting Entity (Memorandum Only)
\$ (45,115,360)	\$	\$ (45,115,360)	\$ (57,156,399)	\$	\$ (57,156,399)
1,370,798		1,370,798	683,524		683,524
28,415		28,415	(4,956)		(4,956)
18,002,489		18,002,489	19,325,000		19,325,000
(17,456,831)	(32,383)	(17,489,214)	(17,133,099)	(35,793)	(17,168,892)
			572		572
3,073,493		3,073,493	4,500,110		4,500,110
220,404		220,404			
(18,245,000)		(18,245,000)			
11,906,891		11,906,891	4,071,491		4,071,491
<u>(46,214,701)</u>	<u>(32,383)</u>	<u>(46,247,084)</u>	<u>(45,713,757)</u>	<u>(35,793)</u>	<u>(45,749,550)</u>
3,923,179		3,923,179	4,876,078		4,876,078
14,851,440		14,851,440	(4,078,232)		(4,078,232)
18,774,619		18,774,619	797,846		797,846
(7,564,832)		(7,564,832)	(14,625,730)		(14,625,730)
44,460,525		44,460,525	59,086,255		59,086,255
<u>\$ 36,895,693</u>	<u>\$</u>	<u>\$ 36,895,693</u>	<u>\$ 44,460,525</u>	<u>\$</u>	<u>\$ 44,460,525</u>
\$ 36,895,693	\$	\$ 36,895,693	\$ 44,460,525	\$	\$ 44,460,525
18,000,000		18,000,000	32,851,441		32,851,441
<u>\$ 54,895,693</u>	<u>\$</u>	<u>\$ 54,895,693</u>	<u>\$ 77,311,966</u>	<u>\$</u>	<u>\$ 77,311,966</u>
\$ 22,584,305	\$	\$ 22,584,305	\$ 34,368,929	\$	\$ 34,368,929
32,311,388		32,311,388	42,943,037		42,943,037
<u>\$ 54,895,693</u>	<u>\$</u>	<u>\$ 54,895,693</u>	<u>\$ 77,311,966</u>	<u>\$</u>	<u>\$ 77,311,966</u>
<u>\$ 2,564,637</u>	<u>\$</u>	<u>\$ 2,564,637</u>	<u>\$ 3,211,407</u>	<u>\$</u>	<u>\$ 3,211,407</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combined Statement of Changes in Plan Net Assets
All Pension Trust Funds**

**Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	<u>2001</u>	<u>2000</u>
Additions		
Contributions	\$ 2,563,818	\$ 2,234,927
Investment income:		
Interest and net appreciation in fair value of investments	(3,354,694)	5,252,423
Operating transfers in		161,221
Total additions	<u>(790,876)</u>	<u>7,648,571</u>
Deductions		
Benefits	3,123,164	2,572,071
Operating transfers out		
Total deductions	<u>3,123,164</u>	<u>2,572,071</u>
Net increase (decrease)	(3,914,040)	5,076,500
Fund balance reserved for employees' retirement benefits		
Beginning of year - July 1	<u>63,885,442</u>	<u>58,808,942</u>
End of year - June 30	<u>\$ 59,971,402</u>	<u>\$ 63,885,442</u>

See notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements

June 30, 2001

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: public safety, environmental protection, transportation, economic and physical development, recreation and community facilities, electric, water and sewer utility services and general administrative services. 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 of the City's accounting policies 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 Statement number 14 defines 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.

This statement provides 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 a new police administration building and defease the City's outstanding 1989 certificates of participation. The City leases the new police building 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 special revenue fund, and the debt associated with the bond issuance is included in the general long-term debt account group.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

A – Reporting Entity (continued)

Fayetteville Air Cargo Facilities, Inc.

Fayetteville Air Cargo Facilities, Inc. (FACF) is a non-profit corporation formed for the purpose of acquisition, construction, equipping, expansion, enlargement, improvement, financing, refinancing, leasing, management and operation of air cargo facilities in Fayetteville, North Carolina. FACF has issued industrial revenue bonds for the construction of air cargo facilities at the Fayetteville Regional Airport. The proceeds of the bonds have been loaned to a private corporation which is responsible for the actual construction. The City has leased the land for the construction to FACF, which has subleased it to the private corporation. In consideration of the sublease and lease, the private corporation pays rent to FACF, which in turn pays rent to the City. A voting majority of the board of directors is appointed by the City Council. The City can remove any director with or without cause. FACF is shown in a discrete presentation.

B - Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

A fund is an independent fiscal accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenue and expenditures or expenses as appropriate. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Funds - Governmental funds are used to account for all or most of the City's general activities, including specific revenue sources that are legally restricted to expenditures for specific purposes (special revenue funds) and financial resources to be used for the acquisition or construction of general fixed assets (capital project funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

The City maintains four special revenue funds: the Emergency Response Fund, the Federal and State Financial Assistance Fund, the Storm Water Management Fund and the Fayetteville Finance Corp Fund. The City has six capital projects funds within its governmental fund types: the General Government Fund, the Public Safety Fund, the Recreational and Cultural Fund, the Transportation Fund, the Bond Improvement Fund, and the Economic and Physical Development Fund.

Proprietary funds - Proprietary funds are used to account for activities similar to those found in the private sector and include the following fund types:

Enterprise Funds - Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City of Fayetteville has three enterprise funds: the Utility Fund, the Transit Fund and the Airport Fund. The related capital projects have been consolidated with the operating funds for financial reporting purposes.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

B – Basis of Presentation – Fund Accounting (continued)

Proprietary funds (continued)

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The City of Fayetteville has three internal service funds: the Fleet Maintenance Fund, which maintains and repairs the numerous vehicles owned by the City; the Insurance Fund, which maintains all insurance coverage and self-retention liability for the City; and the Warranty Fleet Fund, which is designed to recover maintenance and future replacement costs of general service vehicles.

Fiduciary Funds - Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. The City has four trust funds: the Special Separation Allowance Fund, the PWC Pension Trust Fund, the Police Benefit Fund and the Firemen's Relief Fund.

Account Groups - The general fixed assets account group is used to account for fixed assets that are not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C - Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. As required for periods beginning after June 15, 2000, by Statement 33 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Nonexchange Transactions," the City has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital. No adjustment to the balance of the contributed capital account is required.

Basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

The City recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. State shared revenues, sales tax, property taxes, federal grants funding federal mandates, and most donations are examples of nonexchange transactions.

The City considers all revenues available if they are collected within 60 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, 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 2000 through February 2001 apply to the fiscal year ended June 30, 2001. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2001-2002 fiscal year and are not shown as receivables at June 30, 2001. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements, if material, and are offset by deferred revenues because the due date and the date upon which interest begins to accrue is prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2001 because they are intended to finance the City's operations during the 2002 fiscal year.

Sales taxes collected and held by the State at year end on behalf of the City are recognized as revenue. Intangible taxes, intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs, consistent with the City's fiscal year end. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

The accrual basis of accounting is utilized by the proprietary fund types, pension trust funds and nonexpendable trust funds. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In converting the proprietary fund types from the modified accrual basis to the accrual basis, the changes required include adjustments for depreciation, capital expenditures, increases and decreases in inventories and accrued vacation, and principal payments on outstanding debt.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. As discussed in Note 1K below, the City has adopted GASB Statements 33 and 36 during the year ended June 30, 2001. As a result, net receivables and corresponding deferred revenues for nonexchange transactions involving certain franchise taxes have increased approximately \$1,700,000.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

C – Measurement Focus and Basis of Accounting (continued)

The City applies 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.

D - Budgets

Budgets are adopted as required by State statute under a basis consistent with accounting principles generally accepted in the United States of America. An annual budget ordinance 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 selected special revenue and capital project funds. All budgets are prepared using the modified accrual basis of accounting.

The special revenue funds consist of the Emergency Response Fund which adopts an annual budget, the Federal and State Financial Assistance Fund which operates under a multi-year budget, the Storm Water Management Fund which adopts an annual budget and the Fayetteville Finance Corp Fund which adopts an annual budget.

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 expenditures of any fund must be approved by the City Council.

As required by General Statute 159-26(d), the City maintains encumbrance accounts which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. At June 30, 2001, \$6,628,821 of open purchase orders and unperformed contracts were outstanding. These encumbrances outstanding are reported as “reserved for encumbrances” in the fund balance section of the balance sheet and will be charged against the subsequent year’s budget.

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 SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements with respect to either direct obligations of the United States or obligations the principal and interest of which are guaranteed by the United States; and the North Carolina Capital Management Trust (NCCMT), a SEC-registered (2a - 7) mutual fund. As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” the City’s investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio’s securities are valued at fair value, which is the NCCMT’s share price. The NCCMT Term Portfolio’s securities are value based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest earnings and investment contracts are reported at amortized cost.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, and Fund Equity (continued)

Deposits and Investments (continued)

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.

During the year ended June 30, 2001, the City invested in interest-only strips in part to maximize yields and in part to hedge against changes in interest rates. As of June 30, 2001, the City had \$1,450,785 invested in interest-only strips. These securities are based on cash flows from interest payments on underlying bonds or obligations. Therefore, they are sensitive to changes in prevailing interest rates, which may affect market value. In periods of rising interest rates, the market value could be less than the acquisition value of the security.

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 Utility Fund considers 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 G. S. 105-347 and G. S. 159-13(a), ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due on September 1 (lien date); however, penalties do not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2000. Ad valorem taxes are reported net of discounts.

Ad valorem taxes receivable are not accrued as a revenue because the amount is not considered "available." At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. The receivable amount is reduced by an allowance for doubtful accounts equal to the amount deemed uncollectible as of June 30. An amount equal to the net receivable is shown as a deferred revenue on the combined balance sheet.

Allowance for Uncollectible Receivables

The City operates an electric, water and sewer facility and provides 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 based on factors surrounding the credit risk of specific customers, historical trends, and other information. Credit losses, when realized, have been within the range of the City's estimations and historically have not been significant.

The receivables shown on the "Combined Balance Sheet - All Fund Types and Account Groups and Discretely Presented Component Units" are presented net of the following allowances for doubtful accounts as of June 30, 2001:

Funds	
General	\$ 507,787
Special Revenue	8,370
Enterprise	414,842
Total	<u>\$ 930,999</u>

Receivables for Fayetteville Air Cargo Facilities, Inc. are presented net of a \$0 allowance for doubtful accounts.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

E – Assets, Liabilities, and Fund Equity (continued)

Due From (To) Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Inventories

Inventories are valued at the lower of average cost or market. The costs of governmental fund-type inventories are recorded as expenditures when they are consumed rather than when they are purchased.

Prepaid Expenses

Payments made by proprietary funds that will benefit periods beyond June 30, 2001, are recorded as prepaid items.

Restricted Assets and Liabilities

In the 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. Retained earnings have been reserved for these net restricted assets.

Deferred Financing Costs

Expenses incurred in connection with the issuance of presently outstanding long-term debt in the enterprise funds are being amortized over the terms of the respective issues.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation of the utility system, buildings and building improvements, furniture, fixtures and equipment, and vehicles in the proprietary funds, is computed using the straight-line method over the life of the asset.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, and Fund Equity (continued)

Fixed Assets (continued)

Interest expense that relates to the cost of acquiring or constructing fixed 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."

Other Assets

Facility investment fees credit is given on a dollar per dollar basis for off-site water/sewer 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.

Vacation and Sick Leave

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. The liability of the governmental funds is recorded in the general long-term debt account group while the liabilities of the proprietary funds are recorded in the respective funds as the leave is earned. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision for this has been made in the accompanying financial statements.

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 sick leave has been made.

Unearned Deposits

When a developer requests the construction of water and sewer lines, a portion or all of the estimated cost of construction is paid by the developer. Prior to adoption of GASB statement 33, as discussed in Note 9, a portion of the cost was credited directly to contributed capital and a portion was recorded as unearned deposits. These unearned deposits represent possible future services to be rendered by the City and liabilities of the City to the developer, as stated in the contract, for such events as annexation. Previously, the unearned deposits were reduced and reported as an increase to contributed capital when services were rendered. When no further liability existed, the remaining liability was credited to contributed capital. Now that GASB Statement 33 has been adopted, the costs are recognized as revenue rather than being credited to contributed capital.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

E - Assets, Liabilities, and Fund Equity (continued)

Contributed Capital

Contributed capital in the proprietary funds is made up of contributions from customers, other governmental entities and amounts contributed from other funds within the City's reporting entity. A detailed schedule of changes in contributed capital is included in these notes.

Fund Balance

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State law (G.S. 159-13(b) (16)) restricts appropriation of fund balance or fund equity 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 employees' retirement benefits - portion of total fund balance available for appropriation to pay retirement benefits when due.

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 wireless 911 - portion of fund balance available to pay for the acquisition and operation of wireless 911 services.

Unreserved

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

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2001 - 2002 budget ordinance.

Designated for debt service - portion of fund balance designated to meet principal and interest payments on outstanding debt during the next fiscal year.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

E – Assets, Liabilities, and Fund Equity (continued)

Unreserved (continued)

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as revenues in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Intrafund transfers have been eliminated.

F - Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation.

G - Comparative Data

Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

H - Reclassification

For comparability, the 2000 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2001.

I - Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all investments to be cash equivalents due to the pooling nature of their deposits. The Utility Fund considers investments with a maturity date of three months or less to be cash equivalents.

J - 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.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 1 - Summary of Significant Accounting Policies (continued)

K – New Pronouncements

The City has adopted Governmental Accounting Standards Board Statement No. 33 (GASB No. 33), "Accounting and Financial Reporting for Nonexchange Transactions", which establishes accounting and financial reporting standards for nonexchange transactions involving financial and capital resources. Governmental Accounting Standards Board Statement No. 36 (GASB No. 36), "Recipient Reporting for Certain Shared Nonexchange Revenues" was also adopted, which provides symmetrical accounting treatment for certain shared revenues by superseding paragraph 28 of GASB Statement No. 33.

In March 1999, the GASB adopted Statement No. 34 (GASB No. 34), (Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments), making it effective in three phases based on the City's total annual revenues in the first fiscal year ending after June 15, 1999. GASB 34 establishes new financial reporting requirements for state and local governments throughout the United States. GASB 34 is effective for the City of Fayetteville beginning with fiscal year ending June 30, 2002.

Note 2 - Legal Compliance - Budgets

Annually, all departments of the City submit requests for appropriations to the budget officer so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is then presented to the City Council for review. The City Council members hold public hearings and may add to, subtract from or change appropriations. Any changes in the budget must be within the revenues and reserves estimated as available and approved by an affirmative vote of a majority of the City Council members.

Expenditures may not legally exceed budgeted appropriations at the departmental level for all funds except selected special revenue and capital project funds which are budgeted at the project level. During the year, several supplementary appropriations were necessary.

Note 3 - 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.

At June 30, 2001, the City's deposits had a carrying amount of \$9,563,158 and a bank balance of \$7,824,467. Of the bank balance, \$404,792 was covered by Federal Deposit Insurance, and \$7,419,675 was covered by collateral under the Pooling Method.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 3 - Cash, Cash Equivalents and Investments (continued)

B – Investments

G. S. 159-30 authorizes the City to invest idle funds in obligations of the U. S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed Federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements with respect to either direct obligations of the United States or obligations the principal and interest of which are guaranteed by the United States; and the North Carolina Capital Management Trust, a SEC-registered (2a - 7) money market mutual fund.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Investments of the PWC Pension Trust Fund are exempt from risk categorization because third-party custodians take delivery of the investment securities on behalf of the City. Investments in the North Carolina Capital Management Trust are exempt from custodial risk categorization because the City does not own any identifiable securities, but is a shareholder of a percentage of the fund.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Value</u>	<u>Fair Value</u>
U. S. Government Securities	\$ 6,984,086	\$	\$	\$ 6,984,086	\$ 6,984,086
U. S. Government Agencies	25,825,399	16,000,000		41,825,399	41,868,217
Commercial Paper	<u>706,501</u>	<u>5,755,939</u>		<u>6,462,440</u>	<u>6,462,984</u>
	<u>\$ 33,515,986</u>	<u>\$ 21,755,939</u>	<u>\$</u>	55,271,925	55,315,287
N. C. Capital Management Trust				34,769,323	34,769,323
PWC Pension Trust				<u>58,641,934</u>	<u>58,641,934</u>
				<u>\$ 148,683,182</u>	<u>\$ 148,726,544</u>

The above investments with maturities of more than three months amounted to \$51,515,986.

Interest earned on investments is allocated to all funds based on the cash balances outstanding at the end of each month.

Note 4 – Note Receivable

Included in accounts receivable is a note receivable from the Airborne and Special Operations Museum Foundation for \$4,500,000. This note includes interest at the rate of the current ten-year U.S. Treasury Note. A one-time annual payment of \$868,841 is required on September 30, 2002. Annual payments of \$606,491 are required beginning September 30, 2003.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 5 - Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	General Fixed Assets July 1, 2000	Additions	Retirements and Adjustments	General Fixed Assets June 30, 2001
By asset type:				
Land and improvements	\$ 16,611,805	\$ 461,270	\$ 4,330	\$ 17,077,405
Buildings and improvements	40,749,755	63,401	1,238,270	42,051,426
Equipment, furniture and fixtures	17,737,902	1,351,533	(70,958)	19,018,477
Vehicles	18,242,964	2,202,529	(524,628)	19,920,865
Construction-in-progress	<u>1,258,294</u>	<u>93,315</u>	<u>(1,243,600)</u>	<u>108,009</u>
Total general fixed assets	<u>\$ 94,600,720</u>	<u>\$ 4,172,048</u>	<u>\$ (596,586)</u>	<u>\$ 98,176,182</u>
	General Fixed Assets July 1, 2000	Additions	Retirements and Adjustments	General Fixed Assets June 30, 2001
By function:				
Administration	\$ 2,820,350	\$ 171,780	\$ 291,535	\$ 3,283,665
Real estate management	14,018,303	416,139	(2,016,220)	12,418,222
Public safety	40,115,050	2,747,075	(820,607)	42,041,518
Environmental protection	4,552,630	234,672	784,051	5,571,353
Transportation	4,176,953	151,777	706,699	5,035,429
Recreation and community facilities	28,732,550	447,510	(2,114,794)	27,065,266
Economic & physical development	<u>184,884</u>	<u>3,095</u>	<u>2,572,750</u>	<u>2,760,729</u>
Total general fixed assets	<u>\$ 94,600,720</u>	<u>\$ 4,172,048</u>	<u>\$ (596,586)</u>	<u>\$ 98,176,182</u>

The following is a summary of proprietary fund-type fixed assets at their respective year ends:

Enterprise Funds

	Utility Fund	Transit Fund	Airport Fund	Total
Utility system	\$ 694,752,705	\$	\$	\$ 694,752,705
Land and land improvements	10,818,819	209,531	923,170	11,951,520
Buildings and building improvements	42,959,734	4,509,987	29,310,373	76,780,094
Construction-in-progress	20,653,272	10,489	4,295,472	24,959,233
Furniture, fixtures and equipment	29,536,220	1,198,041	1,385,021	32,119,282
Vehicles	8,765,114	6,557,591	974,931	16,297,636
Less accumulated depreciation	<u>(265,220,795)</u>	<u>(6,028,282)</u>	<u>(16,748,542)</u>	<u>(287,997,619)</u>
Net fixed assets	<u>\$ 542,265,069</u>	<u>\$ 6,457,357</u>	<u>\$ 20,140,425</u>	<u>\$ 568,862,851</u>

Internal Service Funds

	Warranty Fleet Fund	Fleet Maintenance Fund	Insurance Fund	Total
Land and improvements	\$	\$ 159,482	\$	\$ 159,482
Buildings and improvements		397,976		397,976
Equipment, furniture and fixtures	750,387	576,946	85,618	1,412,951
Less accumulated depreciation	<u>(668,812)</u>	<u>(815,503)</u>	<u>(74,866)</u>	<u>(1,559,181)</u>
Net fixed assets	<u>\$ 81,575</u>	<u>\$ 318,901</u>	<u>\$ 10,752</u>	<u>\$ 411,228</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 6 - Long-Term Debt

A - General Obligation Bonds

The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing power of the City. General obligation bonds outstanding for the year ended June 30, 2001, are as follows:

\$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%.	\$ 1,500,000
\$2,550,000 1991 Public Improvement Bonds due in various installments through June 1, 2010; interest at various rates between 5.9% and 6.25%.	1,425,000
\$37,200,000 1993 Refunding Bonds due in various annual installments through May 1, 2010; interest at various rates between 4.7% and 5%.	25,925,000
\$6,900,000 1994 Public Improvement Bonds due in various annual installments through December 1, 2016; interest at rates 6.2% and 6.25%.	5,150,000
\$2,770,000 1996 Street Improvement Bonds due in various annual installments through December 1, 2015; interest at various rates between 4.09% and 5%.	2,545,000
\$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%.	11,475,000
\$2,750,000 1999 Public Improvement Bonds due in various annual installments beginning March 1, 2001 through March 1, 2017; interest at 4.30%.	2,450,000
\$4,900,000 1999 Street Improvement Bonds due in various installments beginning March 1, 2001 through March 1, 2017; interest at 4.32%.	4,350,000
\$3,610,000 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%.	3,610,000
\$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%.	2,400,000
	<u>\$ 60,830,000</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 6 - Long-Term Debt (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. The bonds are being retired by resources generated by the facilities' operations. Revenue bonds outstanding for the year ended June 30, 2001, are as follows:

\$15,560,000 1992 Series B Electric Bonds due in various annual installments through March 1, 2007; interest at various rates between 4.5% and 5.9%.	\$	2,380,000
\$73,955,000 1993 Revenue Refunding Bonds Electric/Water and Sewer Bonds due in various annual installments through March 1, 2014; interest at various rates between 4.0% and 5.125%.		66,660,000
\$34,985,000 1995 Series A Revenue Buildings/Water and Sewer Bonds due in various annual installments through March 1, 2020; interest at various rates between 4.5% and 6.75%.		30,145,000
\$16,390,000 1996 Municipal Building Projects Bonds due in various annual installments through February 1, 2018; interest at 5.83%.		13,470,000
\$40,755,000 1997 Water and Sewer Bonds due in various installments through March 1, 2020; interest at various rates between 4.0% and 5.25%.		39,315,000
\$19,235,000 1999 Water and Sewer Bonds due in various installments beginning March 1, 2002 through March 1, 2021; interest at various rates between 4.30% and 5.75%.		19,325,000
\$19,175,000 2001 Revenue Refunding Electric/Water and Sewer Bonds due in various semiannual installments beginning March 1, 2002 through March 1, 2016; interest at various rates between 3.25% and 5.50%.		<u>19,175,000</u>
	\$	<u>190,470,000</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 6 - Long-Term Debt (continued)

C - Notes Payable

Notes payable financed by the governmental funds are accounted for in the General Long-Term Debt Account Group and are repaid from the resources of the governmental fund. Notes payable financed by the Utility Fund are accounted for in the Enterprise Fund.

The City has incurred debt to finance certain community development and capital project activities. The City has also entered into a revolving loan agreement for \$7,910,743 with the State of North Carolina. The loan is to be used for a Sanitary Sewer Project. The City expects to draw the remainder of the loan during fiscal year 2002. This note payable is 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.

The notes payable in the accompanying general purpose financial statements are comprised of the following:

General Long Term Debt Account Group	
Note payable due in various quarterly installments through September 2008; interest at various rates between 5.87% and 6.49%.	\$ 365,000
Enterprise Fund	
Revolving loan due in various annual installments estimated to begin in fiscal year 2002; interest at 2.6%	<u>7,573,603</u>
Total	<u>\$ 7,938,603</u>

D - Lease Agreements

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

Capital lease obligations are comprised of the following:

General Long Term Debt Account Group	
Capital lease obligations payable in various monthly installments of approximately \$50,000 in 2001 including interest at 4.55%	\$ 6,397,744
Capital lease obligations payable in various monthly installments of approximately \$100,000 in 2001 plus interest at rates ranging from 3.45% to 5.91%	<u>2,322,412</u>
	8,720,156
Less: amount representing interest	<u>(1,661,408)</u>
Present value of the minimum lease payments	<u>7,058,748</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 6 - Long-Term Debt (continued)

D - Lease Agreements (continued)

Internal Service Fund

Capital lease obligations payable in various monthly installments of approximately \$450 in 2001 including interest at 4.50%	\$	2,692
Less: amount representing interest		<u>(33)</u>
Present value of the minimum lease payments		<u>2,659</u>
Total	\$	<u><u>7,061,407</u></u>

The following is an analysis of leased property under capital leases as of June 30, 2001:

General fixed asset account group		
Sanitation equipment and vehicles	\$	188,829
Public safety equipment and vehicles		4,337,669
Transportation street vehicles		402,105
Other equipment		161,102
Municipal buildings and improvement		<u>5,647,518</u>
	\$	<u><u>10,737,223</u></u>
 Internal service fund		
Fleet Maintenance Equipment	\$	15,143
Less accumulated depreciation		<u>(10,000)</u>
	\$	<u><u>5,143</u></u>

E - Law Enforcement Separation Allowance

NCGA Statement 6 requires that employers report as an expenditure the employer pension contribution amount which has been developed by an acceptable actuarial cost method, regardless of whether such amount has actually been contributed. Unfunded balances are required to be reported in the general long-term debt account group. The law enforcement separation allowance was fully funded at year end.

F - Changes in General Long-Term Debt Account Group

The following is a summary of changes in the general long-term debt account group as of June 30, 2001:

	<u>General Long-Term Debt July 1, 2000</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Payments</u>	<u>General Long-Term Debt June 30, 2001</u>
Bonds payable	\$ 50,425,000	\$ 6,010,000	\$ (3,290,000)	\$ 53,145,000
Capital lease obligations	7,092,993	2,006,689	(2,040,934)	7,058,748
Note payable	425,000		(60,000)	365,000
Accrued vacation	2,001,591	398,268		2,399,859
Arbitrage payable	<u>164,300</u>	<u>109,642</u>		<u>273,942</u>
	<u>\$ 60,108,884</u>	<u>\$ 8,524,599</u>	<u>\$ (5,390,934)</u>	<u>\$ 63,242,549</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 6 - Long-Term Debt (continued)

G - Maturities of Long-Term Debt

The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding vacation pay and arbitrage payable):

<u>Year Ended</u>	<u>Bonds Payable</u>		<u>Lease Revenue Notes</u>		<u>Notes Payable</u>		<u>Construction and Improvement Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 11,525,000	\$ 11,746,041	\$ 790,000	\$ 733,017	\$ 439,716	\$ 217,778	\$ 376,501	\$ 218,418
2003	12,190,000	11,179,087	835,000	693,518	439,716	203,452	376,501	201,287
2004	12,720,000	10,568,682	865,000	651,768	439,716	189,817	376,501	184,156
2005	13,310,000	9,943,632	915,000	607,653	439,716	176,142	376,501	167,025
2006	13,850,000	9,279,957	965,000	559,615	439,716	162,439	376,501	149,895
Thereafter	<u>174,235,000</u>	<u>57,852,015</u>	<u>9,100,000</u>	<u>3,237,228</u>	<u>5,740,023</u>	<u>1,234,405</u>	<u>3,012,011</u>	<u>582,447</u>
	<u>237,830,000</u>	<u>110,569,414</u>	<u>13,470,000</u>	<u>6,482,799</u>	<u>7,938,603</u>	<u>2,184,033</u>	<u>4,894,516</u>	<u>1,503,228</u>
Less: Loss on defeasance (net of amortization)	<u>(6,700,077)</u>							
	<u>\$231,129,923</u>	<u>\$110,569,414</u>	<u>\$13,470,000</u>	<u>\$6,482,799</u>	<u>\$7,938,603</u>	<u>\$2,184,033</u>	<u>\$4,894,516</u>	<u>\$ 1,503,228</u>

<u>Year Ended</u>	<u>Capitalized Leases</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 1,028,001	\$ 78,667	\$14,159,218	\$ 12,993,921
2003	514,723	42,378	14,355,940	12,319,722
2004	269,758	25,083	14,670,975	11,619,506
2005	283,620	11,221	15,324,837	10,905,673
2006	70,789	864	15,702,006	10,152,770
Thereafter			<u>192,087,034</u>	<u>62,906,095</u>
	<u>2,166,891</u>	<u>158,213</u>	<u>266,300,010</u>	<u>120,897,687</u>
Less: Loss on defeasance (net of amortization)			<u>(6,700,077)</u>	
	<u>\$ 2,166,891</u>	<u>\$ 158,213</u>	<u>\$259,599,933</u>	<u>\$120,897,687</u>

H - Legal Debt Margin

The legal debt margin of the City at June 30, 2001, approximated \$410,686,228.

I - Authorized but Unissued Debt

At June 30, 2001, the City had no bonds authorized but unissued.

J - Interest Expense

Interest expense during the year totaled \$13,324,513. Of this amount, \$919,298 was capitalized as part of the cost of construction activities.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 6 - Long-Term Debt (continued)

K - Restrictive Covenants

The revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, use of the utility system, minimum revenue bond coverages and require that a reserve fund be established and maintained in an amount equal to or greater than ten percent of net bond proceeds. 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, 2001.

L - Component Unit Debt

Fayetteville Air Cargo Facilities, Inc. has issued industrial revenue bonds which have been used to finance the construction of facilities at the City's airport. The bonds are being retired by repayments of a note receivable which was issued for the same amount as the bonds. Revenue bonds outstanding for the year ended June 30, 2001, are as follows:

\$1,200,000 1985 Industrial Revenue Bonds due in various monthly installments through September 1, 2007; interest at 75% of the purchaser's prime rate but no lower than 7.5%.	<u>\$ 363,911</u>
--	-------------------

The following table summarizes debt service requirements for this outstanding debt:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 58,404	\$ 25,286
2003	58,404	20,905
2004	58,404	16,525
2005	58,404	12,145
2006	58,404	7,765
Thereafter	<u>71,891</u>	<u>3,545</u>
	<u>\$ 363,911</u>	<u>\$ 86,171</u>

Note 7 - Defeasance of Debt

A - Current year

On April 12, 2001, the City issued \$19,175,000 in Revenue Refunding Bonds with an average interest rate of 4.72% to advance refund \$17,850,283 (\$18,245,000, net of unamortized bond issue costs of (\$560,513) and outstanding accrued interest payable of \$165,796) of outstanding 1992 series A and B Revenue Bonds with an average interest rate of 6.0% and 5.83%, respectively. The net proceeds of \$19,022,794 (\$19,175,000 plus original issue premium of \$177,582 and minus payment of issuance and other related costs of \$329,788) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series A and B bonds. As a result, the 1992 Series A and a portion of the Series B bonds are considered to be defeased and the liability for those bonds has been removed from the Utility fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,172,511. This difference net of the current year's amortization of \$13,175, reported in the accompanying financial statements as a deduction from revenue bonds, is being charged to operations through the year 2016 using the effective interest method. The City completed the advance refunding to reduce its total debt service payments over the next 15 years by \$1,143,872 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$835,783.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 7 – Defeasance of Debt (continued)

B - Prior Years

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 trust funds. The investments and fixed earnings from the investments 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 as a liability from the City's non-current liabilities. As of June 30, 2001, the amount of defeased debt outstanding but removed from the non-current liabilities of the City amounted to \$7,052,046.

The City has adopted the accounting provisions of Statement 23 of the Governmental Accounting Standards Board (GASB 23). This standard requires that gains and losses from debt refundings 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 refundings are to be used in determining the carrying value of the new debt issued to finance debt refundings, in accordance with this standard. The carrying value of the 1993 Revenue Refunding Bonds has been adjusted for the loss from defeasance (net of amortization) of \$5,540,741 in 2001.

Note 8 - Deferred Revenues

As discussed in Note 1, ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." NCGA Statement 1 states that property taxes which are measurable but not available should be initially recorded as deferred revenues. In addition, licenses, fees and rents collected in advance of the fiscal year to which they apply should also be recorded as deferred revenues. Finally, other receivables whose receipt had extended beyond the sixty day revenue recognition policy have also been recorded as deferred revenue.

The following is a summary of deferred revenues as of June 30, 2001:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Taxes receivable - net	\$ 2,416,587	\$ 68,636	\$	\$	\$ 2,485,223
Prepaid licenses, fees and rents	370,752		(150)	10	370,612
Accounts receivable	<u>2,271,059</u>	<u>2,738,254</u>			<u>5,009,313</u>
	<u>\$ 5,058,398</u>	<u>\$2,806,890</u>	<u>\$ (150)</u>	<u>\$ 10</u>	<u>\$ 7,865,148</u>

Note 9 - Contributed Capital

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets in proprietary funds were recorded as contributed capital prior to the implementation of GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions". As required by GASB Statement 33, the City has begun recognizing capital contributions as revenue in the current year rather than as contributed capital.

Changes in contributed capital for the year ended June 30, 2001, were as follows:

	<u>Enterprise Funds</u>			
	<u>Utility Fund</u>	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Balance as of June 30, 2000	\$ 97,155,112	\$ 6,782,679	\$ 14,349,597	\$ 118,287,388
Reclassifications	(2,620,635)			(2,620,635)
Depreciation	<u>(1,195,691)</u>	<u>(723,510)</u>	<u>(1,113,091)</u>	<u>(3,032,292)</u>
Balance as of June 30, 2001	<u>\$ 93,338,786</u>	<u>\$ 6,059,169</u>	<u>\$ 13,236,506</u>	<u>\$ 112,634,461</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 9 - Contributed Capital (continued)

	<u>Internal Service Funds</u>			<u>Total</u>
	<u>Warranty Fleet Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Insurance Fund</u>	
Balance as of June 30, 2000	\$ 353,090	\$ 806,971	\$ 1,418	\$ 1,161,479
Balance as of June 30, 2001	<u>\$ 353,090</u>	<u>\$ 806,971</u>	<u>\$ 1,418</u>	<u>\$ 1,161,479</u>

Note 10 - Risk Management

The City is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$100,000 per employee and approximately \$6,555,853 for all employees for the policy ending December 31, 2002), general liability (up to \$250,000 per occurrence), workers' compensation (\$250,000 per occurrence), public officials liability (up to \$250,000 per occurrence), law enforcement liability (\$250,000 per occurrence), automobile liability (up to \$250,000 per occurrence), and property liability (\$250,000 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 prior year claims adjusted for industry standard trend adjustments, and for expenditures by the City of up to \$100,000 per employee. The self-insured (self-funded) risks for general liability, public officials liability, law enforcement liability, property liability and automobile liability was subject to an annual aggregate risk of loss of \$465,000 for the fiscal year ended June 30, 2001. 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.

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 Utility Fund is self-insured with respect to workers' compensation, and self-insured with respect to health insurance claims (up to approximately \$2,000,000). In addition, the Utility Fund is self-insured with respect to certain policy deductible amounts as follows: public officials liability (up to \$50,000 per occurrence) and property (\$150,000 and \$250,000 per occurrence). In addition, the Utility Fund maintains excess liability insurance (\$1,000,000 - \$20,000,000) and workers' compensation (\$1,000,000 - \$5,000,000) to cover catastrophic losses. The Utility Fund maintains an investment account amounting to \$3,500,000 to cover possible worker's compensation claims. This investment is classified under restricted assets in the general purpose financial statements. Losses from asserted claims and from unasserted claims identified under the Utility Fund's incident reporting system are accrued based on estimates that incorporate the Utility Fund's past experience, as well as other considerations including the nature of each claim and relevant trend factors. 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 cannot be reasonably estimated. Professional insurance consultants have been retained to assist the Utility Fund with determining all accruals.

The Utility Fund carries commercial coverage for all other risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 10 – Risk Management (continued)

An analysis of claims activity for the City and the Utility Fund is presented below.

	<u>2001</u>	<u>2000</u>
Liability at June 30,	\$ 3,399,054	\$ 1,366,583
Current year claims and changes in estimates	10,349,045	9,567,770
Actual claim payments	<u>(9,786,479)</u>	<u>(7,535,299)</u>
Liability at June 30,	<u>\$ 3,961,620</u>	<u>\$ 3,399,054</u>

Note 11 - 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.

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 general purpose financial statements.

The City has authorized expenditures totaling approximately \$61,745,000 for capital additions and construction of various electric, water and sewer projects. At June 30, 2001, cumulative expenditures to date totaled approximately \$43,563,000 leaving an unexpended balance of \$18,182,000 for projects that are expected to be completed at various dates through the year ended 2002.

In March 1994, the City entered into a ten year contract with Carolina Power & Light Company (CP&L), which went into effect on July 1, 1994, for the purchase of electric power and energy. The City is required to purchase power and energy from CP&L in amounts required to serve the City's load (but in no event less than specified minimums ranging from 152 MW per month to 160 MW per month over the term of the contract) at rates specified in the contract. This contract extends automatically for five additional years after the initial term, unless written notice of termination is provided by either party at least five years before the expiration of the initial term. During the year ended June 30, 1999, the City notified CP&L in writing that the contract will expire at the end of the initial term and will not be automatically extended for an additional five years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 11 – Commitments and Contingent Liabilities (continued)

All remaining power and energy is supplied by CP&L under two other sources: Replacement capacity and energy up to 229 MW is supplied in the interest of mutual cost savings. All other power needs are supplied by a supplemental power arrangement with CP&L. In the interest of mutual cost savings, CP&L may supply the necessary power and energy to the City by running its own generation plant, or when the City is experiencing lower fuel costs, CP&L may instead run the City's plant and divide the cost savings. In return, CP&L reimburses the City for various costs of running the plant.

During the year ended June 30, 2001, the net purchased power costs paid to CP&L was \$87,904,460.

Note 12 - On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2001, the City has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$41,412 for the 119 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 13 - Segment Information - Enterprise Funds

The City maintains enterprise funds which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of June 30, 2001, is presented below.

	<u>Utility Fund</u>	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating revenues	\$179,513,061	1,363,459	\$ 1,852,819	\$182,729,339
Depreciation expense	24,177,697	846,705	1,367,293	26,391,695
Operating income (loss)	10,611,341	(3,175,042)	(1,494,324)	5,941,975
Net income (loss)	4,257,607	120,132	2,715,947	7,093,686
Operating grants, entitlements, shared revenues		1,169,846		1,169,846
Operating transfers in		1,390,104		1,390,104
Operating transfers out	(9,794,198)			(9,794,198)
Fixed asset additions	39,649,509	823,650	4,599,664	45,072,823
Net working capital	30,057,957	661,610	231,485	30,951,052
Total assets	645,777,947	7,437,009	22,387,839	675,602,795
Bonds and notes payable	199,028,526			199,028,526
Total fund equity	413,995,560	7,118,917	20,548,110	441,662,587

Note 14 - Employee Retirement Systems

The City maintains two single-employer, defined benefit pension plans (Public Works Commission Retirement System and the Law Enforcement Officers' Special Separation Allowance System) which cover the utilities employees and law enforcement officers of the City. In addition, the City participates in the statewide local governmental retirement system, a multiple-employer, cost-sharing public employee pension plan which covers substantially all employees.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 14 - Employee Retirement Systems (continued)

A - Public Works Commission Retirement System

Plan Description

The Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina is a single-employer defined benefit pension plan administered by the Public Works Commission Employees' Retirement Plan Board of Trustees. The Employees' Retirement 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. The City of Fayetteville City Council has the authority to establish and amend the retirement plan provisions. The Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the General Manager, Public Works Commission; P. O. Box 1089; Fayetteville, NC 28302 or by calling (910) 223-4001. The plan is reported in the City's report as a pension trust fund.

At June 30, 2001, the Plan's membership consisted of:

Retirees receiving benefits	144
Current employees	<u>534</u>
Total	<u>678</u>

All full-time Commission employees are eligible to participate in the plan. Benefits vest after five years of credited service. Commission 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 plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the Commission.

Summary of Significant Accounting Policies

Basis of accounting: Financial statements for the Plan are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Commission 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 market value.

Contributions

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. Plan members are required to contribute 5.5% of their annual covered salary. The Public Works Commission is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2001 was 0% of annual covered payroll because the total normal cost for plan year 2001 is less than the anticipated employee contributions.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 14 - Employee Retirement Systems (continued)

A - Public Works Commission Retirement System (continued)

Contributions (continued)

The annual required contribution for the current year was determined as part of the July 1, 2000, actuarial valuation using the aggregate actuarial cost method. The actual assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% 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 Public Works Commission's appropriations when granted. The actuarial value of assets was determined by using the market value at June 30, 2001. The Commission uses the aggregate actuarial cost method which does not identify or separately amortize the unfounded actuarial liability; however, the Schedule of Funding Progress for the Plan included in the Required Supplemental Financial Data portion of these financial statements, is provided for informational purposes. The Public Works Commission's prepaid pension benefit, which is included in other assets on the accompanying balance sheet, in the current year was \$3,453,544. This amount is unchanged from the prior year as the Commission was not required to make nor did they elect to make any employer contributions.

Annual Pension Cost and Net Pension Obligation

<u>Three-Year Trend Information</u>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$		\$ (3,453,544)
2000			(3,453,544)
1999			(2,948,342)

B - Local Governmental Employees' Retirement System

Plan Description

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

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 5.27%, respectively, of annual covered payroll. 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, for the years ended June 30, 2001, 2000 and 1999, were \$1,884,402, \$1,715,831, and \$1,561,798, respectively. The contribution made by the City equaled the required contribution for each year.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 14 - Employee Retirement Systems (continued)

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. All full-time City law enforcement officers are covered by the Separation Allowance.

At December 31, 2000, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Active plan members	<u>293</u>
Total	<u>305</u>

Summary of Significant Accounting Policies

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

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

Contributions

The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$165,863, or 1.4% 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. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 1999 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 4.4% - 8.5% 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 dollar amount on a closed basis. The remaining amortization period at December 31, 1999 was 20 years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 14 - Employee Retirement Systems (continued)

C – Law Enforcement Officers’ Special Separation Allowance (continued)

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 145,228
Interest on net pension obligation	(15,146)
Adjustment to annual required contribution	<u>19,434</u>
Annual pension cost	149,516
Contributions made	<u>(165,863)</u>
Increase (decrease) in net pension obligation	(16,347)
Net pension obligation beginning of year	<u>(208,917)</u>
Net pension obligation end of year	<u>\$ (225,264)</u>

Three-Year Trend Information			
Fiscal Year	Annual	Percentage	Net Pension
Ending	Pension	of APC	Obligation
	Cost (APC)	Contributed	
1999	\$ 114,340	119.18	\$ (191,945)
2000	131,153	112.94	(208,917)
2001	149,516	110.93	(225,264)

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. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions 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 officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2001, were \$1,359,735, which consisted of \$572,656 from the City and \$787,079 from the law enforcement officers.

E - Defined Contribution Plan and Trust

The Utility fund participates in a Defined Contribution Plan and Trust (Plan), administered by the Advisory Committee appointed by the City. This Plan became effective July 1, 1999. Plan provisions are established or amended by City of Fayetteville City Council resolution. The Utility fund’s employees are not allowed to contribute to this Plan. For the fiscal year ended June 30, 2001 actual contributions by the City were \$1,155,501. The City currently contributes up to 5.5% of gross pay of each Utility fund employee to the Defined Contribution Plan or Trust. This funding rate is subject to City Council approval. At June 30, 2001, the Plan included 534 participants. Participants vest at service inception and are entitled to 100% of vested contributions. The Plan is a profit sharing plan qualified under section 401(a) of the Internal Revenue Code.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 14 – Employee Retirement Systems (continued)

F - Firemen's and Rescue Squad Workers' Pension Fund

Plan Description

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, 3512 Bush Street, Raleigh, North Carolina 27699, 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.

Note 15 – Post Employment Benefits

In addition to providing pension benefits, the City has elected to provide health care benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the City. The City pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates, as long as the dependent had been covered at least 5 years prior to employee's retirement. Currently, 120 retirees are eligible for post-retirement health benefits and are eligible until each employee reaches the eligible age for Medicare. For the fiscal year ended June 30, 2001, the City made payments for post-retirement health benefit premiums of \$627,191.

The City has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2001, the City made contributions to the State for death benefits of \$56,723. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .15 percent and .14 percent of covered payroll, respectively. The contributions to the Death Trust are not separated between the U. S. post-employment benefit amount and the other benefit amount, as the amounts cannot be reasonably estimated.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 15 – Post-Employment Benefits (continued)

Also, the City has elected to provide death benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System and have at least ten years of creditable service with the City. After the required 180 days following retirement, the City pays the full cost of coverage for the retiree.

The City offers a term life insurance policy equal to \$100 for every year of service with the City, up to a maximum policy of \$3,000. Currently, 263 retirees are eligible for post-retirement death benefits. For the fiscal year ended June 30, 2001, the City made payments for post-retirement death benefits premiums of \$17,871.

In addition to the pension benefits described in Note 14, the Utility fund (Public Works Commission) provides post employment benefit options for health care and dental insurance to eligible retirees and their dependents up through the age of 65. A liability for this obligation is not accrued at June 30, 2001 as the amount is not material to the financial statements. As of June 30, 2001, 40 retirees meet the eligibility requirements. Expenses for post employment healthcare benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the Utility fund. For the year ended June 30, 2001, expenses of approximately \$221,000 were recognized for post employment healthcare.

Note 16 - Stewardship, Compliance and Accountability

A - Deficits in Retained Earnings

Retained earnings shown in the internal service funds included a deficit balance in the Fleet Maintenance Fund totaling \$(146,328). At June 30, 2001, total fund equity in this fund totaled \$660,643.

Note 17 - Reconciliation of GAAP and Budget Basis Expenditures

The accompanying schedules reconcile certain transactions which are treated differently on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Annually Budgeted Governmental Fund Types. The Federal and State Financial Assistance Fund is budgeted on a project ordinance basis. A reconciliation for the Special Revenue Funds is included below:

	<u>Combined</u>	<u>Increase (Decrease)</u>	<u>Budgetary</u>
Special Revenue Fund:			
Revenues:			
Intergovernmental	\$3,193,867	\$ (3,076,459)	\$ 117,408
Miscellaneous	292,836	(282,493)	10,343
Expenditures:			
Public safety	1,755,582	(886,471)	869,111
Transportation	107,810	(107,810)	
Economic and physical development	2,432,356	(2,428,865)	3,491
Other financing uses:			
Operating transfers in	1,838,326	(185,105)	1,653,221

CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to Financial Statements (continued)

June 30, 2001

Note 18 – Subsequent Events

On September 11, 2001 a terrorist group hijacked four commercial aircraft and flew two of the planes into the World Trade Center in New York City and another plane into the Pentagon in Washington, D.C. The fourth plane crashed in a vacant field killing everyone on board. These terrorist acts required that the FAA close down all air traffic within the continental United States of America from September 12th through September 13th. The FAA is also requiring that additional security measures be implemented immediately at all airports. While it is not possible to quantify with certainty the potential impact of these new regulations on the airline industry, particularly any future remediation and other compliance efforts, in the opinion of management, these changes will not have a material adverse effect on the financial position, results of operations, or cash flows of the City.

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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)
12/31/95	\$ 699,565	\$ 1,100,618	\$ 401,053	63.56%	\$7,570,781	5.30%
12/31/96	824,181	1,147,821	323,640	71.80%	8,284,503	3.91%
12/31/97	893,619	1,241,152	347,533	72.00%	8,419,011	4.13%
12/31/98	878,608	1,337,500	458,892	65.69%	9,011,331	5.09%
12/31/99	958,824	1,435,311	476,487	66.80%	9,968,890	4.78%
12/31/00 *	1,228,812	2,728,524	1,499,712	45.04%	10,581,205	14.17%

* For the December 31, 2000, valuation date, several actuarial assumptions have been revised. These revisions were due to an experience investigation prepared as of December 31, 1999, for the North Carolina Local Government Retirement System. Projected salary increases were increased from a range of 4.4%-8.5% to a range of 5.9%-9.8%. The remaining amortization period was also increased from 20 to 30 years. These changes in assumptions caused an increase in the cost of the Separation Allowance for Law Enforcement Officers.

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>
1992	\$ 72,055	213.73%
1993	77,695	167.32%
1994	80,563	167.57%
1995	80,084	160.83%
1996	87,240	212.25%
1997	106,748	125.18%
1998	107,318	115.48%
1999	111,500	128.32%
2000	127,606	119.29%
2001	145,228	114.21%

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, 2000
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Closed
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	7.25%
Projected salary increases*	5.9% - 9.8%
* Includes inflation at	3.75%
Cost-of-living adjustments	None

CITY OF FAYETTEVILLE, NORTH CAROLINA

**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)
6/30/96	\$ 35,632,709	\$ 43,494,439	\$7,861,730	81.92%	\$15,720,961	50.01%
6/30/97	42,525,932	45,873,459	3,347,527	92.70%	17,405,599	19.23%
6/30/98	51,215,897	50,317,374	(898,523)	101.79%	18,165,064	(4.95%)
6/30/99	57,855,331	55,628,833	(2,226,498)	104.00%	18,872,399	(11.80%)
6/30/00	63,620,358	62,479,563	(1,140,795)	101.83%	19,750,220	(5.78%)
7/01/01	59,186,400	64,924,454	5,738,054	91.16%	19,400,854	29.58%

CITY OF FAYETTEVILLE, NORTH CAROLINA

**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>
1999	N/A	N/A
2000	N/A	N/A
2001	N/A	N/A

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, 2001
Actuarial cost method	Aggregate
Amortization method	Level dollar, open
Amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	5.0%
* Includes inflation at	3%
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 "General Purpose 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.

Account group schedules are presented for the general fixed asset and general long-term debt account groups.

GOVERNMENTAL FUNDS

- * General Fund
- * Special Revenue Funds
- * Capital Project Funds

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

GENERAL FUND

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

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2001 and 2000

ASSETS	2001	2000
	<u> </u>	<u> </u>
Cash and investments	\$ 22,155,414	\$ 20,737,826
Taxes receivable	2,416,587	2,219,946
Accounts receivable	12,474,439	8,646,920
Interfund receivable	469,299	427,733
Assessments receivable	427,354	494,221
Inventories	99,612	115,906
	<u> </u>	<u> </u>
Total assets	\$ 38,042,705	\$ 32,642,552
	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 3,400,047	\$ 2,831,346
Unearned deposits	46,466	26,998
Deferred revenues	5,058,398	3,681,774
	<u> </u>	<u> </u>
Total liabilities	8,504,911	6,540,118
	<u> </u>	<u> </u>
Fund balances		
Reserved		
Reserved by State statute	11,100,033	8,448,793
Reserved for encumbrances	917,168	1,166,032
Reserved for inventories	99,612	115,906
Reserved for downtown	231,344	
Unreserved		
Designated for special purpose	4,070,545	3,279,385
Designated for subsequent year's expenditures	1,446,143	946,326
Designated for debt service	1,139,278	1,301,314
Undesignated	10,533,671	10,844,678
	<u> </u>	<u> </u>
Total fund balances	29,537,794	26,102,434
	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 38,042,705	\$ 32,642,552
	<u> </u>	<u> </u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 31,442,637	\$ (197,861)	\$ 31,244,776	\$ 29,825,052
Prior year	700,874	88,562	789,436	782,225
Penalties	162,375	(23,656)	138,719	179,786
Total ad valorem taxes	32,305,886	(132,955)	32,172,931	30,787,063
Other taxes				
Local option sales tax	16,415,900	(255,524)	16,160,376	15,945,010
Utility franchise tax	4,079,000	692,319	4,771,319	3,908,055
Intangible tax reimbursement	590,000	8,325	598,325	589,539
Homestead exemption	54,000	(13,416)	40,584	40,584
Tax reimbursements	462,000	229,865	691,865	788,292
Vehicle license tax	396,500	90	396,590	386,300
Privilege license	638,000	(318)	637,682	285,843
Cablevision franchise tax	953,960	263,842	1,217,802	459,000
E911 subscriber tax				155,114
Vehicle gross receipt	225,000	44,824	269,824	
Total other taxes	23,814,360	970,007	24,784,367	22,557,737
Intergovernmental				
Federal		218,102	218,102	220,006
State	4,661,207	59,271	4,720,478	4,538,835
Local	662,624	(206,751)	455,873	576,705
Total intergovernmental	5,323,831	70,622	5,394,453	5,335,546
Other functional				
Permits and fees	1,080,631	(94,725)	985,906	1,220,025
Property leases	237,147	28,343	265,490	250,476
Engineering services	1,106,001	(92,205)	1,013,796	346,934
Public safety services	382,483	42,130	424,613	414,729
Environmental services	53,150	(9,618)	43,532	60,072
Recreation and cultural services	435,627	(41,867)	393,760	445,674
Parking revenues	50,638	2,722	53,360	43,313
Other fees and services	103,750	(28,192)	75,558	89,041
Total other functional	3,449,427	(193,412)	3,256,015	2,870,264
Miscellaneous				
Refunds and sundry	410,650	45,273	455,923	105,588
Indirect cost allocation	699,700	60,571	760,271	743,716
Special use assessment	57,466	87,974	145,440	106,984
Sale of assets	5,200	(1,049)	4,151	209,143
Total miscellaneous	1,173,016	192,769	1,365,785	1,165,431

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Revenues (continued)				
Interest earned on investments	\$ 1,377,590	\$ 866,692	\$ 2,244,282	\$ 1,641,863
Total revenues	<u>67,444,110</u>	<u>1,773,723</u>	<u>69,217,833</u>	<u>64,357,904</u>
Expenditures				
Current				
Administration				
Legislative				
Personnel	278,499	45	278,454	260,597
Operating	209,121	19,672	189,449	204,428
	<u>487,620</u>	<u>19,717</u>	<u>467,903</u>	<u>465,025</u>
City attorney				
Personnel	321,100	34	321,066	251,789
Operating	593,926	64	593,862	301,576
	<u>915,026</u>	<u>98</u>	<u>914,928</u>	<u>553,365</u>
Executive department				
Personnel	627,556	1,794	625,762	285,948
Operating	306,403	150,122	156,281	37,329
Assets	3,083		3,083	
	<u>937,042</u>	<u>151,916</u>	<u>785,126</u>	<u>323,277</u>
Support services				
Personnel	1,018,794	41,367	977,427	986,364
Operating	658,040	162,714	495,326	674,585
Assets	160,325	20,262	140,063	231,611
Inventory	144,000	7,712	136,288	134,729
Cost redistribution	(184,000)	6,561	(190,561)	(171,822)
	<u>1,797,159</u>	<u>238,616</u>	<u>1,558,543</u>	<u>1,855,467</u>
Human relations department				
Personnel	143,553	248	143,305	190,350
Operating	63,106	14,629	48,477	51,344
Assets	1,741		1,741	1,636
Payments to agencies	500		500	
	<u>208,900</u>	<u>14,877</u>	<u>194,023</u>	<u>243,330</u>
Finance department				
Personnel	961,826	25,550	936,276	882,916
Operating	677,843	35,628	642,215	624,987
Assets	17,607	2,901	14,706	25,817
Inventory	659,754	9,923	649,831	536,148
Cost redistribution	(720,000)	(2,044)	(717,956)	(596,712)
	<u>1,597,030</u>	<u>71,958</u>	<u>1,525,072</u>	<u>1,473,156</u>
General government				
Personnel	4,896		4,896	20,250
Operating	1,598,480	933,417	665,063	801,136
Assets	438,825	438,825		182,136
Payments to agencies	2,978,924	2,372,972	605,952	443,290
	<u>5,021,125</u>	<u>3,745,214</u>	<u>1,275,911</u>	<u>1,446,812</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Expenditures (continued)				
Current (continued)				
Administration (continued)				
Public buildings				
Personnel	\$ 1,213,377	\$ 62,591	\$ 1,150,786	\$ 1,032,192
Operating	919,038	52,871	866,167	818,981
Assets	29,658	3,426	26,232	6,735
	<u>2,162,073</u>	<u>118,888</u>	<u>2,043,185</u>	<u>1,857,908</u>
Project management				
Personnel	352,616	2,566	350,050	331,039
Operating	47,136	3,615	43,521	21,966
Assets				14,618
Cost redistribution				(3,530)
	<u>399,752</u>	<u>6,181</u>	<u>393,571</u>	<u>364,093</u>
Total administration	<u>13,525,727</u>	<u>4,367,465</u>	<u>9,158,262</u>	<u>8,582,433</u>
Public safety				
Police				
Personnel	18,203,076	79,137	18,123,939	16,326,117
Operating	2,686,426	155,551	2,530,875	2,216,972
Assets	1,004,755	74,584	930,171	206,689
Payments to agencies	3,000	3,000		3,000
Cost redistribution	(19,370)	71	(19,441)	
	<u>21,877,887</u>	<u>312,343</u>	<u>21,565,544</u>	<u>18,752,778</u>
Fire				
Personnel	10,487,378	29,161	10,458,217	9,371,229
Operating	1,497,455	107,577	1,389,878	1,385,073
Assets	1,336,965	265,126	1,071,839	523,786
Cost redistribution	(84,050)	(14)	(84,036)	(82,452)
	<u>13,237,748</u>	<u>401,850</u>	<u>12,835,898</u>	<u>11,197,636</u>
Inspections				
Personnel	1,360,005	4,538	1,355,467	1,201,186
Operating	219,862	4,328	215,534	183,059
Assets				2,765
	<u>1,579,867</u>	<u>8,866</u>	<u>1,571,001</u>	<u>1,387,010</u>
Total public safety	<u>36,695,502</u>	<u>723,059</u>	<u>35,972,443</u>	<u>31,337,424</u>
Environmental protection				
Solid waste				
Personnel	2,295,865	49,512	2,246,353	2,103,730
Operating	2,396,959	47,398	2,349,561	2,196,081
Assets	156,284	92,287	63,997	434,864
Cost redistribution	(72,176)	(23,899)	(48,277)	
	<u>4,776,932</u>	<u>165,298</u>	<u>4,611,634</u>	<u>4,734,675</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Expenditures (continued)				
Current (continued)				
Environmental protection (continued)				
Cemeteries				
Personnel	\$ 153,123	\$ 3,376	\$ 149,747	\$ 133,777
Operating	11,747	2,784	8,963	13,118
	<u>164,870</u>	<u>6,160</u>	<u>158,710</u>	<u>146,895</u>
Total environmental protection	<u>4,941,802</u>	<u>171,458</u>	<u>4,770,344</u>	<u>4,881,570</u>
Transportation				
Streets				
Personnel	1,888,998	56,812	1,832,186	1,744,436
Operating	3,326,267	172,363	3,153,904	2,303,371
Assets	256,005	120,255	135,750	262,656
Cost redistribution	(128,987)	17,247	(146,234)	(126,499)
	<u>5,342,283</u>	<u>366,677</u>	<u>4,975,606</u>	<u>4,183,964</u>
Engineering				
Personnel	906,130	42,106	864,024	818,128
Operating	184,687	16,352	168,335	176,388
Assets	15,512		15,512	10,581
Cost redistribution	(5,350)	(2,815)	(2,535)	(14,414)
	<u>1,100,979</u>	<u>55,643</u>	<u>1,045,336</u>	<u>990,683</u>
Parking				
Personnel	87,971	8,661	79,310	86,366
Operating	74,990	(7,873)	82,863	96,065
Assets	26,675	26,675		
	<u>189,636</u>	<u>27,463</u>	<u>162,173</u>	<u>182,431</u>
Total transportation	<u>6,632,898</u>	<u>449,783</u>	<u>6,183,115</u>	<u>5,357,078</u>
Economic and physical development				
Central business district				
Operating	93,366	82,096	11,270	1,315
Community development				
Personnel	153,369	552	152,817	213,328
Operating	15,038		15,038	8,218
	<u>168,407</u>	<u>552</u>	<u>167,855</u>	<u>221,546</u>
Planning and development				
Personnel	424,685	1	424,684	390,611
Operating	275,006	9,687	265,319	66,715
Assets				6,561
Payments to agencies	39,262	28,683	10,579	12,793
	<u>738,953</u>	<u>38,371</u>	<u>700,582</u>	<u>476,680</u>
Total economic and physical development	<u>1,000,726</u>	<u>121,019</u>	<u>879,707</u>	<u>699,541</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Expenditures (continued)				
Current (continued)				
Recreation and community facilities				
Parks				
Personnel	\$ 2,367,302	\$ 9,517	\$ 2,357,785	\$ 2,225,178
Operating	1,676,702	128,731	1,547,971	1,633,463
Assets	460,225	208,128	252,097	656,726
Cost redistribution	(42,824)	6,106	(48,930)	(14,208)
	<u>4,461,405</u>	<u>352,482</u>	<u>4,108,923</u>	<u>4,501,159</u>
Recreation				
Personnel	1,854,847	8,651	1,846,196	1,579,983
Operating	803,801	38,624	765,177	446,844
Assets	129,500	20,177	109,323	22,566
	<u>2,788,148</u>	<u>67,452</u>	<u>2,720,696</u>	<u>2,049,393</u>
Total recreation and community facilities	<u>7,249,553</u>	<u>419,934</u>	<u>6,829,619</u>	<u>6,550,552</u>
Debt service	<u>6,874,430</u>	<u>17,642</u>	<u>6,856,788</u>	<u>6,579,491</u>
Total expenditures	<u>76,920,638</u>	<u>6,270,360</u>	<u>70,650,278</u>	<u>63,988,089</u>
Revenues over (under) expenditures	<u>(9,476,528)</u>	<u>8,044,083</u>	<u>(1,432,445)</u>	<u>369,815</u>
Other financing sources (uses)				
Appropriated fund balance	4,723,637	(4,723,637)		
Operating transfers in	9,664,065	50,133	9,714,198	9,853,327
Operating transfers (out)	(6,917,174)	64,093	(6,853,081)	(5,728,389)
Proceeds from capital leases, bonds and other debt	2,006,000	688	2,006,688	
	<u>2,006,000</u>	<u>688</u>	<u>2,006,688</u>	
Total other financing sources (uses)	<u>9,476,528</u>	<u>(4,608,723)</u>	<u>4,867,805</u>	<u>4,124,938</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 3,435,360</u>	<u>3,435,360</u>	<u>4,494,753</u>
Fund balance				
Beginning of year - July 1			26,102,434	21,688,354
Residual equity transfer				<u>(80,673)</u>
End of year - June 30			<u>\$ 29,537,794</u>	<u>\$ 26,102,434</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 Response Fund
- * Federal and State Financial Assistance Fund
- * Storm Water Management Fund
- * Fayetteville Finance Corp Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
All Special Revenue Funds

June 30, 2001
(With Comparative Totals For June 30, 2000)

ASSETS	Emergency Response Fund	Federal and State Financial Assistance Fund	Storm Water Management Fund	Fayetteville Finance Corp Fund	Totals	
					2001	2000
Cash and investments	\$ 1,429,074	\$ 700,574	\$ 4,282,600	\$ 1,862	\$ 6,414,110	\$ 5,421,735
Taxes receivable			68,636		68,636	62,969
Accounts receivable	94,179	2,919,766	37,596		3,051,541	2,986,311
Assessments receivable		7,570			7,570	7,808
Total assets	\$ 1,523,253	\$ 3,627,910	\$ 4,388,832	\$ 1,862	\$ 9,541,857	\$ 8,478,823

LIABILITIES AND FUND BALANCES

Liabilities						
Accounts payable and accrued expenses	\$ 66,244	\$ 89,565	\$ 64,247	\$	\$ 220,056	\$ 235,741
Deferred revenues		2,738,254	68,636		2,806,890	2,397,129
Total liabilities	66,244	2,827,819	132,883		3,026,946	2,632,870
Fund balances						
Reserved						
Reserved by State statute	94,179	189,081	37,596		320,856	659,959
Reserved for encumbrances		274,427	467,382		741,809	1,369,803
Reserved for wireless 911	58,267				58,267	
Unreserved						
Designated for special purpose			875,457		875,457	557,850
Designated for subsequent year's expenditures		336,583	542,293		878,876	290,843
Undesignated	1,304,563		2,333,221	1,862	3,639,646	2,967,498
Total fund balances	1,457,009	800,091	4,255,949	1,862	6,514,911	5,845,953
Total liabilities and fund balances	\$ 1,523,253	\$ 3,627,910	\$ 4,388,832	\$ 1,862	\$ 9,541,857	\$ 8,478,823

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Special Revenue Funds**

Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Emergency Response Fund	Federal and State Financial Assistance Fund	Storm Water Management Fund	Fayetteville Finance Corp Fund	Totals
					2001
					2000
Revenues					
Other taxes	\$ 900,193	\$	\$ 1,958,410	\$	\$ 2,858,603
Intergovernmental	117,408	3,076,459			3,193,867
Miscellaneous	10,343	282,493			292,836
Interest earned on investments	80,981		310,273	947	392,201
Total revenues	<u>1,108,925</u>	<u>3,358,952</u>	<u>2,268,683</u>	<u>947</u>	<u>6,737,507</u>
					<u>5,792,658</u>
Expenditures					
Current					
Public safety	869,111	886,471			1,755,582
Environmental protection			2,058,077		2,058,077
Transportation		107,810			107,810
Economic and physical development		2,428,865		3,491	2,432,356
Debt service	23,553			1,529,497	1,553,050
Total expenditures	<u>892,664</u>	<u>3,423,146</u>	<u>2,058,077</u>	<u>1,532,988</u>	<u>7,906,875</u>
					<u>5,958,032</u>
Revenues over (under) expenditures	<u>216,261</u>	<u>(64,194)</u>	<u>210,606</u>	<u>(1,532,041)</u>	<u>(165,374)</u>
Other financing sources (uses)					
Operating transfers in	120,058	185,105		1,533,163	1,838,326
Operating transfers (out)					(161,222)
Total other financing sources (uses)	<u>120,058</u>	<u>185,105</u>		<u>1,533,163</u>	<u>1,838,326</u>
					<u>1,522,689</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>336,319</u>	<u>120,911</u>	<u>210,606</u>	<u>1,122</u>	<u>668,958</u>
					<u>1,357,315</u>
Fund balances					
Beginning of year - July 1	1,120,690	679,180	4,045,343	740	5,845,953
End of year - June 30	<u>1,457,009</u>	<u>800,091</u>	<u>4,255,949</u>	<u>1,862</u>	<u>6,514,911</u>
					<u>\$ 5,845,953</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Emergency Response Fund**

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Revenues				
Other taxes				
Subscribers' tax	\$ 913,171	\$ (12,978)	\$ 900,193	\$ 890,570
Intergovernmental				
Wireless E911 funds	50,000	67,408	117,408	
Miscellaneous				
Interest earned on investments	42,000	38,981	80,981	58,165
Total revenues	<u>1,005,171</u>	<u>103,754</u>	<u>1,108,925</u>	<u>948,836</u>
Expenditures				
Current				
Public safety				
Wireless 911				
Operating	125,720	11,588	114,132	
Assets	23,400	57	23,343	
	<u>149,120</u>	<u>11,645</u>	<u>137,475</u>	
Enhanced 911				
Personnel	292,902	19,355	273,547	188,316
Operating	336,199	516	335,683	386,474
Assets	126,415	91,401	35,014	64,920
Cost redistribution	81,964	(5,428)	87,392	79,995
	<u>837,480</u>	<u>105,844</u>	<u>731,636</u>	<u>719,705</u>
Total public safety	<u>986,600</u>	<u>117,489</u>	<u>869,111</u>	<u>719,705</u>
Debt service	<u>26,093</u>	<u>2,540</u>	<u>23,553</u>	<u>23,553</u>
Total expenditures	<u>1,012,693</u>	<u>120,029</u>	<u>892,664</u>	<u>743,258</u>
Revenues over (under) expenditures	<u>(7,522)</u>	<u>223,783</u>	<u>216,261</u>	<u>205,578</u>
Other financing sources (uses)				
Appropriated fund balance	7,522	(7,522)		
Operating transfers in		120,058	120,058	
Total other financing sources (uses)	<u>7,522</u>	<u>112,536</u>	<u>120,058</u>	
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 336,319</u>	336,319	205,578
Fund balance				
Beginning of year - July 1			<u>1,120,690</u>	<u>915,112</u>
End of year - June 30			<u>\$ 1,457,009</u>	<u>\$ 1,120,690</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 14,652,601	\$ 11,204,636	\$ 1,111,531	\$ 2,764,778	\$ 12,857,883
State grants	1,239,612	1,218,820	289,562	301,576	1,230,834
County	49,207	39,954	4,602	10,105	45,457
Total intergovernmental	<u>15,941,420</u>	<u>12,463,410</u>	<u>1,405,695</u>	<u>3,076,459</u>	<u>14,134,174</u>
Miscellaneous					
Other	1,359,264	1,272,634	70,831	282,493	1,484,296
Total revenues	<u>17,300,684</u>	<u>13,736,044</u>	<u>1,476,526</u>	<u>3,358,952</u>	<u>15,618,470</u>
Expenditures					
Current					
Public safety	3,158,462	3,548,198	1,739,091	886,471	2,695,578
Transportation	1,000,397	793,501		107,810	901,311
Economic and physical development	13,799,287	9,475,087		2,428,865	11,903,952
Total expenditures	<u>17,958,146</u>	<u>13,816,786</u>	<u>1,739,091</u>	<u>3,423,146</u>	<u>15,500,841</u>
Revenues over (under) expenditures	<u>(657,462)</u>	<u>(80,742)</u>	<u>(262,565)</u>	<u>(64,194)</u>	<u>117,629</u>
Other financing sources (uses)					
Operating transfers in	891,781	994,236	262,565	185,105	916,776
Operating transfers (out)	(234,319)	(234,320)			(234,320)
Owner contributions		6			6
Total other financing sources (uses)	<u>657,462</u>	<u>759,922</u>	<u>262,565</u>	<u>185,105</u>	<u>682,462</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 679,180</u>	<u>\$</u>	120,911	<u>\$ 800,091</u>
Fund balance					
Beginning of year - July 1				<u>679,180</u>	
End of year - June 30				<u>\$ 800,091</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Public safety					
Federal Forfeiture	\$ 1,417,500	\$ 1,221,638	\$	\$ 121,407	\$ 1,343,045
GHSP	139,900	37,453		95,213	132,666
Juvenile Restitution	177,877	175,698	94,148	91,060	172,610
Juvenile Assessment Center	189,651	163,134		5,081	168,215
Law Enforcement Block Grant	656,175	913,325	913,325	301,683	301,683
COPS More 96		464,930	464,930		
Violence Against Women Act		161,693	161,100	(593)	
Mobile Data Computer Project	170,484	105,588	105,588	170,484	170,484
Police Block Grant	406,875	304,739		102,136	406,875
Total public safety	<u>3,158,462</u>	<u>3,548,198</u>	<u>1,739,091</u>	<u>886,471</u>	<u>2,695,578</u>
Transportation					
FTA Planning 90.2158	148,000	148,000			148,000
FTA Capital 90.0158	77,397	64,919			64,919
FTA Planning 90.2170	110,000	110,000			110,000
FTA Capital 90.0170	60,000	59,575			59,575
FTA Planning 90.2188	80,000	80,000			80,000
FTA 90.2218	100,000	100,000			100,000
FTA 90.0218	75,000	68,524		6,476	75,000
FTA 90.2229	100,000	100,000			100,000
FTA 90.2244	100,000	62,483		32,517	95,000
FTA 90.2271	150,000			68,817	68,817
Total transportation	<u>1,000,397</u>	<u>793,501</u>		<u>107,810</u>	<u>901,311</u>
Economic and physical development					
Community Development Block Grant	7,918,822	5,058,144		1,600,392	6,658,536
Arsenal Park Archaeological	43,459	43,362			43,362
Disaster Recovery Initiative	320,093	70,246		249,847	320,093
Assessment Payment	15,000	10,609			10,609
HOME	5,501,913	4,292,726		578,626	4,871,352
Total economic and physical development	<u>13,799,287</u>	<u>9,475,087</u>		<u>2,428,865</u>	<u>11,903,952</u>
Total expenditures by project	<u>\$ 17,958,146</u>	<u>\$ 13,816,786</u>	<u>\$ 1,739,091</u>	<u>\$ 3,423,146</u>	<u>\$ 15,500,841</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Revenues				
Other taxes				
Storm water tax	\$ 1,913,409	\$ 35,045	\$ 1,948,454	\$ 1,913,752
Penalties	13,000	(3,044)	9,956	12,090
Total other taxes	<u>1,926,409</u>	<u>32,001</u>	<u>1,958,410</u>	<u>1,925,842</u>
Intergovernmental				
Federal grants				955
State grants				318
Total intergovernmental				<u>1,273</u>
Interest earned on investments	<u>165,000</u>	<u>145,273</u>	<u>310,273</u>	<u>221,701</u>
Total revenues	<u>2,091,409</u>	<u>177,274</u>	<u>2,268,683</u>	<u>2,148,816</u>
Expenditures				
Current				
Environmental protection				
Personnel	675,254	19,560	655,694	443,994
Operating	2,469,254	1,475,819	993,435	557,765
Assets	286,126	120,875	165,251	2,500
Cost redistribution	257,443	13,746	243,697	150,520
Total environmental protection	<u>3,688,077</u>	<u>1,630,000</u>	<u>2,058,077</u>	<u>1,154,779</u>
Revenues over (under) expenditures	<u>(1,596,668)</u>	<u>1,807,274</u>	<u>210,606</u>	<u>994,037</u>
Other financing sources (uses)				
Appropriated fund balance	<u>1,596,668</u>			
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 210,606</u>	210,606	994,037
Fund balance				
Beginning of year - July 1			<u>4,045,343</u>	<u>3,051,306</u>
End of year - June 30			<u>\$ 4,255,949</u>	<u>\$ 4,045,343</u>

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
- * Bond Improvement Fund
- * Economic and Physical Development Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fayetteville Finance Corp Fund**

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Revenues				
Interest earned on investments	\$	\$ 947	\$ 947	\$
Expenditures				
Current				
Economic and physical development				
Operating	3,500	9	3,491	6,445
Debt service	1,529,498	1	1,529,497	1,516,958
Total expenditures	1,532,998	10	1,532,988	1,523,403
Revenues over (under) expenditures	(1,532,998)	957	(1,532,041)	(1,523,403)
Other financing sources (uses)				
Operating transfers in	1,532,998	165	1,533,163	1,524,143
Revenues and other financing sources (uses) over (under) expenditures	\$	\$ 1,122	1,122	740
Fund balance				
Beginning of year - July 1			740	
End of year - June 30			\$ 1,862	\$ 740

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
All Capital Project Funds

June 30, 2001
(With Comparative Totals For June 30, 2000)

ASSETS	General Government Fund	Public Safety Fund	Recreational and Cultural Fund	Transportation Fund	Bond Improvement Fund	Economic and Physical Development Fund	Totals	
							2001	2000
Cash and investments	\$ 751,543	\$ 13,013	\$ 789,128	\$ 4,906,568	\$ 7,890,671	\$ 470,180	\$ 14,821,103	\$ 12,231,711
Accounts receivable		477	2,142	97,120	19,431	5,255	124,425	86,686
Total assets	\$ 751,543	\$ 13,490	\$ 791,270	\$ 5,003,688	\$ 7,910,102	\$ 475,435	\$ 14,945,528	\$ 12,318,397
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued expenses	\$ 7,361	\$ 4,782	\$ 29,991	\$ 283,980	\$ 1,304,631	\$ 2,161	\$ 1,632,906	\$ 1,463,299
Fund balances								
Reserved								
Reserved by State statute		477	2,142	97,120	19,431	5,255	124,425	86,687
Reserved for encumbrances	172,068	103	11,088	1,961,690	2,100,231	724,664	4,969,844	4,203,533
Unreserved								
Designated for subsequent year's expenditures	572,114	8,128	748,049	2,660,898	4,485,809	(256,645)	8,474,998	6,569,805
Undesignated	744,182	8,708	761,279	4,719,708	6,605,471	473,274	(256,645)	(4,927)
Total fund balances	744,182	8,708	761,279	4,719,708	6,605,471	473,274	13,312,622	10,855,098
Total liabilities and fund balances	\$ 751,543	\$ 13,490	\$ 791,270	\$ 5,003,688	\$ 7,910,102	\$ 475,435	\$ 14,945,528	\$ 12,318,397

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)

	General Government Fund	Public Safety Fund	Recreational and Cultural Fund	Transportation Fund	Bond Improvement Fund	Economic and Physical Development Fund	Totals
							2001
							2000
Revenues							
Intergovernmental	\$	\$	\$	\$	\$	\$	\$
Miscellaneous		1,800		84,000		14,936	98,936
Interest earned on investments			20,997	15,105		83,750	100,655
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>20,997</u>	<u>99,105</u>	<u>500,599</u>	<u>98,686</u>	<u>721,187</u>
Expenditures							
Current							
Administration	12,529						12,529
Public safety		3,145					3,145
Transportation				2,336,400			2,336,400
Economic and physical development					5,434,323	30,689	5,465,012
Recreational and community facilities			161,228				161,228
Total expenditures	<u>12,529</u>	<u>3,145</u>	<u>161,228</u>	<u>2,336,400</u>	<u>5,434,323</u>	<u>30,689</u>	<u>7,978,314</u>
Revenues over (under) expenditures	<u>(12,529)</u>	<u>(1,345)</u>	<u>(140,231)</u>	<u>(2,237,295)</u>	<u>(4,933,724)</u>	<u>67,997</u>	<u>(11,082,351)</u>
Other financing sources (uses)							
Operating transfers in	756,711		38,718	2,633,352		275,870	6,345,804
Operating transfers (out)					6,010,000		(11,274)
Proceeds from capital leases, bonds and other debt					6,010,000		6,010,000
Total other financing sources (uses)	<u>756,711</u>	<u></u>	<u>38,718</u>	<u>2,633,352</u>	<u>6,010,000</u>	<u>275,870</u>	<u>6,334,530</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>744,182</u>	<u>(1,345)</u>	<u>(101,513)</u>	<u>396,057</u>	<u>1,076,276</u>	<u>343,867</u>	<u>(4,747,821)</u>
Fund balance							
Beginning of year - July 1							15,602,919
End of year - June 30	<u>\$ 744,182</u>	<u>\$ 8,708</u>	<u>\$ 761,279</u>	<u>\$ 4,719,708</u>	<u>\$ 6,605,471</u>	<u>\$ 473,274</u>	<u>\$ 13,312,622</u>
							<u>\$ 10,855,098</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2001

	<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	756,711			12,529	12,529
Total expenditures	<u>756,711</u>			<u>12,529</u>	<u>12,529</u>
Revenues over (under) expenditures	<u>(756,711)</u>			<u>(12,529)</u>	<u>(12,529)</u>
Other financing sources (uses)					
Operating transfers in	756,711			756,711	756,711
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>	744,182	<u>\$ 744,182</u>
Fund balance					
Beginning of year - July 1					
End of year - June 30				<u>\$ 744,182</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Miscellaneous					
Sale of assets	\$	\$	\$	\$ 1,800	\$ 1,800
Interest earned on investments	<u>44,072</u>	<u>47,873</u>			<u>47,873</u>
Total revenues	<u>44,072</u>	<u>47,873</u>		1,800	<u>49,673</u>
Expenditures					
Current					
Public safety					
School Road Fire Station	<u>1,244,780</u>	<u>1,238,528</u>		<u>3,145</u>	<u>1,241,673</u>
Revenues over (under) expenditures	<u>(1,200,708)</u>	<u>(1,190,655)</u>		<u>(1,345)</u>	<u>(1,192,000)</u>
Other financing sources (uses)					
Proceeds from capital leases	1,111,383	1,111,383			1,111,383
Operating transfers in	<u>89,325</u>	<u>89,325</u>			<u>89,325</u>
Total other financing sources (uses)	<u>1,200,708</u>	<u>1,200,708</u>			<u>1,200,708</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 10,053</u>	<u>\$</u>	<u>(1,345)</u>	<u>\$ 8,708</u>
Fund balance					
Beginning of year - July 1				<u>10,053</u>	
End of year - June 30				<u>\$ 8,708</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants/contributions	\$ 1,270,287	\$	\$	\$	\$
State grants/contributions	<u>550,000</u>	<u>250,000</u>			<u>250,000</u>
Total intergovernmental	<u>1,820,287</u>	<u>250,000</u>			<u>250,000</u>
Interest earned on investments	<u>114,971</u>	<u>134,217</u>		<u>20,997</u>	<u>155,214</u>
Total revenues	<u>1,935,258</u>	<u>384,217</u>		<u>20,997</u>	<u>405,214</u>
Expenditures					
Current					
Recreational and community facilities					
Mazarick Park Greenway Trail	300,000			120	120
Cape Fear River Trail	1,770,287			38,719	38,719
Park improvements	150,000				
Recreation centers	4,148,006	3,975,242		122,389	4,097,631
Arsenal Park	173,826	155,401			155,401
Seabrook Pool	<u>605,000</u>	<u>602,644</u>			<u>602,644</u>
Total expenditures	<u>7,147,119</u>	<u>4,733,287</u>		<u>161,228</u>	<u>4,894,515</u>
Revenues over (under) expenditures	<u>(5,211,861)</u>	<u>(4,349,070)</u>		<u>(140,231)</u>	<u>(4,489,301)</u>
Other financing sources (uses)					
Operating transfers in	573,826	573,826		38,718	612,544
Proceeds from capital leases, bonds and other debt	<u>4,638,035</u>	<u>4,638,036</u>			<u>4,638,036</u>
Total other financing sources (uses)	<u>5,211,861</u>	<u>5,211,862</u>		<u>38,718</u>	<u>5,250,580</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 862,792</u>	<u>\$</u>	<u>(101,513)</u>	<u>\$ 761,279</u>
Fund balance					
Beginning of year - July 1				<u>862,792</u>	
End of year - June 30				<u>\$ 761,279</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
State grants	\$	\$ 202,685	\$ 52,685	\$ 84,000	\$ 234,000
Miscellaneous					
Owner contribution	25,000	16,273		15,105	31,378
Other	93,346	93,346			93,346
Total miscellaneous	<u>118,346</u>	<u>109,619</u>		<u>15,105</u>	<u>124,724</u>
Total revenues	<u>118,346</u>	<u>312,304</u>	<u>52,685</u>	<u>99,105</u>	<u>358,724</u>
Expenditures					
Current					
Transportation					
Traffic control system	778,439	176,797		573,017	749,814
Sidewalks	456,463				
Parking improvements	1,073,744	505,690		125,000	630,690
Transportation improvements	8,519,088	5,792,125	1,732,588	1,638,383	5,697,920
Total expenditures	<u>10,827,734</u>	<u>6,474,612</u>	<u>1,732,588</u>	<u>2,336,400</u>	<u>7,078,424</u>
Revenues over (under) expenditures	<u>(10,709,388)</u>	<u>(6,162,308)</u>	<u>(1,679,903)</u>	<u>(2,237,295)</u>	<u>(6,719,700)</u>
Other financing sources (uses)					
Operating transfers in	10,729,077	10,505,648	1,679,903	2,633,352	11,459,097
Operating transfers (out)	(19,689)	(19,689)			(19,689)
Total other financing sources (uses)	<u>10,709,388</u>	<u>10,485,959</u>	<u>1,679,903</u>	<u>2,633,352</u>	<u>11,439,408</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 4,323,651</u>	<u>\$</u>	396,057	<u>\$ 4,719,708</u>
Fund balance					
Beginning of year - July 1				<u>4,323,651</u>	
End of year - June 30				<u>\$ 4,719,708</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ 2,135,451	\$ 2,558,161	\$ 667,157	\$ 500,599	\$ 2,391,603
Expenditures					
Current					
Economic and physical development					
Bond administration	1,014,771	288,757		279,091	567,848
Streets	18,329,521	9,454,253		3,635,165	13,089,418
Debt service	618,705	1,768,063	1,149,359		618,704
Sidewalks	2,411,182	1,717,401		527,297	2,244,698
Drainage	6,891,970	5,483,392		451,704	5,935,096
Sewer	930,000	250,000		541,066	791,066
Police administration building		11,052,006	11,052,006		
Total expenditures	<u>30,196,149</u>	<u>30,013,872</u>	<u>12,201,365</u>	<u>5,434,323</u>	<u>23,246,830</u>
Revenues over (under) expenditures	<u>(28,060,698)</u>	<u>(27,455,711)</u>	<u>(11,534,208)</u>	<u>(4,933,724)</u>	<u>(20,855,227)</u>
Other financing sources (uses)					
Operating transfers in		1,149,359	1,149,359		
Operating transfers (out)		(10,737)	(10,737)		
Proceeds from capital leases, bonds and other debt	<u>28,060,698</u>	<u>31,846,284</u>	<u>10,395,586</u>	<u>6,010,000</u>	<u>27,460,698</u>
Total other financing sources (uses)	<u>28,060,698</u>	<u>32,984,906</u>	<u>11,534,208</u>	<u>6,010,000</u>	<u>27,460,698</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 5,529,195</u>	<u>\$</u>	<u>1,076,276</u>	<u>\$ 6,605,471</u>
Fund balance					
Beginning of year - July 1				<u>5,529,195</u>	
End of year - June 30				<u>\$ 6,605,471</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, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 200,000	\$ 111,511	\$	\$ 14,936	\$ 126,447
State grants	1,789,678				
Total intergovernmental	<u>1,989,678</u>	<u>111,511</u>		<u>14,936</u>	<u>126,447</u>
Miscellaneous					
Owners contribution	82,266				
Private donations	447,420	6,000		83,750	89,750
Total miscellaneous	<u>529,686</u>	<u>6,000</u>		<u>83,750</u>	<u>89,750</u>
Total revenues	<u>2,519,364</u>	<u>117,511</u>		<u>98,686</u>	<u>216,197</u>
Expenditures					
Current					
Economic and physical development					
Brownfields Pilot Project	200,000	111,510		14,937	126,447
Ray/Rowan Properties					
Land	196,549	196,549			196,549
Consulting fees	56,542	56,542			56,542
Botanical Gardens					
Land	56,413	56,413			56,413
Airborne Museum					
Land	2,104,530	2,103,839		691	2,104,530
Consulting fees	26,642	25,414		1,228	26,642
Miscellaneous	3,000,480	3,000,480			3,000,480
Cape Fear & Yadkin Valley Railway					
Passenger depot	2,237,098	41		5,884	5,925
Dam Restoration Project					
Consulting fees	480,283	34,627		7,949	42,576
Total expenditures	<u>8,358,537</u>	<u>5,585,415</u>		<u>30,689</u>	<u>5,616,104</u>
Revenues over (under) expenditures	<u>(5,839,173)</u>	<u>(5,467,904)</u>		<u>67,997</u>	<u>(5,399,907)</u>
Other financing sources (uses)					
Operating transfers in	5,839,173	5,597,311		275,870	5,873,181
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 129,407</u>	<u>\$</u>	343,867	<u>\$ 473,274</u>
Fund balance					
Beginning of year - July 1				<u>129,407</u>	
End of year - June 30				<u>\$ 473,274</u>	

PROPRIETARY FUNDS

- * Enterprise Funds
- * Internal Service Funds

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

ENTERPRISE FUNDS

Enterprise Funds account for operations that are either financed and 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:

- * Utility Fund
- * Transit Fund
- * Airport Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
All Enterprise Funds

June 30, 2001

(With Comparative Totals For June 30, 2000)

ASSETS	Utility Fund	Transit Fund	Airport Fund	Totals	
				2001	2000
Current assets					
Cash and investments	\$ 14,388,923	\$ 422,947	\$ 945,345	\$ 15,757,215	\$ 28,176,995
Accounts receivable	32,825,678	551,455	1,124,962	34,502,095	34,632,383
Inventories	11,811,274	5,250	1,107	11,817,631	11,241,223
Other current assets	106,705			106,705	218,315
Total current assets	<u>59,132,580</u>	<u>979,652</u>	<u>2,071,414</u>	<u>62,183,646</u>	<u>74,268,916</u>
Restricted assets					
Cash and investments	32,311,388			32,311,388	42,943,037
Accounts receivable	1,894,314			1,894,314	933,741
Collateral pledged in lieu of security deposits	163,034			163,034	201,594
Total restricted assets	<u>34,368,736</u>			<u>34,368,736</u>	<u>44,078,372</u>
Non-current assets					
Other assets	10,011,562		176,000	10,187,562	18,118,328
Fixed assets	542,265,069	6,457,357	20,140,425	568,862,851	548,416,800
Total non-current assets	<u>552,276,631</u>	<u>6,457,357</u>	<u>20,316,425</u>	<u>579,050,413</u>	<u>566,535,128</u>
Total assets	<u>\$ 645,777,947</u>	<u>\$ 7,437,009</u>	<u>\$ 22,387,839</u>	<u>\$ 675,602,795</u>	<u>\$ 684,882,416</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
All Enterprise Funds

June 30, 2001

(With Comparative Totals For June 30, 2000)

LIABILITIES AND FUND EQUITIES	Utility Fund	Transit Fund	Airport Fund	Totals	
				2001	2000
Current liabilities to be paid from unrestricted assets					
Current portion of long-term debt	\$ 9,284,716	\$	\$ 1,308,120	\$ 9,284,716	\$ 7,925,000
Accounts payable and accrued expenses	19,789,907	228,056	469,299	21,326,083	22,239,998
Interfund payables		89,986	62,510	469,299	427,733
Accrued vacation				152,496	122,551
Total current liabilities to be paid from unrestricted assets	<u>29,074,623</u>	<u>318,042</u>	<u>1,839,929</u>	<u>31,232,594</u>	<u>30,715,282</u>
Current liabilities to be paid from restricted assets					
Accounts payable and accrued expenses	6,965,833			6,965,833	9,091,602
Non-current liabilities					
Unearned deposits	5,998,121			5,998,121	12,120,068
Long-term debt	189,743,810			189,743,810	195,749,802
Deferred revenues		50	(200)	(150)	16,126
Total non-current liabilities	<u>195,741,931</u>	<u>50</u>	<u>(200)</u>	<u>195,741,781</u>	<u>207,885,996</u>
Total liabilities	<u>231,782,387</u>	<u>318,092</u>	<u>1,839,729</u>	<u>233,940,208</u>	<u>247,692,880</u>
Fund equities					
Contributed capital	93,338,786	6,059,169	13,236,506	112,634,461	118,287,388
Retained earnings	26,426,711		7,311,604	26,426,711	54,396,483
Reserved	294,230,063	1,059,748	20,548,110	302,601,415	264,505,665
Unreserved	413,995,560	7,118,917		441,662,587	437,189,536
Total fund equities	<u>\$ 645,777,947</u>	<u>\$ 7,437,009</u>	<u>\$ 22,387,839</u>	<u>\$ 675,602,795</u>	<u>\$ 684,882,416</u>
Total liabilities and fund equities					

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
All Enterprise Funds

Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)

	Utility Fund	Transit Fund	Airport Fund	Totals
	2001	2000	2001	2000
Operating revenues				
Charges for services	\$ 179,513,061	\$ 1,260,090	\$ 1,757,882	\$ 174,514,226
Other revenues from operations		103,369	94,937	199,102
Total operating revenues	<u>179,513,061</u>	<u>1,363,459</u>	<u>1,852,819</u>	<u>174,713,328</u>
Operating expenses				
General and administrative	9,188,200			8,950,545
Power supply and generation	111,859,237			99,864,093
Water purification and distribution	9,336,362			8,814,047
Sewer collection and treatment	8,822,172			8,016,492
Services to customers	5,518,052			5,870,402
Personnel	2,462,745	2,462,745	1,148,645	3,239,398
Maintenance and operations	1,229,051	1,229,051	831,295	2,164,560
Depreciation	846,705	846,705	1,367,293	24,052,770
Total operating expenses	<u>168,901,720</u>	<u>4,538,501</u>	<u>3,347,143</u>	<u>160,972,307</u>
Operating income (loss)	<u>10,611,341</u>	<u>(3,175,042)</u>	<u>(1,494,324)</u>	<u>13,741,021</u>
Nonoperating revenues (expenses)				
Interest earned on investments		(224)	70,602	4,616,729
Federal and State grants	3,529,826	1,169,846		1,212,651
Passenger facility charges			220,404	
Miscellaneous			28,415	(4,956)
Interest expense	(9,501,277)		(25,170)	(9,734,171)
Gain (loss) on disposal of assets	571,085			201,803
Amortization	(957,230)		(22,000)	(963,955)
Total nonoperating revenues (expenses)	<u>(6,357,596)</u>	<u>1,169,622</u>	<u>272,251</u>	<u>(4,673,809)</u>
Net income (loss) before contributions and operating transfers	<u>4,253,745</u>	<u>(2,005,420)</u>	<u>(1,222,073)</u>	<u>9,067,122</u>
Contributions and operating transfers				
Capital contributions		735,448	3,938,020	14,471,528
Operating transfers in	9,798,060	1,390,104		869,654
Operating transfers (out)	(9,794,198)			(13,013,032)
Total contributions and operating transfers	<u>3,862</u>	<u>2,125,552</u>	<u>3,938,020</u>	<u>(12,143,378)</u>
Net income (loss)	<u>4,257,607</u>	<u>120,132</u>	<u>2,715,947</u>	<u>(3,076,256)</u>
Depreciation on contributed fixed assets that reduces contributed capital				
		723,510	1,113,091	3,032,292
Retained earnings				
Beginning of year - July 1	315,203,476	216,106	3,482,566	305,903,913
Cumulative effect of change in method of accounting for depreciation				
End of year - June 30	<u>\$ 320,656,774</u>	<u>\$ 1,059,748</u>	<u>\$ 7,311,604</u>	<u>\$ 318,902,148</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
All Enterprise Funds

Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)

	Utility Fund	Transit Fund	Airport Fund	Totals
				2001
				2000
Cash flows from investing activities				
Interest earned on investments	\$ 3,529,826	\$ (224)	\$ 70,602	\$ 3,600,204
(Purchase) sale of investments, net	14,851,440			14,851,440
Net cash provided (used) by investing activities	<u>18,381,266</u>	<u>(224)</u>	<u>70,602</u>	<u>18,451,644</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,194,614)</u>	<u>75,627</u>	<u>(81,001)</u>	<u>(8,199,988)</u>
Cash and cash equivalents at beginning of year	<u>36,894,925</u>	<u>347,320</u>	<u>1,026,346</u>	<u>38,268,591</u>
Cash and cash equivalents at end of year	<u>\$ 28,700,311</u>	<u>\$ 422,947</u>	<u>\$ 945,345</u>	<u>\$ 30,068,603</u>
Reconciliation to the financial statements:				
Cash and cash equivalents	\$ 28,700,311	\$ 422,947	\$ 945,345	\$ 30,068,603
Investments	18,000,000			18,000,000
Total cash and investments	<u>\$ 46,700,311</u>	<u>\$ 422,947</u>	<u>\$ 945,345</u>	<u>\$ 48,068,603</u>
Unrestricted cash and investments	\$ 14,388,923	\$ 422,947	\$ 945,345	\$ 15,757,215
Restricted cash and investments	32,311,388			32,311,388
Total cash and investments	<u>\$ 46,700,311</u>	<u>\$ 422,947</u>	<u>\$ 945,345</u>	<u>\$ 48,068,603</u>
Supplemental disclosure of noncash investing and financial activity				
Contributions of fixed assets	\$ 2,564,637	\$	\$	\$ 2,564,637
				\$ 3,211,407

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Utility Fund**

June 30, 2001

	Electric Fund	Water/Sewer Fund	Capital Projects and Special Funds	Eliminations	Total
ASSETS					
Current assets					
Cash and investments	\$ 13,700,000	\$ 7,921,307	\$	\$ (7,232,384)	\$ 14,388,923
Receivables	20,388,602	12,851,918			33,240,520
Due from other funds	1,969,847	243,182		(2,213,029)	
Less allowance for doubtful accounts	(367,882)	(46,960)			(414,842)
Net receivables	<u>21,990,567</u>	<u>13,048,140</u>		<u>(2,213,029)</u>	<u>32,825,678</u>
Inventories	11,078,798	732,476			11,811,274
Other current assets	9,705	97,000			106,705
Total current assets	<u>46,779,070</u>	<u>21,798,923</u>		<u>(9,445,413)</u>	<u>59,132,580</u>
Restricted assets					
Cash and investments	7,037,038	5,583,954	19,690,396		32,311,388
Collateral pledged in lieu of deposits	163,034				163,034
Receivables			1,894,314		1,894,314
Due from other funds			590,641	(590,641)	
Total restricted assets	<u>7,200,072</u>	<u>5,583,954</u>	<u>22,175,351</u>	<u>(590,641)</u>	<u>34,368,736</u>
Other assets	<u>3,318,900</u>	<u>6,159,604</u>	<u>533,058</u>		<u>10,011,562</u>
Utility plant					
Electric utility system	276,273,748				276,273,748
Water system		170,418,689			170,418,689
Sanitary sewer system		256,731,597			256,731,597
	276,273,748	427,150,286			703,424,034
Less accumulated depreciation	(111,972,850)	(123,071,139)			(235,043,989)
	164,300,898	304,079,147			468,380,045
Construction in progress	9,926,002	4,055,310	6,671,960		20,653,272
Net utility plant	<u>174,226,900</u>	<u>308,134,457</u>	<u>6,671,960</u>		<u>489,033,317</u>
Other property and equipment	<u>43,017,140</u>	<u>10,214,612</u>			<u>53,231,752</u>
Total fixed assets	<u>217,244,040</u>	<u>318,349,069</u>	<u>6,671,960</u>		<u>542,265,069</u>
Total assets	<u>\$ 274,542,082</u>	<u>\$ 351,891,550</u>	<u>\$ 29,380,369</u>	<u>\$ (10,036,054)</u>	<u>\$ 645,777,947</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Utility Fund**

June 30, 2001

	<u>Electric Fund</u>	<u>Water/Sewer Fund</u>	<u>Capital Projects and Special Funds</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND FUND EQUITY					
Current liabilities to be paid from unrestricted assets					
Current portion of long-term debt	\$ 3,606,250	\$ 5,678,466	\$	\$	\$ 9,284,716
Overdraft payable	7,232,384			(7,232,384)	
Accounts payable and accrued expenses	14,299,371	5,490,536			19,789,907
Due to other funds	2,089,284	252,138		(2,341,422)	
Total current liabilities to be paid from unrestricted assets	<u>27,227,289</u>	<u>11,421,140</u>		<u>(9,573,806)</u>	<u>29,074,623</u>
Current liabilities to be paid from restricted assets					
Accounts payable and accrued expenses	2,686,385	846,336	3,433,112		6,965,833
Due to other funds			462,248	(462,248)	
Total current liabilities to be paid from restricted assets	<u>2,686,385</u>	<u>846,336</u>	<u>3,895,360</u>	<u>(462,248)</u>	<u>6,965,833</u>
Other non-current liabilities					
Long-term debt	57,233,516	124,936,691	7,573,603		189,743,810
Unearned deposits		5,998,121			5,998,121
Total other noncurrent liabilities	<u>57,233,516</u>	<u>130,934,812</u>	<u>7,573,603</u>		<u>195,741,931</u>
Total liabilities	<u>87,147,190</u>	<u>143,202,288</u>	<u>11,468,963</u>	<u>(10,036,054)</u>	<u>231,782,387</u>
Fund equity					
Contributed capital	3,970,392	88,632,394	736,000		93,338,786
Retained earnings					
Reserved for capital projects and restricted assets	4,513,687	4,737,618	17,175,406		26,426,711
Unreserved	178,910,813	115,319,250			294,230,063
Total fund equity	<u>187,394,892</u>	<u>208,689,262</u>	<u>17,911,406</u>		<u>413,995,560</u>
Total liabilities and fund equity	<u>\$ 274,542,082</u>	<u>\$ 351,891,550</u>	<u>\$ 29,380,369</u>	<u>\$ (10,036,054)</u>	<u>\$ 645,777,947</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
Utility Fund**

Year Ended June 30, 2001

	Electric Fund	Water/Sewer Fund	Capital Projects and Special Funds	Eliminations	Total
Operating revenues					
Charges for services	\$ 144,182,133	\$ 39,629,244	\$	\$ (4,298,316)	\$ 179,513,061
Operating expenses					
Power supply and generation	111,859,237				111,859,237
Water purification and distribution		9,336,362			9,336,362
Sewer collection and treatment		8,822,172			8,822,172
Services to customers	3,045,569	2,472,483			5,518,052
General and administrative	7,003,443	6,483,073		(4,298,316)	9,188,200
Depreciation	12,842,731	11,334,966			24,177,697
Total operating expenses	<u>134,750,980</u>	<u>38,449,056</u>		<u>(4,298,316)</u>	<u>168,901,720</u>
Operating income	<u>9,431,153</u>	<u>1,180,188</u>			<u>10,611,341</u>
Non-operating revenues (expenses)					
Interest earned on investments	2,751,900	561,908	216,018		3,529,826
Interest expense	(3,370,175)	(6,131,102)			(9,501,277)
Gain (loss) on disposal of assets	96,876	474,209			571,085
Amortization	(402,720)	(554,510)			(957,230)
Total non-operating revenues (expenses)	<u>(924,119)</u>	<u>(5,649,495)</u>	<u>216,018</u>		<u>(6,357,596)</u>
Income (loss) before contributions and operating transfers	<u>8,507,034</u>	<u>(4,469,307)</u>	<u>216,018</u>		<u>4,253,745</u>
Contributions and operating transfers					
Capital contributions	101,192	9,696,868			9,798,060
Operating transfers (out)	(7,689,727)		(2,104,471)		(9,794,198)
Total contributions and operating transfers	<u>(7,588,535)</u>	<u>9,696,868</u>	<u>(2,104,471)</u>		<u>3,862</u>
Income (loss) before intrafund transfers	<u>918,499</u>	<u>5,227,561</u>	<u>(1,888,453)</u>		<u>4,257,607</u>
Intrafund transfers in (out)	<u>1,385,088</u>	<u>(2,356,624)</u>	<u>971,536</u>		
Net income (loss)	<u>2,303,587</u>	<u>2,870,937</u>	<u>(916,917)</u>		<u>4,257,607</u>
Add depreciation on contributed capital	<u>188,425</u>	<u>1,007,266</u>			<u>1,195,691</u>
	2,492,012	3,878,203	(916,917)		5,453,298
Retained earnings					
Beginning of year - July 1	169,997,448	98,771,164	46,434,864		315,203,476
Residual equity transfers	10,935,040	17,407,501	(28,342,541)		
End of year - June 30	<u>\$ 183,424,500</u>	<u>\$ 120,056,868</u>	<u>\$ 17,175,406</u>	<u>\$</u>	<u>\$ 320,656,774</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
Utility Fund**

Year Ended June 30, 2001

	<u>Electric Fund</u>	<u>Water/Sewer Fund</u>	<u>Capital Projects and Special Funds</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities					
Operating income	\$ 9,431,153	\$ 1,180,188	\$	\$	\$ 10,611,341
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	12,842,731	11,334,966			24,177,697
Change in assets and liabilities					
(Increase) decrease in receivables	794,355	307,247	(960,573)		141,029
(Increase) decrease in due from other funds	2,720,199	299,672	12,679,705	(15,699,576)	
(Increase) decrease in inventories	(567,037)	(18,702)			(585,739)
(Increase) decrease in other current assets	19,672	91,945			111,617
(Increase) decrease in other assets	190,553	108,453	27,104		326,110
Increase (decrease) in unearned deposits		(1,669,407)			(1,669,407)
Increase (decrease) in accounts payable	(2,188,822)	(361,219)	(1,703,706)		(4,253,747)
Increase (decrease) in overdraft payable	7,232,384			(7,232,384)	
Increase (decrease) in due to other funds	(12,579,722)	(908,820)	(2,211,034)	15,699,576	
Net cash provided (used) by operating activities	<u>17,895,466</u>	<u>10,364,323</u>	<u>7,831,496</u>	<u>(7,232,384)</u>	<u>28,858,901</u>
Cash flows from non-capital financing activities					
Operating transfers in	1,385,088		971,536	(2,356,624)	
Operating transfers (out)	(7,689,727)	(2,356,624)	(2,104,471)	2,356,624	(9,794,198)
Net cash provided (used) by non-capital financing activities	<u>(6,304,639)</u>	<u>(2,356,624)</u>	<u>(1,132,935)</u>		<u>(9,794,198)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(15,813,444)	(5,965,125)	(17,870,940)		(39,649,509)
Proceeds from sale of capital assets	589,548	781,250			1,370,798
Principal and interest payments on long-term debt	(6,361,175)	(11,065,102)			(17,426,277)
Proceeds from bond issue	9,895,903	8,106,586			18,002,489
Proceeds from state loan issue			3,073,493		3,073,493
Residual equity transfer	2,052,006	1,602,965	(3,654,971)		
Payment for refunded bonds	(10,035,500)	(8,209,500)			(18,245,000)
Capital contributions	101,192	7,132,231			7,233,423
Net cash provided (used) by capital and related financing activities	<u>(19,571,470)</u>	<u>(7,616,695)</u>	<u>(18,452,418)</u>		<u>(45,640,583)</u>
Cash flows from investing activities					
Interest earned on investments	2,751,900	561,908	216,018		3,529,826
(Purchase) sale of investments, net	11,562,111	1,194,623	2,094,706		14,851,440
Net cash provided (used) by investing activities	<u>14,314,011</u>	<u>1,756,531</u>	<u>2,310,724</u>		<u>18,381,266</u>
Net increase (decrease) in cash and cash equivalents	6,333,368	2,147,535	(9,443,133)	(7,232,384)	(8,194,614)
Cash and cash equivalents at beginning of year	<u>(2,796,330)</u>	<u>10,557,726</u>	<u>29,133,529</u>		<u>36,894,925</u>
Cash and cash equivalents at end of year	<u>\$ 3,537,038</u>	<u>\$ 12,705,261</u>	<u>\$ 19,690,396</u>	<u>\$ (7,232,384)</u>	<u>\$ 28,700,311</u>
Supplemental disclosure of noncash investing and financial activity					
Internal transfers of fixed assets	\$ 8,883,034	\$ 15,804,536	\$ (24,687,570)	\$	\$
Contributions of fixed assets	\$	\$ 2,564,637	\$	\$	\$ 2,564,637

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Operating revenues				
Electric operations				
Sale of electricity	\$ 137,402,756	\$ (137,000)	\$ 137,265,756	\$ 128,734,178
City services	1,687,066	(123,920)	1,563,146	1,608,411
Non-utility charges	3,519,022	(798,558)	2,720,464	2,278,138
Service charges	1,220,000	241,857	1,461,857	1,243,743
Miscellaneous	1,300,000	(129,090)	1,170,910	1,350,718
Total operating revenues	145,128,844	(946,711)	144,182,133	135,215,188
Operating expenditures				
Power supply and generation				
Power supply and generation	102,127,868	2,057,154	100,070,714	89,227,686
Administration	838,787	52,296	786,491	301,877
Transformer shop	442,772	391	442,381	339,593
Electric meter shop	595,512	398	595,114	593,380
Construction and maintenance	5,909,188	122,085	5,787,103	5,641,471
Substation construction	799,401	798	798,603	602,959
Engineering	3,471,014	92,183	3,378,831	3,157,127
Total power supply and generation	114,184,542	2,325,305	111,859,237	99,864,093
Rate stabilization				838,523
Services to customers				
Administration	1,038,076	30,668	1,007,408	1,001,779
Call Center	875,664	330,702	544,962	646,693
Customer programs and service	110,966	66,994	43,972	
Cashiers	113,180	71	113,109	
Main office	583,557	170,085	413,472	395,662
Eutaw branch		(67,576)	67,576	186,485
Morganton Road branch		(47,801)	47,801	221,386
Hope Mills branch		(30)	30	
Claims				31,674
Meter reading	404,822	43	404,779	456,569
Utility field services	402,585	125	402,460	379,722
Total services to customers	3,528,850	483,281	3,045,569	3,319,970

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating expenditures (continued)				
General and administrative				
Executive	\$ 716,632	\$ 77,994	\$ 638,638	\$ 1,205,619
Office of management and auditing	75,005	11,797	63,208	58,637
Office of management and budget	111,066	24,492	86,574	68,929
Office of public information	516,746	41,267	475,479	657,859
Financial administration	213,201	11,824	201,377	93,802
Administrative - administration	216,448	8,870	207,578	115,111
Human resources	560,784	81,422	479,362	533,201
Accounting	570,541	82,758	487,783	506,397
Billing	492,772	13,481	479,291	414,250
Payroll	86,591	21,927	64,664	61,643
Risk management	254,369	22,976	231,393	199,512
Rates and planning	158,264	42,037	116,227	78,560
Purchasing	107,311	104,197	3,114	877
Warehouse	89,085	88,635	450	414
Material management	169,790	32,221	137,569	137,466
Investigation	96,771	84	96,687	91,853
Fleet maintenance	281,000	280,801	199	86
Building and grounds maintenance	329,191	821	328,370	328,631
Metering management	95,034	491	94,543	83,713
Right of way	283,537	6,709	276,828	258,746
Communication systems	347,943	931	347,012	348,065
Information systems	834,181	116,688	717,493	651,432
Pension expense	1,042,000	517,332	524,668	372,818
Net pension obligation adjustment				(261,291)
Medical insurance	1,532,500	130,850	1,401,650	1,524,420
Other	1,154,660	(549,768)	1,704,428	867,540
Benefits cleared to accounts	(2,278,200)	(117,058)	(2,161,142)	(1,736,170)
Total general and administrative	<u>8,057,222</u>	<u>1,053,779</u>	<u>7,003,443</u>	<u>6,662,120</u>
Total operating expenditures	<u>125,770,614</u>	<u>3,862,365</u>	<u>121,908,249</u>	<u>110,684,706</u>
Operating income	<u>19,358,230</u>	<u>2,915,654</u>	<u>22,273,884</u>	<u>24,530,482</u>
Nonoperating revenues				
Interest earned on investments	2,650,000	101,900	2,751,900	4,184,887
Total nonoperating revenues	<u>2,650,000</u>	<u>101,900</u>	<u>2,751,900</u>	<u>4,184,887</u>
Contributions				
Capital contributions		101,192	101,192	
Total capital contributions		<u>101,192</u>	<u>101,192</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Nonoperating expenditures				
Interest expense	\$ 3,417,000	\$ 46,825	\$ 3,370,175	\$ 3,543,640
Loss (gain) on asset disposal	(650,000)	(553,124)	(96,876)	(146,378)
Total nonoperating expenditures	<u>2,767,000</u>	<u>(506,299)</u>	<u>3,273,299</u>	<u>3,397,262</u>
Revenues over (under) expenditures	<u>19,241,230</u>	<u>2,612,447</u>	<u>21,853,677</u>	<u>25,318,107</u>
Other financing sources (uses)				
Operating transfers	(7,689,727)		(7,689,727)	(7,450,798)
Appropriated fund balance	6,725,286	(6,725,286)		
State contributions				21,423
Inventory increase	(567,500)	463	(567,037)	(485,710)
Bond principal payments	(2,991,000)		(2,991,000)	(2,725,000)
Capital outlay	(16,103,377)	289,933	(15,813,444)	(19,655,111)
Intrafund transfer to uptown revitalization fund	(1,300,000)		(1,300,000)	(6,200,000)
Intrafund transfer to administrative building capital reserve fund	(531,176)		(531,176)	
Intrafund transfer to rate stabilization fund	(783,736)		(783,736)	(250,000)
Intrafund transfer from rate stabilization fund	4,000,000		4,000,000	
Total other financing sources (uses)	<u>(19,241,230)</u>	<u>(6,434,890)</u>	<u>(25,676,120)</u>	<u>(36,745,196)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ (3,822,443)</u>	<u>\$ (3,822,443)</u>	<u>\$ (11,427,089)</u>
Reconciliation of net income (loss)				
Total revenues			\$ 147,035,225	\$ 139,400,075
Total expenditures			<u>150,857,668</u>	<u>150,827,164</u>
Subtotal			(3,822,443)	(11,427,089)
Budgetary appropriations above			25,676,120	36,745,196
Depreciation			(12,842,731)	(11,523,237)
Amortization			(402,720)	(393,790)
Operating transfer to general fund			<u>(7,689,727)</u>	<u>(7,450,798)</u>
Net (loss) income before intrafund transfers			<u>918,499</u>	<u>5,950,282</u>
Intrafund transfer from rate stabilization fund			4,000,000	
Intrafund transfer to uptown revitalization			(1,300,000)	(6,200,000)
Intrafund transfer to water and sewer fund/ administrative building capital reserve fund			(531,176)	
Intrafund transfer to rate stabilization fund			<u>(783,736)</u>	<u>(250,000)</u>
Total intrafund transfers			<u>1,385,088</u>	<u>(6,450,000)</u>
Net income (loss)			<u>\$ 2,303,587</u>	<u>\$ (499,718)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance Favorable (Unfavorable)	2001 Actual	2000 Actual
Operating revenues				
Water operations				
Water sales	\$ 18,786,225	\$ (1,233,526)	\$ 17,552,699	\$ 17,342,045
Connection fees	510,000	81,349	591,349	635,521
City services	53,808	12,490	66,298	72,815
Total water operations	<u>19,350,033</u>	<u>(1,139,687)</u>	<u>18,210,346</u>	<u>18,050,381</u>
Sanitary sewer operations				
Sewer charges	21,427,573	(1,735,999)	19,691,574	19,861,419
Connection fees	475,000	(69,331)	405,669	588,299
City services	37,931	(4,164)	33,767	40,598
Total sanitary sewer operations	<u>21,940,504</u>	<u>(1,809,494)</u>	<u>20,131,010</u>	<u>20,490,316</u>
Other operating revenues				
Non-utility charges	336,500	732,842	1,069,342	664,171
Service charges	265,000	(48,584)	216,416	210,355
Miscellaneous		2,130	2,130	857
Total other operating revenues	<u>601,500</u>	<u>686,388</u>	<u>1,287,888</u>	<u>875,383</u>
Total operating revenues	<u>41,892,037</u>	<u>(2,262,793)</u>	<u>39,629,244</u>	<u>39,416,080</u>
Operating expenditures				
Water purification and distribution				
Administration and engineering	1,314,334	40,812	1,273,522	1,078,160
Water meter shop	726,493	30	726,463	645,112
Construction and maintenance	3,149,024	859	3,148,165	3,110,458
P. O. Hoffer water treatment plant	2,549,393	37,035	2,512,358	2,306,646
Glennville Lake water treatment plant	1,107,583	82,198	1,025,385	1,050,399
Laboratory	231,288	18,480	212,808	205,706
Environmental	108,180	17,155	91,025	140,578
Watersheds	180,774	113	180,661	173,046
Cross Connection	173,269	7,294	165,975	103,942
Total water purification and distribution	<u>9,540,338</u>	<u>203,976</u>	<u>9,336,362</u>	<u>8,814,047</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating expenditures (continued)				
Sewer collection and treatment				
Administration and engineering	\$ 1,314,334	\$ 40,812	\$ 1,273,522	\$ 1,078,160
Sewer construction and maintenance	2,803,104	79	2,803,025	2,463,575
Lift stations	740,290	586	739,704	718,629
Cross Creek WW treatment plant	2,131,180	92,188	2,038,992	1,855,554
Rockfish Creek WW treatment plant	1,473,923	36,107	1,437,816	1,349,192
Residuals management	169,436	15,702	153,734	165,703
Pretreatment	86,872	15,326	71,546	39,395
Laboratory	231,288	18,480	212,808	205,706
Environmental	108,180	17,155	91,025	140,578
Total sewer collection and treatment	<u>9,058,607</u>	<u>236,435</u>	<u>8,822,172</u>	<u>8,016,492</u>
Services to customers				
Administration	558,076	82,340	475,736	486,692
Call Center	883,482	365,768	517,714	581,129
Main office	583,441	180,207	403,234	363,523
Eutaw branch		(65,393)	65,393	168,222
Morganton Road branch		(45,426)	45,426	197,035
Hope Mills branch		(82,551)	82,551	
Customer programs and services	107,863	75,030	32,833	
Cashiers	105,468	1,953	103,515	
Claims				29,022
Meter reading	413,027	47,993	365,034	375,315
Utility field services	388,584	7,537	381,047	349,494
Total services to customers	<u>3,039,941</u>	<u>567,458</u>	<u>2,472,483</u>	<u>2,550,432</u>
General and administrative				
Executive	421,172	137,267	283,905	714,617
Office of management and auditing	75,004	12,613	62,391	54,181
Office of management and budget	111,066	27,029	84,037	64,092
Office of public information	530,861	115,586	415,275	549,124
Financial administration	243,201	45,468	197,733	85,792
Administrative administration	214,947	9,890	205,057	87,872
Accounting	630,541	156,636	473,905	459,271
Billing	492,772	26,002	466,770	383,134
Payroll	86,590	23,123	63,467	56,130
Risk management	254,369	40,830	213,539	172,300
Human resources	560,787	147,288	413,499	448,452
Rates and planning	251,808	130,597	121,211	114,209
Purchasing	108,310	105,196	3,114	564
Warehouse	91,284	90,834	450	
Material management	176,192	40,695	135,497	124,791
Fleet maintenance	315,724	315,526	198	85
Building and grounds maintenance	331,190	11,536	319,654	299,873

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating expenditures (continued)				
General and administrative (continued)				
Metering management	\$ 91,034	\$ 306	\$ 90,728	\$ 66,992
Investigation	93,371	3,320	90,051	76,952
Right of Way	286,937	17,331	269,606	240,558
Communication system	296,543	98	296,445	225,426
Information system	884,181	208,647	675,534	567,877
Pension expenses	1,008,000	483,332	524,668	348,022
Net pension obligation adjustment				(243,912)
Medical insurance	1,368,500	78,968	1,289,532	1,428,672
Other	1,366,940	(492,659)	1,859,599	1,038,366
Benefits cleared to accounts	(2,322,800)	(250,008)	(2,072,792)	(1,631,116)
Total general and administrative	<u>7,968,524</u>	<u>1,485,451</u>	<u>6,483,073</u>	<u>5,732,324</u>
Total operating expenditures	<u>29,607,410</u>	<u>2,493,320</u>	<u>27,114,090</u>	<u>25,113,295</u>
Operating income	<u>12,284,627</u>	<u>230,527</u>	<u>12,515,154</u>	<u>14,302,785</u>
Nonoperating revenues				
Interest earned on investments	250,000		561,908	287,870
Total nonoperating revenues	<u>250,000</u>	<u>311,908</u>	<u>561,908</u>	<u>287,870</u>
Capital contributions				
Capital contributions				
Total capital contributions	<u>5,118,200</u>	<u>4,578,668</u>	<u>9,696,868</u>	
Nonoperating expenditures				
Interest expense	6,144,950	13,848	6,131,102	6,190,531
(Gain) loss on asset disposal	(650,000)	(175,791)	(474,209)	(53,066)
Total nonoperating expenditures	<u>5,494,950</u>	<u>(161,943)</u>	<u>5,656,893</u>	<u>6,137,465</u>
Revenues over (under) expenditures	<u>12,157,877</u>	<u>4,959,160</u>	<u>17,117,037</u>	<u>8,453,190</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Other financing sources (uses)				
Appropriated fund balance	\$ 4,527,993	\$ (4,527,993)	\$	\$
Local governmental contributions				2,405,500
State contributions				352,763
Customer contributions				2,040,127
Facility investment fee contributions				852,082
State loan proceeds	400,130	(400,130)		4,500,110
Intrafund transfer to annexation reserve fund	(2,000,000)		(2,000,000)	
Intrafund transfer to state revolving loan fund	(400,130)	43,506	(356,624)	
Inventory increase	(65,000)	46,298	(18,702)	47,343
Bond principal payments	(4,934,000)		(4,934,000)	(4,665,000)
Capital outlay	(9,686,870)	3,721,745	(5,965,125)	(15,043,898)
Total other financing sources (uses)	<u>(12,157,877)</u>	<u>(1,116,574)</u>	<u>(13,274,451)</u>	<u>(9,510,973)</u>
Revenue and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 3,842,586</u>	<u>\$ 3,842,586</u>	<u>\$ (1,057,783)</u>
Reconciliation of net income (loss)				
Total revenue			\$ 49,888,020	\$ 49,954,941
Total expenditures			46,045,434	51,012,724
Subtotal			<u>3,842,586</u>	<u>(1,057,783)</u>
Budgetary appropriations			13,274,451	9,510,973
Depreciation			(11,334,966)	(10,497,766)
Amortization			<u>(554,510)</u>	<u>(550,165)</u>
Net income (loss) before intrafund transfers			<u>5,227,561</u>	<u>(2,594,741)</u>
Intrafund transfer to annexation reserve fund			(2,000,000)	
Intrafund transfer to state revolving loan fund			<u>(356,624)</u>	
Total intrafund transfers			<u>(2,356,624)</u>	
Net income (loss)			<u>\$ 2,870,937</u>	<u>\$ (2,594,741)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
1993 Refunding Bond Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$	\$ 1,495,278	\$ (230)	\$ 1,495,048
Gain (loss) on sale of investment		(375,061)		(375,061)
Total revenues	<u>1,119,987</u>	<u>1,120,217</u>	<u>(230)</u>	<u>1,119,987</u>
Expenditures				
Construction, engineering and rights of way		16,502,636	578,677	17,081,313
Other capital costs		4,000	920	4,920
Interest expense		1,283,497		1,283,497
Total expenditures	<u>18,369,730</u>	<u>17,790,133</u>	<u>579,597</u>	<u>18,369,730</u>
Revenues over (under) expenditures	<u>(17,249,743)</u>	<u>(16,669,916)</u>	<u>(579,827)</u>	<u>(17,249,743)</u>
Other financing sources (uses)				
Proceeds from bond issuance	9,814,602	9,814,602		9,814,602
Contribution - Cumberland County	1,500,000	1,500,000		1,500,000
Intrafund transfer from electric fund	6,881,228	6,881,228		6,881,228
Residual equity transfer to Annexation Phase III	(946,087)		(946,087)	(946,087)
Total other financing sources (uses)	<u>17,249,743</u>	<u>18,195,830</u>	<u>(946,087)</u>	<u>17,249,743</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 1,525,914</u>	<u>\$ (1,525,914)</u>	<u>\$</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
1995 Series A Bond Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 3,923,903	\$ 3,900,752	\$ 12,010	\$ 3,912,762
Gain (loss) on sale of investment		(3,436)		(3,436)
Total revenues	<u>3,923,903</u>	<u>3,897,316</u>	<u>12,010</u>	<u>3,909,326</u>
Expenditures				
Construction, engineering and rights of way		32,875,198	226,528	33,101,726
Amortization of bond issue costs		121,966		121,966
Capitalized interest costs		4,715,119		4,715,119
Total expenditures	<u>37,953,386</u>	<u>37,712,283</u>	<u>226,528</u>	<u>37,938,811</u>
Revenues over (under) expenditures	<u>(34,029,483)</u>	<u>(33,814,967)</u>	<u>(214,518)</u>	<u>(34,029,485)</u>
Other financing sources (uses)				
Proceeds from bond issuance	34,985,000	34,985,000		34,985,000
Residual equity transfer to Administration Building Fund	(887,605)	(887,603)		(887,603)
Residual equity transfer to Water/Sewer fund	(803,912)	(803,912)		(803,912)
Contribution - Cumberland County	368,000	368,000		368,000
Contribution - developers	368,000	368,000		368,000
Total other financing sources (uses)	<u>34,029,483</u>	<u>34,029,485</u>		<u>34,029,485</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 214,518</u>	<u>\$ (214,518)</u>	<u>\$</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Annexation Capital Project Fund - Phase III**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues	\$ 207,633	\$ 409,534	\$ 162,742	\$ 572,276
Total revenues	<u>207,633</u>	<u>409,534</u>	<u>162,742</u>	<u>572,276</u>
Expenditures				
Construction	26,069,169	9,734,137	11,920,730	21,654,867
Engineering	4,489,039	3,235,059	1,247,380	4,482,439
Rights of way	867,500	418,981	100	419,081
Less City of Fayetteville participation	(8,381,718)	(2,533,226)	(3,419,439)	(5,952,665)
Financing costs	2,105,506	607,005	946,403	1,553,408
Other	2,383,137	186,690	238,370	425,060
Total expenditures	<u>27,532,633</u>	<u>11,648,646</u>	<u>10,933,544</u>	<u>22,582,190</u>
Revenues over (under) expenditures	<u>(27,325,000)</u>	<u>(11,239,112)</u>	<u>(10,770,802)</u>	<u>(22,009,914)</u>
Other financing sources (uses)				
1999 Revenue Bond proceeds	19,325,000	19,325,000		19,325,000
Utility fund equity contribution	8,000,000		8,735,066	8,735,066
Total other financing sources (uses)	<u>27,325,000</u>	<u>19,325,000</u>	<u>8,735,066</u>	<u>28,060,066</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 8,085,888</u>	<u>\$ (2,035,736)</u>	<u>\$ 6,050,152</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Annexation Capital Project Fund - Phase IV**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues	\$	\$	\$	\$
Total revenues				
Expenditures				
Engineering			315,835	315,835
Rights of way			32,376	32,376
Less City of Fayetteville participation			(157,917)	(157,917)
Total expenditures	7,094,515		190,294	190,294
Revenues over (under) expenditures	(7,094,515)		(190,294)	(190,294)
Other financing sources (uses)				
Intrafund transfer from Annexation Reserve Fund	4,000,000		500,000	500,000
Utility fund equity contribution	3,094,515			
Total other financing sources (uses)	7,094,515		500,000	500,000
Revenues and other financing sources (uses) over (under) expenditures	\$	\$	\$ 309,706	\$ 309,706

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
1997 Supplemental Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$	\$	\$	\$
Total revenues				
Expenditures				
Construction		2,524,861	836,140	3,361,001
Engineering		480,833	(37,169)	443,664
Rights of way		1,540	613	2,153
Other		42,977	16,351	59,328
Total expenditures	<u>9,807,030</u>	<u>3,050,211</u>	<u>815,935</u>	<u>3,866,146</u>
Revenues over (under) expenditures	<u>(9,807,030)</u>	<u>(3,050,211)</u>	<u>(815,935)</u>	<u>(3,866,146)</u>
Other financing sources (uses)				
Residual equity transfer from the Capital Reserve Fund	<u>9,807,030</u>	<u>9,828,350</u>		<u>9,828,350</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 6,778,139</u>	<u>\$ (815,935)</u>	<u>\$ 5,962,204</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Administration Building Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$	\$ 11,719	\$	\$ 11,719
Total revenues		<u>11,719</u>		<u>11,719</u>
Expenditures				
Construction		6,151,670	2,005,767	8,157,437
Engineering		547,383	241,940	789,323
Other		9,157	826	9,983
Total expenditures	<u>9,000,000</u>	<u>6,708,210</u>	<u>2,248,533</u>	<u>8,956,743</u>
Revenues over (under) expenditures	<u>(9,000,000)</u>	<u>(6,696,491)</u>	<u>(2,248,533)</u>	<u>(8,945,024)</u>
Other financing sources (uses)				
Transfer from 1995 Series A Revenue Bond Fund	887,605	887,605		887,605
Intrafund transfer from electric fund	2,261,176	1,730,000	531,176	2,261,176
Intrafund transfer from Administration Building Capital Reserve Fund	<u>5,851,219</u>	<u>5,851,219</u>		<u>5,851,219</u>
Total other financing sources (uses)	<u>9,000,000</u>	<u>8,468,824</u>	<u>531,176</u>	<u>9,000,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 1,772,333</u>	<u>\$ (1,717,357)</u>	<u>\$ 54,976</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
State Revolving Loan Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years*</u>	<u>Current Year</u>	<u>Total</u>
Revenues	\$	\$	\$	\$
Total revenues				
Expenditures				
Construction		5,729,438	1,357,054	7,086,492
Engineering and technical services		606,714	118,551	725,265
Loan closing costs		155,113		155,113
Other/contingency		1,213		1,213
Total expenditures	8,310,873	6,492,478	1,475,605	7,968,083
Revenues over (under) expenditures	(8,310,873)	(6,492,478)	(1,475,605)	(7,968,083)
Other financing sources (uses)				
State revolving loan proceeds	7,910,743	4,500,110	3,073,493	7,573,603
Intrafund transfer from Water/Sewer Fund	400,130		356,624	356,624
Total other financing sources (uses)	8,310,873	4,500,110	3,430,117	7,930,227
Revenues and other financing sources (uses) over (under) expenditures	\$	\$ (1,992,368)	\$ 1,954,512	\$ (37,856)

*Previously reported in Water/Sewer Fund

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Uptown Revitalization Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Other financing sources (uses)				
Operating transfer (out)	\$ (14,500,000)	\$ (7,998,315)	\$ (3,679,899)	\$ (11,678,214)
Intrafund transfer from electric fund	14,500,000	12,200,000	1,300,000	13,500,000
Total other financing sources (uses)	<u>\$</u>	<u>\$ 4,201,685</u>	<u>\$ (2,379,899)</u>	<u>\$ 1,821,786</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Annexation Capital Reserve Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$	\$	\$ 7,790	\$ 7,790
Total revenues			7,790	7,790
Expenditures				
Total expenditures				
Revenues over (under) expenditures			7,790	7,790
Other financing sources (uses)				
Transfer from Water/Sewer Fund	2,000,000		2,000,000	2,000,000
Transfer to Annexation Phase IV Fund	(2,000,000)		(500,000)	(500,000)
Total other financing sources (uses)			1,500,000	1,500,000
Revenues and other financing sources (uses) over (under) expenditures	\$	\$	\$ 1,507,790	\$ 1,507,790
Fund Equity				
Beginning of Year				
End of Year			\$ 1,507,790	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Rate Stabilization Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$	\$ 178,930	\$ 208,228	\$ 387,158
Rate stabilization transfer		3,635,990	533,736	4,169,726
Total revenues		<u>3,814,920</u>	<u>741,964</u>	<u>4,556,884</u>
Expenditures				
Total expenditures				
Revenues over (under) expenditures		<u>3,814,920</u>	<u>741,964</u>	<u>4,556,884</u>
Other financing sources (uses)				
Intrafund transfer from electric fund	750,000	2,000,000	250,000	2,250,000
Intrafund transfer to electric fund			(4,000,000)	(4,000,000)
Appropriated fund balance	(750,000)			
Total other financing sources (uses)		<u>2,000,000</u>	<u>(3,750,000)</u>	<u>(1,750,000)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 5,814,920</u>	<u>(3,008,036)</u>	<u>\$ 2,806,884</u>
Fund equity				
Beginning of year - July 1			<u>5,814,920</u>	
End of year - June 30			<u>\$ 2,806,884</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating revenues				
Charges for services	\$ 1,199,867	\$ 60,223	\$ 1,260,090	\$ 1,208,426
Other revenues from operations	74,202	29,167	103,369	73,044
Total operating revenues	<u>1,274,069</u>	<u>89,390</u>	<u>1,363,459</u>	<u>1,281,470</u>
Operating expenditures				
Personnel	2,465,960	22,882	2,443,078	2,175,919
Maintenance and operations	1,240,993	36,507	1,204,486	1,170,460
Capital outlay	8,640	3,140	5,500	
Total operating expenditures	<u>3,715,593</u>	<u>62,529</u>	<u>3,653,064</u>	<u>3,346,379</u>
Operating loss	<u>(2,441,524)</u>	<u>151,919</u>	<u>(2,289,605)</u>	<u>(2,064,909)</u>
Nonoperating revenues				
Interest earned		(383)	(383)	2,851
Federal and State grants	1,153,405	16,441	1,169,846	1,211,978
Total nonoperating revenues	<u>1,153,405</u>	<u>16,058</u>	<u>1,169,463</u>	<u>1,214,829</u>
Revenues under expenditures	<u>(1,288,119)</u>	<u>167,977</u>	<u>(1,120,142)</u>	<u>(850,080)</u>
Other financing sources (uses)				
Operating transfers in	1,288,119	(139,071)	1,149,048	869,654
Operating transfers (out)				(29,021)
Total other financing sources (uses)	<u>1,288,119</u>	<u>(139,071)</u>	<u>1,149,048</u>	<u>840,633</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 28,906</u>	<u>\$ 28,906</u>	<u>\$ (9,447)</u>
Reconciliation of net income (loss):				
Total revenues			\$ 3,681,970	\$ 3,365,953
Total expenditures			<u>3,653,064</u>	<u>3,375,400</u>
Subtotal			28,906	(9,447)
Depreciation			(846,705)	(749,456)
Change in inventory			(9,399)	3,975
Capital outlay			5,500	
Decrease (increase) in accrued vacation			(19,667)	5,631
Change in fair market value of investments			159	(159)
Subtotal			<u>(870,112)</u>	<u>(740,009)</u>
Net income (loss)			<u>\$ (841,206)</u>	<u>\$ (749,456)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Transit Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 4,889,317	\$ 3,421,350	\$	\$ 575,388	\$ 3,996,738
State grants	703,200	415,662		160,060	575,722
County	24,561	43,683			43,683
Miscellaneous	665	28,639			28,639
Total revenues	<u>5,617,743</u>	<u>3,909,334</u>		<u>735,448</u>	<u>4,644,782</u>
Expenditures					
FTA Capital 0097	208,913	203,590			203,590
FTA Capital 0158	953,848	953,849			953,849
FTA Capital 0170	695,401	692,323			692,323
FTA Capital 0188	333,136	332,940			332,940
FTA Capital 0229	350,000	262,024		1,261	263,285
FTA Capital 0218	681,247	666,882		14,364	681,246
FTA Capital 0244	813,625	343,614		390,338	733,952
FTA Capital 0271	1,238,560			314,837	314,837
AVL Grant	143,010	15,839		112,516	128,355
Section FY97	750,000	733,885			733,885
Total expenditures	<u>6,167,740</u>	<u>4,204,946</u>		<u>833,316</u>	<u>5,038,262</u>
Revenues over (under) expenditures	<u>(549,997)</u>	<u>(295,612)</u>		<u>(97,868)</u>	<u>(393,480)</u>
Other financing sources (uses)					
Operating transfers in	509,997	424,934		241,056	665,990
Fund balance appropriated	40,000				
Total other financing sources (uses)	<u>549,997</u>	<u>424,934</u>		<u>241,056</u>	<u>665,990</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 129,322</u>	<u>\$</u>	<u>\$ 143,188</u>	<u>\$ 272,510</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 143,188	
Capital outlay				833,316	
Non-capitalizable items				(15,166)	
Net income (loss)				<u>\$ 961,338</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	Budget	Variance	2001 Actual	2000 Actual
Operating revenues				
Charges for services	\$ 1,913,488	\$ (155,606)	\$ 1,757,882	\$ 2,118,431
Other revenues from operations	102,984	(8,047)	94,937	126,058
Total operating revenues	<u>2,016,472</u>	<u>(163,653)</u>	<u>1,852,819</u>	<u>2,244,489</u>
Operating expenditures				
Personnel	1,142,325	3,959	1,138,366	1,070,979
Maintenance and operations	836,733	22,557	814,176	966,323
Capital outlay	78,120	71,231	6,889	72,817
Total operating expenditures	<u>2,057,178</u>	<u>97,747</u>	<u>1,959,431</u>	<u>2,110,119</u>
Operating income (loss)	<u>(40,706)</u>	<u>(65,906)</u>	<u>(106,612)</u>	<u>134,370</u>
Nonoperating revenues				
Interest earned on investments	31,000	31,717	62,717	36,960
Passenger facility charge	125,000	95,404	220,404	
Federal and State grants				673
Public safety reimbursements	84,295	2	84,297	84,297
Proceeds from sale of assets				7,981
Total nonoperating revenues	<u>240,295</u>	<u>127,123</u>	<u>367,418</u>	<u>129,911</u>
Nonoperating expenditures				
Interest expense	25,171	1	25,170	
Miscellaneous				4,956
Public safety reimbursements	81,500	(2,797)	84,297	84,297
Total nonoperating expenditures	<u>106,671</u>	<u>(2,796)</u>	<u>109,467</u>	<u>89,253</u>
Revenues over (under) expenditures	<u>92,918</u>	<u>58,421</u>	<u>151,339</u>	<u>175,028</u>
Other financing sources (uses)				
Operating transfers (out)	(243,742)	135,742	(108,000)	(80,978)
Appropriated fund balance	150,824	(150,824)		
Total other financing sources (uses)	<u>(92,918)</u>	<u>(15,082)</u>	<u>(108,000)</u>	<u>(80,978)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 43,339</u>	<u>\$ 43,339</u>	<u>\$ 94,050</u>
Reconciliation of net income (loss)				
Total revenues			\$ 2,220,237	\$ 2,374,400
Total expenditures			2,176,898	2,280,350
Subtotal			<u>43,339</u>	<u>94,050</u>
Depreciation			(1,367,293)	(1,282,311)
Amortization			(22,000)	(22,000)
Change in accrued vacation			(10,279)	1,870
Change in inventory			69	(2,926)
Capital outlay			6,889	72,817
Proceeds from sale of assets				(7,981)
Gain on disposal of assets				2,359
Change in fair market value of investment			7,885	418
Subtotal			<u>(1,384,729)</u>	<u>(1,237,754)</u>
Net income (loss)			<u>\$ (1,341,390)</u>	<u>\$ (1,143,704)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures
Airport Capital Project Fund**

From Inception And For Year Ended June 30, 2001

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 6,201,537	\$ 521,001	\$	\$ 3,720,491	\$ 4,241,492
State grants	344,529	28,945		217,529	246,474
Miscellaneous income	225,094			28,415	28,415
Investment income		11,771			11,771
Total revenues	<u>6,771,160</u>	<u>561,717</u>		<u>3,966,435</u>	<u>4,528,152</u>
Expenditures					
T-hangars	525,876	439,734		65,708	505,442
Airport Road Landscaping	50,000	43,035			43,035
Airport Road Construction	369,164	311,764		47,534	359,298
Jet Bridge Modification	46,195	38,745		142	38,887
Preplan Runway Safety Areas	108,600	108,600			108,600
Security system upgrade	92,815	67,968		14,772	82,740
Ramp and safety area design/ARFF proximity suits	240,872	51,816		186,245	238,061
NLVR/terminal rehab	451,885				
Apron & safety area improvements	5,581,066			4,295,472	4,295,472
Total expenditures	<u>7,466,473</u>	<u>1,061,662</u>		<u>4,609,873</u>	<u>5,671,535</u>
Revenues over (under) expenditures	<u>(695,313)</u>	<u>(499,945)</u>		<u>(643,438)</u>	<u>(1,143,383)</u>
Other financing sources (uses)					
Operating transfers in	187,437	175,732		108,000	283,732
Loan from general fund	507,876	427,734		41,566	469,300
Total other financing sources (uses)	<u>695,313</u>	<u>603,466</u>		<u>149,566</u>	<u>753,032</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 103,521</u>	<u>\$</u>	<u>\$ (493,872)</u>	<u>\$ (390,351)</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (493,872)	
Loan from general fund				(41,566)	
Capital outlay				4,609,873	
Non-capitalizable items				<u>(17,098)</u>	
Net income (loss)				<u>\$ 4,057,337</u>	

INTERNAL SERVICE FUNDS

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

The following comprise the City's Internal Service Funds:

- * Warranty Fleet Fund
- * Fleet Maintenance Fund
- * Insurance Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
All Internal Service Funds**

**June 30, 2001
(With Comparative Totals For June 30, 2000)**

ASSETS	Warranty	Fleet	Insurance	Totals	
	Fleet	Maintenance		2001	2000
	Fund	Fund	Fund		
Current assets					
Cash and investments	\$ 1,014,927	\$ 238,925	\$ 4,361,958	\$ 5,615,810	\$ 5,061,960
Accounts receivable	7,360		28,169	35,529	41,151
Inventories		300,379		300,379	278,788
Prepaid expenses			88,305	88,305	
Total current assets	<u>1,022,287</u>	<u>539,304</u>	<u>4,478,432</u>	<u>6,040,023</u>	<u>5,381,899</u>
Non-current assets					
Fixed assets	81,575	318,901	10,752	411,228	528,975
Total assets	<u>\$ 1,103,862</u>	<u>\$ 858,205</u>	<u>\$ 4,489,184</u>	<u>\$ 6,451,251</u>	<u>\$ 5,910,874</u>
LIABILITIES AND FUND EQUITIES					
Current liabilities					
Current portion of long-term debt	\$	\$ 2,659	\$	\$ 2,659	\$ 7,812
Accounts payable and accrued expenses	154	122,344	3,604,080	3,726,578	2,903,631
Accrued vacation		72,559	19,540	92,099	71,830
Total current liabilities	<u>154</u>	<u>197,562</u>	<u>3,623,620</u>	<u>3,821,336</u>	<u>2,983,273</u>
Non-current liabilities					
Deferred revenues			10	10	1,061
Total liabilities	<u>154</u>	<u>197,562</u>	<u>3,623,630</u>	<u>3,821,346</u>	<u>2,984,334</u>
Fund equities					
Contributed capital	353,090	806,971	1,418	1,161,479	1,161,479
Retained earnings (deficit)					
Unreserved	750,618	(146,328)	864,136	1,468,426	1,765,061
Total fund equities	<u>1,103,708</u>	<u>660,643</u>	<u>865,554</u>	<u>2,629,905</u>	<u>2,926,540</u>
Total liabilities and fund equities	<u>\$ 1,103,862</u>	<u>\$ 858,205</u>	<u>\$ 4,489,184</u>	<u>\$ 6,451,251</u>	<u>\$ 5,910,874</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)
All Internal Service Funds**

**Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Warranty Fleet Fund	Fleet Maintenance Fund	Insurance Fund	Totals	
				2001	2000
Operating revenues					
Interfund charges and employee contributions	\$ 196,183	\$ 1,626,466	\$ 7,783,760	\$ 9,606,409	\$ 7,912,170
Other revenues from operations		1,210	136,786	137,996	80,594
Total operating revenues	<u>196,183</u>	<u>1,627,676</u>	<u>7,920,546</u>	<u>9,744,405</u>	<u>7,992,764</u>
Operating expenses					
Personnel		1,272,132	328,964	1,601,096	1,428,736
Maintenance and operations	71,613	285,912	8,244,879	8,602,404	7,372,554
Depreciation	88,972	63,901	7,410	160,283	177,840
Total operating expenses	<u>160,585</u>	<u>1,621,945</u>	<u>8,581,253</u>	<u>10,363,783</u>	<u>8,979,130</u>
Operating income (loss)	<u>35,598</u>	<u>5,731</u>	<u>(660,707)</u>	<u>(619,378)</u>	<u>(986,366)</u>
Nonoperating revenues (expenses)					
Interest earned on investments	61,612		261,363	322,975	259,349
Federal and state grants					572
Interest expense		(232)		(232)	(475)
Gain (loss) on disposal of assets					7,997
Total nonoperating revenues (expenses)	<u>61,612</u>	<u>(232)</u>	<u>261,363</u>	<u>322,743</u>	<u>267,443</u>
Net income (loss)	97,210	5,499	(399,344)	(296,635)	(718,923)
Retained earnings (deficit)					
Beginning of year - July 1	<u>653,408</u>	<u>(151,827)</u>	<u>1,263,480</u>	<u>1,765,061</u>	<u>2,483,984</u>
End of year - June 30	<u>\$ 750,618</u>	<u>\$ (146,328)</u>	<u>\$ 864,136</u>	<u>\$ 1,468,426</u>	<u>\$ 1,765,061</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
All Internal Service Funds**

**Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Warranty Fleet Fund	Fleet Maintenance Fund	Insurance Fund	Totals	
				2001	2000
Cash flows from operating activities					
Operating income (loss)	\$ 35,598	\$ 5,731	\$ (660,707)	\$ (619,378)	\$ (986,366)
Adjustments to reconcile operating income (loss) to cash provided by operating activities					
Depreciation	88,972	63,901	7,410	160,283	177,840
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,162)	1,758	5,026	5,622	25,588
(Increase) decrease in inventories		(21,591)		(21,591)	(72,921)
(Increase) decrease in prepaid expenses			(88,305)	(88,305)	
Increase (decrease) in accounts payable and accrued expenses	(337)	28,390	794,894	822,947	1,023,493
Increase (decrease) in accrued vacation		15,752	4,517	20,269	(3,463)
Increase (decrease) in deferred revenues			(1,051)	(1,051)	1,061
Net cash provided (used) by operating activities	<u>123,071</u>	<u>93,941</u>	<u>61,784</u>	<u>278,796</u>	<u>165,232</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets and other adjustments		(42,537)		(42,537)	(57,896)
Proceeds from sale of capital assets					7,997
Proceeds from grants					572
Payments of interest and principal on debt		(5,384)		(5,384)	(8,928)
Net cash provided (used) by capital and related financing activities		<u>(47,921)</u>		<u>(47,921)</u>	<u>(58,255)</u>
Cash flows from investing activities					
Interest earned on investments	61,612		261,363	322,975	259,349
Net increase (decrease) in cash and cash equivalents	184,683	46,020	323,147	553,850	366,326
Cash and cash equivalents at beginning of year	830,244	192,905	4,038,811	5,061,960	4,695,634
Cash and cash equivalents at end of year	<u>\$ 1,014,927</u>	<u>\$ 238,925</u>	<u>\$ 4,361,958</u>	<u>\$ 5,615,810</u>	<u>\$ 5,061,960</u>
Reconciliation to the financial statements:					
Cash and cash equivalents	<u>\$ 1,014,927</u>	<u>\$ 238,925</u>	<u>\$ 4,361,958</u>	<u>\$ 5,615,810</u>	<u>\$ 5,061,960</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating revenues				
Interfund charges and employee contributions	\$ 193,139	\$ 3,044	\$ 196,183	\$ 192,196
Total operating revenues	<u>193,139</u>	<u>3,044</u>	<u>196,183</u>	<u>192,196</u>
Operating expenditures				
Maintenance and operations	135,291	63,678	71,613	60,427
Capital outlay	83,848	83,848		
Total operating expenditures	<u>219,139</u>	<u>147,526</u>	<u>71,613</u>	<u>60,427</u>
Operating income (loss)	<u>(26,000)</u>	<u>150,570</u>	<u>124,570</u>	<u>131,769</u>
Nonoperating revenues				
Interest earned on investments	26,000	28,234	54,234	41,254
Proceeds from sale of assets				1,600
Total nonoperating revenues	<u>26,000</u>	<u>28,234</u>	<u>54,234</u>	<u>42,854</u>
Revenues over (under) expenditures	<u>\$</u>	<u>\$ 178,804</u>	<u>\$ 178,804</u>	<u>\$ 174,623</u>
Reconciliation to net income (loss):				
Total revenues			\$ 250,417	\$ 235,050
Total expenditures			<u>71,613</u>	<u>60,427</u>
Subtotal			<u>178,804</u>	<u>174,623</u>
Depreciation			(88,972)	(112,994)
Change in fair market value of investments			7,378	(502)
Proceeds from sale of assets				(1,600)
Gain on disposal of assets				1,600
Subtotal			<u>(81,594)</u>	<u>(113,496)</u>
Net income (loss)			<u>\$ 97,210</u>	<u>\$ 61,127</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating revenues				
Interfund charges and employee contributions	\$ 1,584,298	\$ 42,168	\$ 1,626,466	\$ 1,384,483
Other revenues from operations		1,210	1,210	2,973
Total operating revenues	<u>1,584,298</u>	<u>43,378</u>	<u>1,627,676</u>	<u>1,387,456</u>
Operating expenditures				
Personnel	1,255,679	(701)	1,256,380	1,151,238
Maintenance and operations	282,819	(3,093)	285,912	186,391
Capital outlay	72,635	30,098	42,537	45,761
Total operating expenditures	<u>1,611,133</u>	<u>26,304</u>	<u>1,584,829</u>	<u>1,383,390</u>
Operating income (loss)	<u>(26,835)</u>	<u>69,682</u>	<u>42,847</u>	<u>4,066</u>
Nonoperating revenues				
Interest earned	10,500	(10,500)		10,784
Federal and state grants				572
Proceeds from sale of assets				6,360
Total nonoperating revenue	<u>10,500</u>	<u>(10,500)</u>		<u>17,716</u>
Nonoperating expenditures				
Interest expense	232		232	475
Revenues over (under) expenditures	<u>(16,567)</u>	<u>59,182</u>	<u>42,615</u>	<u>21,307</u>
Other financing sources (uses)				
Appropriated fund balance	16,567	(16,567)		
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 42,615</u>	<u>\$ 42,615</u>	<u>\$ 21,307</u>
Reconciliation to net income (loss):				
Total revenues			\$ 1,627,676	\$ 1,405,172
Total expenditures			1,585,061	1,383,865
Subtotal			<u>42,615</u>	<u>21,307</u>
Depreciation			(63,901)	(57,232)
Decrease (increase) in accrued vacation			(15,752)	4,268
Capital outlay			42,537	45,761
Change in fair market value of investments				251
Proceeds from sale of assets				(6,360)
Gain on disposal of assets				6,360
Subtotal			<u>(37,116)</u>	<u>(6,952)</u>
Net income (loss)			<u>\$ 5,499</u>	<u>\$ 14,355</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Insurance Fund

Year Ended June 30, 2001

(With Comparative Actual Amounts For Year Ended June 30, 2000)

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
Operating revenues				
Interfund charges and employee contributions	\$ 7,074,359	\$ 709,401	\$ 7,783,760	\$ 6,335,491
Other revenues from operations	42,000	94,786	136,786	77,621
Total operating revenues	<u>7,116,359</u>	<u>804,187</u>	<u>7,920,546</u>	<u>6,413,112</u>
Operating expenditures				
Personnel	317,321	(7,127)	324,448	280,961
Maintenance and operations	7,701,562	(57,984)	7,759,546	6,260,876
Capital outlay				12,249
Total operating expenditures	<u>8,018,883</u>	<u>(65,111)</u>	<u>8,083,994</u>	<u>6,554,086</u>
Operating income (loss)	<u>(902,524)</u>	<u>739,076</u>	<u>(163,448)</u>	<u>(140,974)</u>
Nonoperating revenues				
Interest earned on investments	115,000	112,442	227,442	207,868
Proceeds from sale of assets				152
Total nonoperating revenue	<u>115,000</u>	<u>112,442</u>	<u>227,442</u>	<u>208,020</u>
Revenues over (under) expenditures	<u>(787,524)</u>	<u>851,518</u>	<u>63,994</u>	<u>67,046</u>
Other financing sources (uses)				
Appropriated fund balance	<u>787,524</u>	<u>(787,524)</u>		
Revenues and other financing sources (uses) over (under) expenditures	<u>\$</u>	<u>\$ 63,994</u>	<u>\$ 63,994</u>	<u>\$ 67,046</u>
Reconciliation to net income (loss):				
Total revenues			\$ 8,147,988	\$ 6,621,132
Total expenditures			8,083,994	6,554,086
Subtotal			<u>63,994</u>	<u>67,046</u>
Depreciation			(7,410)	(7,614)
Decrease (increase) in accrued vacation			(4,516)	(805)
Capital outlay				12,249
Change in fair market value of investments			33,921	(306)
Increase in insurance liability			(485,333)	(864,860)
Proceeds from sale of assets				(152)
Gain on disposal of assets				37
Subtotal			<u>(463,338)</u>	<u>(861,451)</u>
Net income (loss)			<u>\$ (399,344)</u>	<u>\$ (794,405)</u>

FIDUCIARY FUNDS

*** Trust Funds**

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

TRUST FUNDS

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

The following comprise the City's Trust Funds:

- * Police Benefit Fund
- * Special Separation Allowance Fund
- * PWC Pension Fund
- * Firemen's Relief Fund

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
All Trust Funds**

**June 30, 2001
(With Comparative Totals For June 30, 2000)**

	Expendable Trust			Nonexpendable Trust	Totals	
	Police Benefit Fund	Special Separation Allowance Fund	PWC Pension Fund	Firemen's Relief Fund	2001	2000
ASSETS						
Cash and investments	\$ 4,666	\$ 1,325,645	\$ 58,641,934	\$ 1,211,280	\$ 61,183,525	\$ 65,021,823
Accounts receivable	41	10,033		70,062	80,136	84,448
Total assets	\$ 4,707	\$ 1,335,678	\$ 58,641,934	\$ 1,281,342	\$ 61,263,661	\$ 65,106,271
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$	\$ 6,210	\$	\$	\$ 6,210	\$ 4,928
Fund balances						
Fund balance						
Reserved for employees' retirement benefits*	4,707	1,329,468	58,641,934	1,281,342	61,257,451	65,101,343
Total liabilities and fund balances	\$ 4,707	\$ 1,335,678	\$ 58,641,934	\$ 1,281,342	\$ 61,263,661	\$ 65,106,271

** A schedule of funding progress for each pension trust plan is presented on pages 39 and 41.*

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Changes in Plan Net Assets
All Pension Trust Funds**

**Year Ended June 30, 2001
(With Comparative Totals For Year Ended June 30, 2000)**

	Special Separation Allowance Fund	PWC Pension Fund	Totals	
			2001	2000
Additions				
Contributions	\$ 165,863	\$ 2,397,955	\$ 2,563,818	\$ 2,234,927
Investment income:				
Interest and net appreciation in fair value of investments	84,044	(3,438,738)	(3,354,694)	5,252,423
Operating transfers in				161,221
Total additions	<u>249,907</u>	<u>(1,040,783)</u>	<u>(790,876)</u>	<u>7,648,571</u>
Deductions				
Benefits	<u>130,523</u>	<u>2,992,641</u>	<u>3,123,164</u>	<u>2,572,071</u>
Net increase (decrease)	119,384	(4,033,424)	(3,914,040)	5,076,500
Fund balance reserved for employees' retirement benefits				
Beginning of year - July 1	<u>1,210,084</u>	<u>62,675,358</u>	<u>63,885,442</u>	<u>58,808,942</u>
End of year - June 30	<u>\$ 1,329,468</u>	<u>\$ 58,641,934</u>	<u>\$ 59,971,402</u>	<u>\$ 63,885,442</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statements of Revenues, Expenditures, and Changes in Fund Balances
Police Benefit Fund**

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>2001</u>	<u>2000</u>
Revenues		
Miscellaneous	\$	5,217
Interest earned on investments	313	571
Total revenues	<u>313</u>	<u>5,788</u>
Expenditures		
Current		
Administration		
Benefit payments	<u>5,535</u>	<u>3,690</u>
Revenues over (under) expenditures	(5,222)	2,098
Fund balance		
Beginning of year - July 1	<u>9,929</u>	<u>7,831</u>
End of year - June 30	<u>\$ 4,707</u>	<u>9,929</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statements of Revenues, Expenses, and Changes in Fund Balances
Firemen's Relief Fund**

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>2001</u>	<u>2000</u>
Revenues		
Operating revenues		
Interest earned on investments	\$ 81,661	68,356
Contributions	58,899	53,828
Other revenues from operations	41,412	50,348
Total operating revenues	<u>181,972</u>	<u>172,532</u>
Expenses		
Operating expenses		
Benefit payments and premiums	<u>106,602</u>	<u>108,045</u>
Net income	75,370	64,487
Fund balances		
Beginning of year - July 1	<u>1,205,972</u>	<u>1,141,485</u>
End of year - June 30	<u>\$ 1,281,342</u>	<u>1,205,972</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statements of Cash Flows
Firemen's Relief Fund**

**Year Ended June 30, 2001
(With Comparative Actual Amounts For Year Ended June 30, 2000)**

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Operating income	\$ 75,370	64,487
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	<u>5,936</u>	<u>(12,390)</u>
Net cash provided (used) by operating activities	<u>81,306</u>	<u>52,097</u>
Net increase (decrease) in cash and cash equivalents	81,306	52,097
Cash and cash equivalents at beginning of year	<u>1,129,974</u>	<u>1,077,877</u>
Cash and cash equivalents at end of year	<u>\$ 1,211,280</u>	<u>1,129,974</u>

ACCOUNT GROUPS

Account Groups are self-balancing accounting records of the general fixed assets and the general long-term debt of the City. They are not funds and do not measure results of operations.

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounts for fixed assets other than those accounted for in the Proprietary Funds.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Schedules of General Fixed Assets
Account Group**

June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
General fixed assets		
Land and improvements	\$ 17,077,405	\$ 16,611,805
Buildings and improvements	42,051,426	40,749,755
Equipment, furniture and fixtures	19,018,477	17,737,902
Vehicles	19,920,865	18,242,964
Construction-in-progress	<u>108,009</u>	<u>1,258,294</u>
Total general fixed assets	<u>\$ 98,176,182</u>	<u>\$ 94,600,720</u>
Investments in general fixed assets	<u>\$ 98,176,182</u>	<u>\$ 94,600,720</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-Term Debt Account Group accounts for the outstanding general long-term debt of the City other than debt recorded in the Proprietary Funds. Debt accounted for includes bonds payable, accrued vacation, capital lease obligations, unfunded law enforcement separation allowance, notes payable, arbitrage payable, and certificates of participation.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Schedules of General Long-Term Debt
Account Group**

June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Amount to be provided for the retirement of general long-term debt	<u>\$ 63,242,549</u>	<u>\$ 60,108,884</u>
General long-term debt payable		
Bonds payable	\$ 53,145,000	\$ 50,425,000
Accrued vacation	2,399,859	2,001,591
Capital lease obligations	7,058,748	7,092,993
Note payable	365,000	425,000
Arbitrage payable	<u>273,942</u>	<u>164,300</u>
Total general long-term debt payable	<u>\$ 63,242,549</u>	<u>\$ 60,108,884</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

OTHER SUPPLEMENTAL FINANCIAL DATA

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Current Tax Levy

June 30, 2001

	<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	\$ 6,247,785,772	\$ 0.530	\$ 33,113,265	\$ 29,037,086	\$ 4,076,179
Late listings:					
General fund		Per listing	24,333	24,333	
Subtotal			33,137,598	29,061,419	4,076,179
Discoveries					
General fund	28,834,051	0.530	152,820	132,993	19,827
Late listings:					
General fund		Per listing	30,358	30,358	
Subtotal			183,178	163,351	19,827
Releases					
General fund	(121,461,891)	0.530	(643,748)	(234,740)	(409,008)
Late listings:					
General fund		Per listing	(12,705)	(12,705)	
Subtotal			(656,453)	(247,445)	(409,008)
Adjusted tax levy			32,664,323	28,977,325	3,686,998
Uncollected taxes at June 30, 2001			<u>(1,154,048)</u>	<u>(505,168)</u>	<u>(648,880)</u>
City-wide current year's taxes collected			<u>\$ 31,510,275</u>	<u>\$ 28,472,157</u>	<u>\$ 3,038,118</u>
City-wide current levy collection percentage			<u>96.47%</u>	<u>98.26%</u>	<u>82.40%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2001

Fiscal year ended	Uncollected Balance June 30, 2000	Additions	Collections and Credits	Uncollected Balance June 30, 2001
2001	\$	\$ 33,320,775	\$ 32,166,727	\$ 1,154,048
2000	1,035,852	301	675,867	360,286
1999	321,842		84,797	237,045
1998 and prior	1,081,878	58,345	223,668	916,555
	<u>2,439,572</u>	<u>\$ 33,379,421</u>	<u>\$ 33,151,059</u>	<u>2,667,934</u>
Less allowance for uncollectible taxes				
General fund	<u>(407,740)</u>			<u>(458,277)</u>
	<u>\$ 2,031,832</u>			<u>\$ 2,209,657</u>
General fund				2,416,587
Less: CBTD taxes receivable				(3,266)
Less: Vehicle license fee receivable				(203,664)
Total taxes receivable				<u>\$ 2,209,657</u>

**Reconciliations of collections and credit
with revenues**

Ad valorem taxes:		
General fund	\$	32,172,931
Releases - current year		656,453
Releases - prior years		128,224
Discounts		328,726
Barred by State statute		67,363
Less collections for amounts barred by State statute		(142)
Less penalties and interest		(138,719)
Less taxes - CBTD		<u>(63,777)</u>
Total collections and credits	\$	<u>33,151,059</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Interfund Transfers

June 30, 2001

	<u>Transfers</u>	
	<u>From</u>	<u>To</u>
General fund	\$ 6,853,081	\$ 9,714,198
Special revenue funds		
Emergency response fund		120,058
Federal and State financial assistance fund		185,105
Fayetteville finance corp fund		1,533,163
Capital project funds		
General government fund		756,711
Recreational and cultural fund		38,718
Transportation fund		2,633,352
Economic and physical development fund		275,870
Enterprise funds		
Utility fund	9,794,198	
Transit fund		1,390,104
	<u>\$ 16,647,279</u>	<u>\$ 16,647,279</u>

**OMB CIRCULAR A-133 AND
STATE SINGLE AUDIT IMPLEMENTATION ACT
COMPLIANCE SECTION**

- Report on Compliance and on Internal Control Over Financial Reporting 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 COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 general purpose financial statements of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 9, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fayetteville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City of Fayetteville in a separate letter dated October 9, 2001.

This report is intended 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.

Fayetteville, North Carolina
October 9, 2001



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, 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, 2001. The City of Fayetteville'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 of Fayetteville's management. Our responsibility is to express an opinion on the City of Fayetteville'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 of Fayetteville'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 of Fayetteville's compliance with those requirements.

In our opinion, the City of Fayetteville 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, 2001.

Internal Control Over Compliance

The management of the City of Fayetteville 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 of Fayetteville'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended 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.

Clayton, Robert T. H. H. H., C. C. P.

Fayetteville, North Carolina
October 9, 2001



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, 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, 2001. The City of Fayetteville'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 of Fayetteville's management. Our responsibility is to express an opinion on the City of Fayetteville'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 of Fayetteville'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 of Fayetteville's compliance with those requirements.

In our opinion, the City of Fayetteville 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, 2001.

Internal Control Over Compliance

The management of the City of Fayetteville 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 of Fayetteville'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 and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

This report is intended 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, Rickett & Hales, L.L.P.

Fayetteville, North Carolina
October 9, 2001

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2001

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
- Reportable conditions(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
- Reportable conditions(s) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to federal awards Yes No

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
20.106	Airport Improvement Program
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)

For the Year Ended June 30, 2001

State Awards

Internal control over major State programs:

- Material weakness(es) identified _____ Yes X No

- Reportable conditions(s) identified
that are not considered to be
material weaknesses _____ Yes X None reported

- Noncompliance material to State awards _____ Yes X 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 X No

Identification of major State programs:

- Program Name
- Powell Bill
- State Maintenance Assistance for Urban and Small Urban Program
- Clean Water Revolving Loan Fund

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 Year Audit Findings

For the Year Ended June 30, 2001

Finding: 00-1

Status: Completed.

Finding: 00-2

Status: Completed.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2001

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
FEDERAL GRANTS:					
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Disaster Recovery Initiative Grant	14.218	B-98-MU-37-0005	\$ 249,847	\$	\$ 249,847
Community Development Block Grant 19th to 26th Year Entitlement	14.218	various	1,600,392		1,600,392
HOME Investment Partnership Program HOME - FY 92 to FY 00 allocation	14.239	various	521,591		521,591
U.S. DEPARTMENT OF JUSTICE					
Local Law Enforcement Block Grants Program					
Local Law Enforcement Block 1998	16.592	98-LBVX2216	91,922		91,922
Local Law Enforcement Block 1999	16.592	1999-LB-VX-8526	234,876		234,876
Local Law Enforcement Block 2000	16.592	2000-LB-BX-1619	36,639		36,639
			363,437		363,437
Office of Justice Programs					
Bulletproof Vest Partnership	16.607	Year 2000	5,985		5,985
Passed through Governor's Crime Commission					
Byrne Formula Grant Program					
Juvenile Assessment Center	16.579	26-197-024-0271	3,812		3,812
Drug Control and System Improvement Program					
Mobile Data Computer Project	16.579	026-1-00-15B-D-127	127,863		127,863
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Special Programs for the Aging					
Passed Through NC Department of Health & Human Services					
Senior Citizens Service Center	93.044	N/A	5,314		5,314
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration					
Airport Improvement Program					
Airport Road, Security System, Jetbridge, & Runway	20.106	FAA-3-37-0021-21	56,203		56,203
GA Ramp Design, Safety Area Design, & Proximity Suits	20.106	FAA-3-37-0021-22	167,621		167,621
Apron & Safety Area Improvements	20.106	FAA-3-37-0021-23	3,865,925		3,865,925
			4,089,749		4,089,749
Passed through NC Dept of Transportation					
Governor's Highway Safety Program					
Strict and Fair Enforcement Program	20.600	QN-01-11-02-02	26,490		26,490
Strict and Fair Enforcement Program	20.600	157PT-00-14-14-02	33,108		33,108
			59,598		59,598
Highway Planning and Construction					
Maintenance Agreement	20.205	N/A	100,825		100,825
			100,825		100,825
Federal Transportation Administration					
Operating assistance grant	20.507	NC 90.4271	750,211		750,211
Capital assistance grants:					
Capital	20.507	NC 90.0218	11,491		11,491
Capital/Preventative Maintenance	20.507	NC 90.0218	5,181		5,181
Capital/Preventative Maintenance	20.507	NC 90.0229	1,009		1,009
Capital/Preventative Maintenance	20.507	NC 90.0244	312,270		312,270
Capital/Preventative Maintenance	20.507	NC 90.0271	250,619		250,619
Planning	20.507	NC 90.2271	55,054		55,054
Planning	20.507	NC 90.2244	26,013		26,013
			1,411,848		1,411,848

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2001

<u>GRANTOR/PASS-THROUGH Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Total Expenditures</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>					
Passed through the NC Department of Crime Control and Public Safety- Division of Emergency Management					
Disaster Assistance	83.544	FEMA 1134-DR-NC	\$ 101,191	\$	\$ 101,191
Disaster Assistance	83.548	HMGP-1134-0112	81,987		81,987
			<u>183,178</u>		<u>183,178</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY, REGION 4</u>					
Brownfields Pilots Cooperative Agreement Region 4 - Direct Program					
	66.811	V984206-97-0	14,936		14,936
<u>U.S. DEPARTMENT OF THE INTERIOR</u>					
<u>Federal Geographic Data Committee - U.S. Geological Survey</u>					
Passed through NC Center for Geographic Information and Analysis NC's Consolidated "Don't Duck Metadata" Project					
	15.809	99HQGR0155	1,200		1,200
<u>National Park Service</u>					
Passed through NC Department of Cultural Resources Survey and Planning Grant 2000					
	15.904	N/A	2,100		2,100
<u>STATE GRANTS:</u>					
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>					
<u>Aviation Division</u>					
Airport Road, Security System, Jetbridge, & Runway	N/A	9.9544000		3,122	3,122
GA Ramp Design, Safety Area Design, & Proximity Suits	N/A	9.9544001		9,312	9,312
Apron & Safety Area Improvements	N/A	9.9544010		214,774	214,774
				<u>227,208</u>	<u>227,208</u>
<u>Public Transportation Division</u>					
Maintenance Assistance	N/A	9.9051698		407,314	407,314
Capital/Planning	N/A	9.9051540		1,667	1,667
Capital/Planning	N/A	9.9051656		126	126
Capital	N/A	9.9051816		31,674	31,674
Planning	N/A	9.9051830		3,252	3,252
Capital	N/A	9.9051986		25,814	25,814
Planning	N/A	9.9051987		6,882	6,882
Apprentice Program	N/A	9.9051841		7,371	7,371
Tier I Technology	N/A	9.9051963		4,789	4,789
AVL System	N/A	9.9051566		101,264	101,264
				<u>590,153</u>	<u>590,153</u>
Powell Bill	N/A	110.5043.1		4,108,965	4,108,965
Municipal agreement right turn lane on Ramsey St.	N/A	U22560		46,472	46,472
Municipal agreement sidewalk on Murchison Road	N/A	E2971F		35,000	35,000
<u>N.C. DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES</u>					
<u>Division of Water Quality</u>					
Clean Water State Revolving Fund	66.458	E-SRF-T-99-0088		7,573,603	7,573,603
<u>Clean Water Management Trust Fund</u>					
Property Acquisition, Little Cross Creek Water Supply Watershed	N/A	1997A-119		101,192	101,192
Sediment, Nutrient, & Bacteria Study-Little Cross Creek Watershed	N/A	1998A-807		63,200	63,200
				<u>164,392</u>	<u>164,392</u>
<u>N.C. DEPARTMENT OF HUMAN RESOURCES</u>					
Passed through Cumberland County Department of Social Services Juvenile Court Restitution					
	N/A	626015		72,385	72,385

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2001

<u>GRANTOR/PASS-THROUGH Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Total Expenditures</u>
<u>N.C. DEPARTMENT OF CRIME CONTROL & PUBLIC SAFETY</u>					
Division of Emergency Management					
Disaster Assistance	N/A	HMGP-1134-0112	\$	\$ 32,167	\$ 32,167
			\$ 8,741,675	\$ 12,850,345	\$ 21,592,020

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

1. The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Fayetteville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. The total local match requirements for the Federal and State Transit operating assistance grants was \$681,135. The actual local match, which the City of Fayetteville expended for the operations of the transit system, was \$1,149,048.
3. The total local contributions for the State Powell Bill assistance amounted to \$144,570.
4. Loans Outstanding
City of Fayetteville had the following loan balances outstanding at June 30, 2001. These loan balances outstanding are also included in the state expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Clean Water State Revolving Fund	66.458	E-SRF-T-99-0088	\$7,573,603

CITY OF FAYETTEVILLE, NORTH CAROLINA

(This page left intentionally blank)

**PASSENGER FACILITY CHARGE
COMPLIANCE SECTION**

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



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY
CHARGE PROGRAM AND ON INTERNAL CONTROLS 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, 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, 2001. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Fayetteville's management. Our responsibility is to express an opinion on the City of Fayetteville'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 of Fayetteville'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 of Fayetteville's compliance with those requirements.

In our opinion, the City of Fayetteville 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, 2001.

Internal Control Over Compliance

The management of the City of Fayetteville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the City of Fayetteville'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 internal control over compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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 the Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Robert & Habel, L.L.P.

Fayetteville, North Carolina
October 9, 2001

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Passenger Facility Charge Program

For the Year Ended June 30, 2001

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 X No

- Reportable conditions(s) identified
that are not considered to be
material weaknesses _____ Yes X None reported

- Noncompliance material to financial
statements noted _____ Yes X No

Passenger Facility Charge Program

Internal control over passenger facility charge program:

- Material weakness(es) identified _____ Yes X No

- Reportable conditions(s) identified
that are not considered to be
material weaknesses _____ Yes X None reported

- Noncompliance material to passenger
facility charge program _____ Yes X No

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

Any audit findings disclosed _____ Yes X 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 Year Audit Findings

Passenger Facility Charge Program

For the Year Ended June 30, 2001

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures of Passenger Facility Charges

Year Ended June 30, 2001

<u>Project</u>	<u>Impose Effective Date</u>	<u>Use Effective Date</u>	<u>Cumulative Expenditures Actual</u>	<u>Approved Expenditures for PFCs</u>	<u>Amount of Use Approved</u>	<u>PFC Expenditures</u>
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
Local share reimbursement AIP-12, Install Security Access Control System	11/01/2000	11/01/2000	757,595	757,596	37,880	28,866
Local share reimbursement AIP-13, Update Airport Master Plan	11/01/2000	11/01/2000	135,020	67,510	6,751	
Local share reimbursement AIP-13, Design Highway 301 Connector	11/01/2000	11/01/2000	194,655	194,655	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	
Local share reimbursement AIP-14, Land Acquisition	11/01/2000	11/01/2000	134,612	134,462	6,731	
Local share reimbursement AIP-14, Improve Terminal Building	11/01/2000	11/01/2000	31,224	31,224	1,474	
Local share reimbursement AIP-15, Design New General Aviation Area	11/01/2000	11/01/2000	206,286	206,286	11,460	
Local share reimbursement AIP-15, Foreign Object Damage Sweeper	11/01/2000	11/01/2000	15,632	15,632	782	
Local share reimbursement AIP-15, Design Taxiway "K"	11/01/2000	11/01/2000	16,841	16,841	842	
Local share reimbursement AIP-15, Rehabilitate General Aviation Apron	11/01/2000	11/01/2000	29,875	29,875	1,494	
Local share reimbursement AIP-15, Land for Development	11/01/2000	11/01/2000	49,001	48,476	2,424	
Local share reimbursement AIP-16, Installation of Terminal Loading Bridges	11/01/2000	11/01/2000	179,808	179,808	8,990	
Local share reimbursement AIP-17, New General Aviation Area Construction	11/01/2000	11/01/2000	2,362,380	2,342,376	114,860	
Local share reimbursement AIP-18, Acquire Handicap Lift Device	11/01/2000	11/01/2000	35,680	35,680	1,784	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures of Passenger Facility Charges

Year Ended June 30, 2001

<u>Project</u>	<u>Impose Effective Date</u>	<u>Use Effective Date</u>	<u>Cumulative Expenditures Actual</u>	<u>Approved Expenditures for PFCs</u>	<u>Amount of Use Approved</u>	<u>PFC Expenditures</u>
Local share reimbursement AIP-18, Rehabilitate Terminal Building	11/01/2000	11/01/2000	\$ 1,820,477	\$ 1,820,478	\$ 83,367	\$
Local share reimbursement AIP-19, Aircraft Rescue & Firefighting Vehicle	11/01/2000	11/01/2000	319,769	319,769	15,988	
Local share reimbursement AIP-20, Design Non-licensed Vehicle Road	11/01/2000	11/01/2000	31,619	30,545	1,527	
Local share reimbursement AIP-20, Design of Taxiway "K" (Revised)	11/01/2000	11/01/2000	13,287	12,887	644	
Local share reimbursement AIP-20, Installation of Water Main	11/01/2000	11/01/2000	78,565	78,299	3,915	
Local share reimbursement AIP-21, Airport Entrance Road	11/01/2000	11/01/2000	355,186	350,000	17,500	17,500
Local share reimbursement AIP-21, Jetway System Modifications	11/01/2000	11/01/2000	38,887	38,887	2,310	1,944
Local share reimbursement AIP-21, Security System Upgrade	11/01/2000	11/01/2000	82,740	70,815	3,541	3,541
Local share reimbursement AIP-21, Preplan Runway Safety Areas	11/01/2000	11/01/2000	108,600	108,600	5,480	5,430
TOTAL IMPOSE AND USE			<u>11,026,683</u>	<u>10,919,646</u>	<u>540,925</u>	<u>248,819</u>
North GA Ramp Construction	11/01/2000		920,756	750,000		
Security System Upgrade Phase II	11/01/2000			125,000		
Design & Construct RSA, Runway 4	11/01/2000		982,140	800,000		
Acquire Land	11/01/2000			136,111		
Renovate Terminal, Phase II	11/01/2000			750,000		
RSA Construction, Runway 4, Phase II	11/01/2000		982,140	800,000		
Land Acquisition	11/01/2000			136,111		
Renovate Terminal, Phase III	11/01/2000			750,000		
RSA Construction, Runway 22	11/01/2000		982,140	800,000		
Acquire Land	11/01/2000			177,778		

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures of Passenger Facility Charges

Year Ended June 30, 2001

<u>Project</u>	<u>Impose Effective Date</u>	<u>Use Effective Date</u>	<u>Cumulative Expenditures Actual</u>	<u>Approved Expenditures for PFCs</u>	<u>Amount of Use Approved</u>	<u>PFC Expenditures</u>
Acquire Land	11/01/2000		\$	\$ 166,700	\$	\$
NLVR Construction	11/01/2000		220,982	180,000		
Jet Bridge Modification Construction	11/01/2000			125,500		
Taxiway K Construction	11/01/2000		234,431	190,955		
TOTAL IMPOSE ONLY			<u>4,322,589</u>	<u>5,888,155</u>		
TOTAL APPLICATION 1			<u>\$ 15,349,272</u>	<u>\$ 16,807,801</u>	<u>\$ 540,925</u>	<u>\$ 248,819</u>

CONTINUING DISCLOSURE INFORMATION

* Continuing Disclosure Information (SEC Rule 15c2-12)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

DEBT INFORMATION

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, after issuance of all presently authorized bonds, the City will have the statutory capacity to incur additional net debt in the approximate amount of \$410,686,228 as of June 30, 2001.

OUTSTANDING GENERAL OBLIGATION DEBT

	Principal Outstanding as of June 30,			
	1998	1999	2000	2001
General Obligation Bonds				
Refunding	\$ 32,730,000	\$ 31,825,000	\$ 29,360,000	\$ 25,925,000
Sanitary Sewer	3,550,000	1,250,000 ¹	236,363	812,727 ¹
Street	13,413,698	20,073,008 ¹	18,920,955	22,823,899 ¹
Storm Sewer	9,168,835	8,624,588	8,080,340	7,811,099 ¹
Other	4,087,467	3,847,404	3,607,342	3,457,275 ¹
Total	\$ 62,950,000²	\$ 65,620,000²	\$ 60,205,000	\$ 60,830,000

¹ Bond Issues:

- 1998-99 \$4,900,000 General Obligation Street Improvement Bonds, Series 1999, 9.41 years average maturity, 4.3221% net interest cost. \$2,750,000 General Obligation Public Improvement Bonds, Series 1999, (consisting of \$2,500,000 Street Improvement Bonds and \$250,000 Sanitary Sewer Bonds), 9.65 years average maturity, 4.2996% net interest cost.
- 2000-01 \$3,610,000 General Obligation Public Improvement Bonds, Series 2000, and \$2,400,000 General Obligation Street Improvement Bonds, Series 2000, 11.64 years average maturity, 5.01% net interest cost.

² This amount does not include at June 30, 1998 and 1999, \$27,975,000 and \$9,600,000 respectively, of refunded bonds with respect to which an escrow agent held in trust certain direct obligations of the United States of America, which matured at such times and in such amounts and bore interest payable at such times and in such amounts so that sufficient moneys were available, together with cash deposited with such escrow agent, to pay when due all principal of and interest and any premium on the refunded bonds to and including their respective maturities or dates of redemption. The remaining refunded bonds were called on June 1, 2000.

Note 1: At present, debt service on the Sanitary Sewer Bonds is paid by the Public Works Commission solely from enterprise revenues.

Note 2: Outstanding debt above does not include \$177,000,000 Public Works Commission Revenue Bonds, as those bonds are payable solely from the net revenues of the City's electric, water and sanitary sewer systems. Also does not include \$363,911 Fayetteville Air Cargo Facility Industrial Revenue Bonds, as those bonds are payable solely from the repayments of a note receivable which was issued for the same amount as the bonds.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

GENERAL OBLIGATION DEBT RATIOS

Please refer to the report "Analysis of Debt of North Carolina Counties, Municipalities and Districts at June 30, 2001" filed with the NRMSIR's by the North Carolina Department of State Treasurer, Division of State and Local Government Finance.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

See Schedule MB080G attached (Note: the schedule does not include refunded bonds).

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED AS OF JUNE 30, 2001

At June 30, 2001, the City had no bonds which were authorized and unissued.

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2001

Please refer to the report "Analysis of Debt of North Carolina Counties, Municipalities and Districts at June 30, 2001" filed with the NRMSIR's by the North Carolina Department of State Treasurer, Division of State and Local Government Finance.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

OTHER LONG-TERM COMMITMENTS OF THE CITY

1. INSTALLMENT PURCHASE CONTRACTS

The City has entered into installment financing agreements for various equipment, facilities and vehicles. Principal and interest requirements are subject to appropriation in the year which they become due.

Debt service requirements to maturity, as of June 30, 2001 are presented in the following table:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001-02	\$ 1,404,502	\$ 297,085	\$ 1,701,587
2002-03	891,224	243,665	1,134,889
2003-04	646,259	209,239	855,498
2004-05	660,121	178,246	838,367
2005-06	447,290	150,759	598,049
2006-07	376,501	132,764	509,265
2007 through 2014	2,635,510	449,683	3,085,193
	<u>\$ 7,061,407</u>	<u>\$ 1,661,441</u>	<u>\$ 8,722,848</u>

2. INSTALLMENT PAYMENT REVENUE BONDS AND GENERAL GOVERNMENT NOTES PAYABLE*

On August 6, 1996, City of Fayetteville Finance Corporation ("CFFC") issued installment payment revenue bonds in the amount of \$16,390,000 to refund certificates of participation for City Hall and finance construction of the new Police Administration Building. At June 30, 2001, principal outstanding on the installment payment was \$13,470,000. Average annual debt service requirements related to the installment payment revenue bonds through 2009 are approximately \$905,000. From 2010 through 2018, average annual debt service requirement is approximately \$692,222. The City has entered into an installment financing agreement with CFFC pursuant to which the City has agreed to make installment payment in amounts sufficient to provide for the timely payment of the principal and interest on the aforementioned bonds. Such payments are subject to annual appropriation by the City Council, which appropriation is solely within the discretion of the City Council. The faith and credit and taxing power of the City are not pledged to the installment payments under the installment financing agreement or to the payment of said bonds. In the event the City fails to appropriate money for such payments, the sole remedy is to foreclose under the deed of trust granted by the City on the City Hall and the Police Administration Building. No deficiency judgment may be rendered against the City.

The City has entered into a Housing and Urban Development Section 108 note. The debt was incurred to finance the construction of the Seabrook swimming pool. The outstanding balance at June 30, 2001 was \$365,000.

* Does not include \$7,573,603 Public Works Commission revolving loan, as this loan is payable solely from the net revenues of the City's water and sanitary sewer systems.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

TAX INFORMATION

GENERAL INFORMATION

	<u>Fiscal Year Ended or Ending June 30</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assessed Valuation:			
Assessment Ratio ¹	100%	100%	100%
Real Property	4,477,748,322	4,785,838,121	4,874,168,452
Personal Property	1,138,710,736	1,175,928,710	1,146,688,353
Public Services Companies ²	110,058,489	123,944,198	134,301,127
Total Assessed Valuation	5,726,517,547	6,085,711,029	6,155,157,932
Tax Rate Per \$100 ³	0.51	0.51	0.53
Levy	29,205,239	31,037,127	32,622,337
Late Listing Penalties	39,062	48,665	41,986
General Levy	29,244,301	31,085,792	32,664,323
Special Tax District Levy	80,683	86,518	65,380
Total Levy	29,324,984	31,172,310	32,729,703

¹Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ In FY2001, all property owners in the City paid \$.90 per \$100 assessed valuation in County taxes and certain property owners in the downtown area of the City paid \$.10 per \$100 assessed valuation in tax to the Central Business Tax District.

Note: Revaluation of real property became effective with the 1996 tax levy. The next revaluation will become effective with the 2003 tax levy.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

PROPERTY TAX COLLECTIONS*

<u>Fiscal Year Ended or Ending June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
1998	700,133	25,459,299	96.36%
1999	778,316	28,153,785	96.27%
2000	781,832	30,049,940	96.67%
2001	788,887	31,510,275	96.47%

*Does not include Special Tax District, Storm Water and Vehicle Fees.

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2000-01

<u>Company</u>	<u>Product or Service</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
Cumberland Associates	Investment Company	\$ 68,500,000	\$ 363,050	1.11%
Carolina Telephone and Telegraph Co.	Utility	56,908,113	301,613	.92
Fayetteville Publishing	Publications	30,300,000	160,590	.49
UDRT of North Carolina	Property Rentals	26,900,000	142,570	.44
North Carolina Natural Gas	Utility	17,876,792	94,747	.29
Edward Rose Building Co.	Property Rentals	15,500,000	82,150	.25
Atlantic Southeast Airlines	Airline	12,763,396	67,646	.21
Thomas & Hollinshed	Property Rentals	11,906,981	63,107	.19
Chason Ridge Partners Limited	Property Rentals	11,780,377	62,436	.19
Heart of Fayetteville Motel Inn	Lodging	11,515,660	61,033	.19
		<u>\$ 263,951,319</u>	<u>\$ 1,398,942</u>	<u>4.28%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

**COMPILED BUDGET - ANNUALLY BUDGETED FUNDS FOR THE FISCAL YEAR ENDING
JUNE 30, 2002**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>
Estimated revenues:			
Ad valorem taxes	\$ 33,468,709	\$	\$
Other taxes	24,412,657	3,093,694	
Intergovernmental	5,068,655		
Other functional	3,515,619		
Charges for services			193,619,274
Other revenues from operations			6,841,021
Federal and state grants			1,186,000
Other non-operating revenue			
Miscellaneous	956,167		
Interest earned on investments	1,338,000	221,800	1,966,401
Total estimated revenues	<u>68,759,807</u>	<u>3,315,494</u>	<u>203,612,696</u>
Appropriations:			
Administration	11,158,443		
Public Safety	37,057,989	1,075,750	
Environmental protection	5,311,130	3,970,065	
Transportation	6,901,432		
Economic and physical development	992,849	3,825	
Recreation and community facilities	7,674,646		
Debt service	6,844,747	1,540,683	
Service to Customers			5,283,861
General and administrative			16,280,366
Power Supply and generation			111,541,829
Water purification and distribution			9,469,488
Sewer collection and treatment			8,634,282
Personnel			3,694,794
Maintenance and operations			2,031,933
Capital outlay			19,959,645
Reduction of long-term debt			9,095,537
Interest expense			10,238,000
Other non-operating expenditures			
Total appropriations	<u>75,941,236</u>	<u>6,590,323</u>	<u>196,229,735</u>
Estimated revenues over (under) appropriations	(7,181,429)	(3,274,829)	7,382,961

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

**COMPILED BUDGET - ANNUALLY BUDGETED FUNDS FOR THE FISCAL YEAR ENDING
JUNE 30, 2002**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>
Estimated other financing sources (uses):			
Appropriated fund balance	\$ 3,740,727	\$ 1,885,133	\$ 57,192
Appropriation to Retained Earnings			(4,712,561)
Local contributions			7,466,400
Bond and capital lease proceeds			
Operating transfers in:			
General fund		1,526,843	1,487,247
Special revenue fund			
Enterprise fund	8,431,239		
Operating transfers (out):			
General fund			(8,431,239)
Special revenue fund	(1,526,843)		
Special revenue fund (project ordinance)	(218,533)		
Capital project funds (project ordinance)	(1,757,914)	(137,147)	
Enterprise capital projects fund			(3,250,000)
Enterprise fund	(1,487,247)		
Trust funds			
Appropriated fund balance to capital projects			
Total other financing sources (uses)	<u>7,181,429</u>	<u>3,274,829</u>	<u>(7,382,961)</u>
 Estimated revenues and other financing sources (uses) over (under) expenditures	 <u>\$</u>	 <u>\$</u>	 <u>\$</u>

Compiled by the staff of the City of Fayetteville Finance Department.

Notes to the Compiled Budgets:

- (1) The budget statements have been compiled from the original budget ordinance, as amended, for the fiscal year ended June 30, 2002.
- (2) The compiled budget for the Special Revenue Fund excludes the Federal and State Financial Assistance Fund, which is budgeted under a project ordinance.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12)(continued)
June 30, 2001**

**COMPILED BUDGET -ANNUAL PWC BUDGET FOR THE FISCAL YEAR ENDING
JUNE 30, 2002**

	<u>PWC</u>
Estimated revenues:	
Ad valorem taxes	\$
Other taxes	
Intergovernmental	
Other functional	
Charges for services	190,786,165
Other revenues from operations	6,634,631
Federal and state grants	
Other non-operating revenue	
Miscellaneous	
Interest earned on investments	1,926,401
Total estimated revenues	<u>199,347,197</u>
 Appropriations:	
Administration	
Public Safety	
Environmental protection	
Transportation	
Economic and physical development	
Recreation and community facilities	
Debt service	
General and administrative	16,280,366
Power supply and generation	111,541,829
Water purification and distribution	9,469,488
Sewer collection and treatment	8,634,282
Services to Customers	5,283,861
Personnel	
Maintenance and operations	
Capital outlay	19,919,748
Reduction of long-term debt	9,095,537
Interest expense	10,238,000
Other non-operating expenditures	
Total appropriations	<u>190,463,111</u>
 Estimated revenues over (under) appropriations	 <u>8,884,086</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12)(continued)
June 30, 2001**

**COMPILED BUDGET -ANNUAL PWC BUDGET FOR THE FISCAL YEAR ENDING
JUNE 30, 2002**

	<u>PWC</u>
Estimated other financing sources (uses):	
Appropriated fund balance	\$
Appropriation to Retained Earnings	(4,712,561)
Local contributions	7,466,400
Bond and capital lease proceeds	
Operating transfers in:	
General fund	
Special revenue fund	
Enterprise fund	
Operating transfers (out):	
General fund	(8,387,925)
Special revenue fund	
Capital project funds	
Enterprise capital projects fund	(3,250,000)
Enterprise fund	
Trust funds	
Appropriated fund balance to capital projects	
Total other financing sources (uses)	<u>(8,884,086)</u>
 Estimated revenues and other financing sources (uses) over (under) expenditures	 <u>\$</u>

Notes:

- (1) The budget statements have been compiled from the original budget ordinance for the fiscal year ended June 30, 2002.
- (2) The PWC budget was broken out from the City of Fayetteville budget for information purposes only.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

**PWC Five - year Condensed Balance Sheet
Dollars in Thousands**

as of June 30,

<u>Assets</u>	1997	1998	1999	2000	2001
Current Assets					
Cash & Investments	\$ 31,102	\$ 22,374	\$ 34,536	\$ 26,803	\$ 14,389
Other Current Assets	30,417	37,375	40,927	45,371	44,744
Total Current Assets	<u>61,519</u>	<u>59,749</u>	<u>75,463</u>	<u>72,174</u>	<u>59,133</u>
Restricted Assets	50,180	66,557	46,838	44,078	34,369
Net Utility Plant	400,994	431,788	454,187	481,281	489,033
Other Assets	34,970	44,701	44,791	61,668	63,243
Total Assets	<u>\$ 547,663</u>	<u>\$ 602,795</u>	<u>\$ 621,279</u>	<u>\$ 659,201</u>	<u>\$ 645,778</u>
 <u>Liabilities & Equity</u>					
Current Liabilities	\$ 22,767	\$ 25,621	\$ 25,989	\$ 29,881	\$ 29,074
Long Term Debt	151,576	186,371	179,415	195,750	189,744
Other Liabilities	6,184	13,128	15,598	21,212	12,964
Contributed Capital	92,898	91,900	98,020	97,155	93,339
Retained Earnings	274,238	285,775	302,257	315,203	320,657
Total Liabilities & Equity	<u>\$ 547,663</u>	<u>\$ 602,795</u>	<u>\$ 621,279</u>	<u>\$ 659,201</u>	<u>\$ 645,778</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001

PWC HISTORICAL OPERATING DATA
Historical Statement of Revenues, Expenses, Debt Service, and Debt Service Coverage

	Years Ended June 30,				
	1997	1998	1999	2000	2001
Operating Revenues					
Electric Service Charges	\$ 117,044,587	\$ 122,530,867	\$ 125,929,358	\$ 127,057,928	\$ 136,951,527
Water Service Charges	15,577,206	15,511,810	17,164,471	17,948,438	18,132,018
Wastewater Service Charges	16,781,894	18,393,975	20,372,570	20,433,020	20,090,301
Other Operating Revenues	3,295,573	3,427,418	3,674,398	5,747,983	4,339,215
Subtotal Operating Revenues	<u>152,699,260</u>	<u>159,864,070</u>	<u>167,140,797</u>	<u>171,187,369</u>	<u>179,513,061</u>
Operating Expenses Before Depr & Amort					
Electric System	88,654,071	94,444,930	93,305,329	106,561,522	117,728,970
Water System	10,198,938	10,272,722	10,989,463	12,891,212	13,372,580
Wastewater System	10,011,063	10,404,940	10,208,363	12,062,845	13,622,473
Subtotal Operating Expenses	<u>108,864,072</u>	<u>115,122,592</u>	<u>114,503,155</u>	<u>131,515,579</u>	<u>144,724,023</u>
Operating Income Before Depreciation	43,835,188	44,741,478	52,637,642	39,671,790	34,789,038
Depreciation	19,537,775	19,225,442	22,901,883	22,021,003	24,177,697
Amortization of Bond Cost	856,915	857,446	896,683	943,955	957,230
Operating Income	<u>23,440,498</u>	<u>24,658,590</u>	<u>28,839,076</u>	<u>16,706,832</u>	<u>9,654,111</u>
Nonoperating Revenues (1)	3,689,802	3,566,698	4,002,131	4,576,659	3,529,826
Nonoperating Expenses (2)	(6,503,511)	(7,787,320)	(8,643,173)	(9,534,727)	(8,930,192)
Net Income before Operating transfers	<u>20,626,789</u>	<u>20,437,968</u>	<u>24,198,034</u>	<u>11,748,764</u>	<u>4,253,745</u>
Contributions (GASB 33)					9,798,060
Operating transfers in (out) (3)	(6,912,063)	(8,902,723)	(7,714,237)	(13,013,032)	(9,794,198)
Net Income	<u>\$ 13,714,726</u>	<u>\$ 11,535,245</u>	<u>\$ 16,483,797</u>	<u>\$ (1,264,268)</u>	<u>\$ 4,257,607</u>
Income Available for Debt Service					
Net Income	\$ 13,714,726	\$ 11,535,245	\$ 16,483,797	\$ (1,264,268)	\$ 4,257,607
Less: Gain on Sale of Fixed Assets	(463,213)			(199,444)	(571,085)
Plus: Loss of Sales of Fixed Assets		196,064	77,411		
Plus: Depreciation	19,537,775	19,225,442	22,901,883	22,021,003	24,177,697
Plus: Bond Interest Expense	6,491,131	7,586,668	8,542,007	9,718,261	9,484,789
Plus: Amortization of Bond Cost	856,915	857,446	896,683	943,955	957,230
Less: Contributions					(9,798,060)
Plus: Operating Transfers Out	6,912,063	8,902,723	7,714,237	13,013,032	9,794,198
Income Available for Debt Service	<u>\$ 47,049,397</u>	<u>\$ 48,303,588</u>	<u>\$ 56,616,018</u>	<u>\$ 44,232,539</u>	<u>\$ 38,302,376</u>
Revenue Bond Debt Service Coverage					
PWC Revenue Bond Debt Service Require.	\$ 6,416,049	\$ 10,005,626	\$ 10,145,869	\$ 12,822,371	\$ 13,358,655
PWC Revenue Bond Debt Service Coverage Ratio	<u>7.33</u>	<u>4.83</u>	<u>5.58</u>	<u>3.45</u>	<u>2.87</u>
Income Available for GO System Debt Service	<u>\$ 40,633,348</u>	<u>\$ 38,297,962</u>	<u>\$ 46,470,149</u>	<u>\$ 31,410,168</u>	<u>\$ 24,943,721</u>
GO System Debt Service Coverage					
GO System Debt Service Requirement (4)	\$ 5,126,483	\$ 4,550,478	\$ 4,366,093	\$ 4,196,473	\$ 4,018,113
GO System Debt Service Coverage Ratio	<u>7.93</u>	<u>8.42</u>	<u>10.64</u>	<u>7.48</u>	<u>6.21</u>
System Indebtedness					
Annual System Debt Service	\$ 11,542,532	\$ 14,556,104	\$ 14,511,962	\$ 17,018,844	\$ 17,376,768
Annual System Debt Service Coverage Ratio	<u>4.08</u>	<u>3.32</u>	<u>3.90</u>	<u>2.60</u>	<u>2.20</u>

1 Includes interest earned on investments and earmarked portion of half-cent sales tax

2 Includes interest expense and gain/loss on disposal of assets

3 Includes City Transfers and other transfers to the City (\$50,060, \$1,974,561, \$411,459, \$5,562,234, and \$2,104,474 in 1997, 1998, 1999, 2000 and 2001, respectively, for downtown development)

4 Capitalized interest has been deducted in the calculation of Revenue Bond Debt Service Requirement as required by the Bond Order

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Continuing Disclosure Information
(SEC Rule 15c2-12) (continued)
June 30, 2001**

PWC Prior Capital Improvements

	Years Ended June 30,				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Capital Improvements					
Electric System	\$ 14,716,751	\$ 15,510,460	\$ 15,660,990	\$ 10,532,258	\$ 13,499,043
Water System	12,332,493	15,231,607	12,166,331	8,046,481	6,507,757
Sewer System	12,111,013	15,189,706	12,260,015	23,491,934	13,902,880
General Plant	35,346	11,399,125	4,784,627	16,795,211	8,304,467
Total capital improvements	<u>\$ 39,195,603</u>	<u>\$ 57,330,898</u>	<u>\$ 44,871,963</u>	<u>\$ 58,865,884</u>	<u>\$ 42,214,147</u>
Source funding					
PWC Contribution	\$ 21,452,288	\$ 17,469,534	\$ 26,978,665	\$ 34,497,570	\$ 21,531,092
Bond Proceeds	11,933,972	37,180,605	11,774,111	10,984,910	7,811,502
NC State revolving loan				4,500,100	3,073,493
Other Contributions	5,809,343	2,680,759	6,119,187	8,530,541	9,449,213
Grants				352,763	348,847
Total source funding	<u>\$ 39,195,603</u>	<u>\$ 57,330,898</u>	<u>\$ 44,871,963</u>	<u>\$ 58,865,884</u>	<u>\$ 42,214,147</u>