

2015

Comprehensive Annual Financial Report

City of Fayetteville, North Carolina
Fiscal Year Ended June 30, 2015



City of
Fayetteville
North Carolina

2015

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The Finance Department wishes to acknowledge Elizabeth Somerindyke
for her contribution in the preparation of this report.



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Introductory Section

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- List of Principal Officials
- Organizational Chart



City of
Fayetteville
North Carolina



CITY MANAGER'S OFFICE

November 23, 2015

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

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Fayetteville, North Carolina for the fiscal year ended June 30, 2015. State law requires that every local government publish a complete set of audited financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. This report complies with these requirements.

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

Cherry Bekaert LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

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

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

PROFILE OF THE CITY

Fayetteville is a thriving community located in the Sandhills region of southeastern North Carolina and is the seat of Cumberland County. The City is approximately 60 miles south of the State capital of Raleigh. Fayetteville is located adjacent to Interstate Highway 95, a major north-south corridor linking the City with New York to the north and Miami to the south.

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

Fort Bragg Army Base, one of the largest military complexes in the world, is located approximately 10 miles from the City’s downtown and significantly adds to the culture of the community and the local economy. Fort Bragg has traditionally been known as the home of the Army’s XVIII Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command and 3rd Special Forces Group. In 2011, Fort Bragg also became the headquarters for the Army’s combat-ready conventional forces and army reserve following the move of U.S. Army Forces Command (FORSCOM) and U.S. Army Reserve Command (USARC) to the base. The base also encompasses Pope Army Air Field, formerly Pope Air Force Base, which provides fixed wing aviation assets, and Simmons Army Airfield, which provides rotary wing aviation assets required to support Fort Bragg’s missions.

By population, Fayetteville is the sixth largest municipality in the State with a population estimated at 208,373. Encompassing 149.61 square miles as of June 30, 2015, Fayetteville is the second largest city by land mass. The City’s population increased by 65.7% or 79,549 residents between the U.S. Census counts conducted in 2000 and 2010. Much of the population growth resulted from the City’s statutory authority to extend its corporate limits through annexation. In September 2005, the City completed an annexation, referred to as “Phase V”, of approximately 42,000 residents and 27 square miles. Most recently, the North Carolina General Assembly approved legislation to annex portions of Fort Bragg into the City effective September 1, 2008. This annexation added approximately 26,000 residents and 54 square miles to the City.

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

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

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

LOCAL ECONOMY

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

The economy of Fayetteville is greatly stabilized by the presence of Fort Bragg Army Base. Approximately 55,000 uniformed soldiers and airmen are stationed at Fort Bragg, with support from an estimated 22,000 civilian employees and contractors. The direct impact of payroll alone for military and civilian personnel added over \$3.4 billion to the regional economy in federal fiscal year 2014.

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

Significant investment to modernize plant equipment has been made at the Fayetteville Goodyear plant since 2007 with the State of North Carolina, Cumberland County and the City committing to economic incentives for the investment and job retention. The plant employs approximately 2,500 people, making it one of the Cape Fear region's largest private employers.

During the past five years, Fayetteville's annual unemployment rates have ranged from a low of 6.2% to a high of 8.4%, according to the Labor and Economic Analysis Division of the North Carolina Department of Commerce. In September 2015, the unemployment rates for Fayetteville, North Carolina and the United States were 6.3%, 5.4% and 4.9%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the following table.

Unemployment Rates*			
Year	Fayetteville	North Carolina	United States
2014	6.2	6.1	6.2
2013	7.5	7.9	7.4
2012	8.1	9.2	8.1
2011	8.4	10.2	9.0
2010	8.2	10.9	9.6

* Source of unemployment data is the Labor and Economic Analysis Division of the North Carolina Department of Commerce

Per capita personal income in Cumberland County declined 1.1% percent between 2012 and 2013 to \$45,394, as compared to nation-wide (\$44,765, up 1.3%) and state-wide (\$38,683, up 2.0%) statistics for the same period. Growth in compensation for military workers has helped to fuel local per capita income growth over the past decade.

During fiscal year 2015, the City issued building permits for 478 new residential units valued at \$62.7 million, and 69 new commercial building permits valued at \$82.9 million, as compared to permits issued for 454 new residential units valued at \$69.3 million and 51 new commercial building permits valued at \$114.3 million in fiscal year 2014.

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

Taxable sales in Cumberland County for fiscal year 2015 totaled approximately \$3.7 billion, which represented a 5.2% increase over fiscal year 2014. Historical sales for Cumberland County are provided in the following table.

<i>Retail /Taxable Sales</i>		
Fiscal Year	Cumberland County	% Change
2015	\$3,693,046,187	5.2
2014	3,509,005,624	(1.4)
2013	3,558,501,388	0.8
2012	3,531,570,536	4.6
2011	3,375,817,327	4.2

Fayetteville's economy remains stable. In 2015, the Policom Corporation ranked the Fayetteville MSA as having the 85th strongest economy of the 381 MSAs nationwide.

The City Council adopted a fiscal year 2015 budget based on modest rates of growth in the ad valorem tax base and taxable sales. Fayetteville's strong strategic planning process and conservative fiscal management continue to allow the City to maintain a high priority on both the delivery of quality services and financial stability.

LONG-TERM FINANCIAL PLANNING and MAJOR INITIATIVES

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

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

In June 2011, City Council adopted a fund balance policy that establishes a minimum General Fund unassigned fund balance of at least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for Cumberland County's recreation programs. The purpose of the policy is to maintain sufficient resources in the General Fund to cover unexpected expenditures and revenue shortfalls. In addition, the City's practice has been to appropriate fund balance for one-time expenditures or significant capital needs. These goals were achieved in fiscal year 2015 and were used to develop the fiscal year 2016 operating budget. Unassigned fund balance in the General Fund was \$21.6 million or 13.8 percent of the original fiscal year 2016 General Fund budget, excluding the county recreation programs; and therefore, exceeded the 10 percent minimum established by City Council.

Annually, the City adopts a six-year capital improvement program (CIP) for its electric, water and wastewater utility funds and a five-year CIP for other functions such as public safety, parks, transportation, stormwater system, airport and transit. The City also prepares a five-year financial forecast for its General Fund approximately every three to five years. The purpose of the forecast is to enhance the City's financial planning process. The forecast incorporates the Council-adopted strategic plan, five-year capital improvement plan, capital funding plan, and adopted budget.

Consistent with its capital funding policy, in fiscal year 2015 the City dedicated an amount equivalent to 5.25 cents of the 48.6-cent ad valorem tax rate, as well as specifically earmarked revenues, for the repayment of principal and interest on installment financing agreements for facilities and equipment and general obligation debt and for future cash funding of major capital improvements. The City assigns any excess dedicated revenues at year-end and accumulated fund balance for future capital projects consistent with the adopted capital improvement funding plan. The City's commitment to the capital funding plan will generate significant funding capacity in future fiscal years.

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

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

- The City continued to enhance its transit services by implementing new bus routes in areas that did not previously have transit access, including the Crown Center, Pamalee Drive/Country Club Drive, and two routes providing access to Fort Bragg. In addition, the City added ADA accessible bus stops, and updated existing bus stop locations with shelters and benches.
- The City transitioned to program budgeting and developed an organizational performance management system. A data analytics team was established in fiscal year 2015 to support data collection, provide guidelines for reporting data, and perform periodic audits of performance management metrics.
- In December 2014, the City launched FayWorx, a new building permit software program that enables applicants to view their plan review and inspection results on-line and receive updates via email. This initiative increases transparency and improves the level of service by reducing wait time for permits for customers and citizens.
- The City launched FayFixIT in February 2015, which integrates with FayWorx. The FayFixIT app tool allows residents to report issues in real time. Residents can also see what other service requests have been made and can track the progress made on requests.
- The City continued land acquisition and clearance of dilapidated structures in the Catalyst Site 1 area for the Murchison Road Corridor Redevelopment Project. The City's five-year capital improvement plan includes \$1,130,000 for land acquisition for the project.
- The Dr. Ezekiel Ezra Smith House, which is part of the HOPE VI Business Park, was entered in the National Register of Historic Places by the United States Department of the Interior. The City's five-year capital improvement plan includes the renovation of the house.
- The City continues to enhance the recently established Crime Information Center (CIC) to increase its ability to perform crime analytics. The staff is working to identify a software program to assist in this effort. This software will assist with forecasting trends, creating predictive analytics, and asset allocation to problem locations to reduce crime rates.
- The City established a new economic and business development department in fiscal year 2015. The department was created to support existing and attract new retail and commercial enterprises throughout the City, redevelop underperforming commercial corridors and catalyst sites, expand the City's local incentives portfolio, and assist diverse business interests with a wide range of business needs.

- The City, with and through its PWC, accomplished or continued work on several utility system financial, operational and economic development policies and goals including:
 - Implementation of the final phase of a comprehensive information technology system project (Navigate) in fiscal year 2015. Installation of a meter data management system was the third phase of the multi-phase project that replaced PWC's customer information, financial and work management systems as well as added an asset management system.
 - Installation of the advanced metering communications infrastructure system was completed in fiscal year 2015, and advanced metering infrastructure (AMI) was accelerated with nearly 40,000 meters installed. By 2017, the multi-year \$62 million project will replace over 150,000 electric and water meters with advanced meters having two-way technology features.
 - Initiated upgrade of the P.O. Hoffer Treatment facility. The \$17 million reliability upgrade, which will be completed in the summer of 2016, is the first of three phases of work that will ultimately increase treatment capacity at the plant by 16 million gallons a day.
 - Offered eight customer conservation incentive programs to encourage efficiency and increase customer awareness of utility usage. In fiscal year 2015, participation in conservation programs saved over 10 million gallons of water and reduced electricity consumption by nearly 500,000 kWh.
 - Continued progress on the installation of sanitary sewer services as part of the City's Annexation Phase V utility retrofitting project. Over 3,500 services have been installed and the remaining 5,000 services will be installed by 2025.

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

- The City made significant progress toward several improvement projects at the Fayetteville Regional Airport. During fiscal year 2015, \$6.0 million of funding from federal grants, passenger facility fees and airport operating revenues was invested in the projects, which included airport apron, taxiway, runway and facility improvements.
- Initiated construction of the downtown multimodal transit center located along Robeson Street. The center will provide a major public transit hub and opportunity for additional transit supportive development. The center will include covered passenger waiting areas that will accommodate up to 16 buses at one time. The facility will also include a customer service information center, customer amenities, and transit administrative offices. The transit portion of the facility will have approximately 27,000 square feet of building space. The estimated completion date of the project is August 2016.
- During fiscal year 2015, the City invested \$0.65 million in various drainage system improvement projects throughout the community.

- The City invested approximately \$2.9 million in the resurfacing of streets, construction of sidewalks and traffic system improvements.
- The City began development of the next phase of the Cape Fear River Trail which will add 1.22 miles to the existing trail system. This phase of the trail is scheduled to be completed in December 2015.
- The City constructed a 28,000 square foot aquatic facility in the Westover community. The facility contains both a wading pool and competition pool. The facility opened in August 2015.
- Continued rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. The project includes rebuilding electric substations and replacing aging wooden poles with steel poles with a 50-year life expectancy. Water and sanitary sewer system projects include replacing and relining existing mains to improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems.
- Began a system-wide conversion of over 16,000 streetlights to lighting-emitting diode (LED) street lights in fiscal year 2015. LEDs have a longer life and use less energy than traditional street lights and will help meet State mandates for renewable energy.

AWARDS AND ACKNOWLEDGEMENTS

The International City/County Management Association (ICMA) awarded a Certificate of Distinction in Performance Management to the City of Fayetteville. The award was for the City's work on its performance management program, analysis of results and fostering the development of a data-driven culture. The City is one of only 48 communities in the nation and one of two in North Carolina recognized for this work.

The City of Fayetteville Fire Department achieved an ISO Class 1 rating, making it one of only five fire departments in North Carolina to achieve this rating. This is the highest designation on a ten point scale. The achievement was accomplished through the joint efforts of the City's fire department, water utility, and the emergency communications team.

The City of Fayetteville participated in the 2015 Digital Cities Survey conducted by the Center for Digital Government. The annual survey recognizes leading examples of cities using technology to improve services and boost efficiencies. The survey focuses on ten initiatives across four categories: citizen engagement, policy, operations, and technology and data. The City ranked fourth in the 125,000–249,999 population group.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive

annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


Theodore L. Voorhees
City Manager


Lisa T. Smith
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Fayetteville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

2015

Fayetteville City Council 2014-2015

LEFT TO RIGHT
Theodore W. Mohn
District 8

Chalmers McDougald
District 4

Robert T. Hurst, Jr.
District 5

Mitch Colvin
District 3

Kady-Ann Davy
Mayor Pro Tem
District 2



Nat Robertson
Mayor

James William Arp, Jr.
District 9

Larry Wright
District 7

Kathy Jensen
District 1

William Joseph Leon Crisp
District 6

City Administrative, Legal and Financial Staff

Theodore L. Voorhees
City Manager

Karen McDonald
City Attorney

Kristoff T. Bauer
Deputy City Manager

Lisa T. Smith
Chief Financial Officer

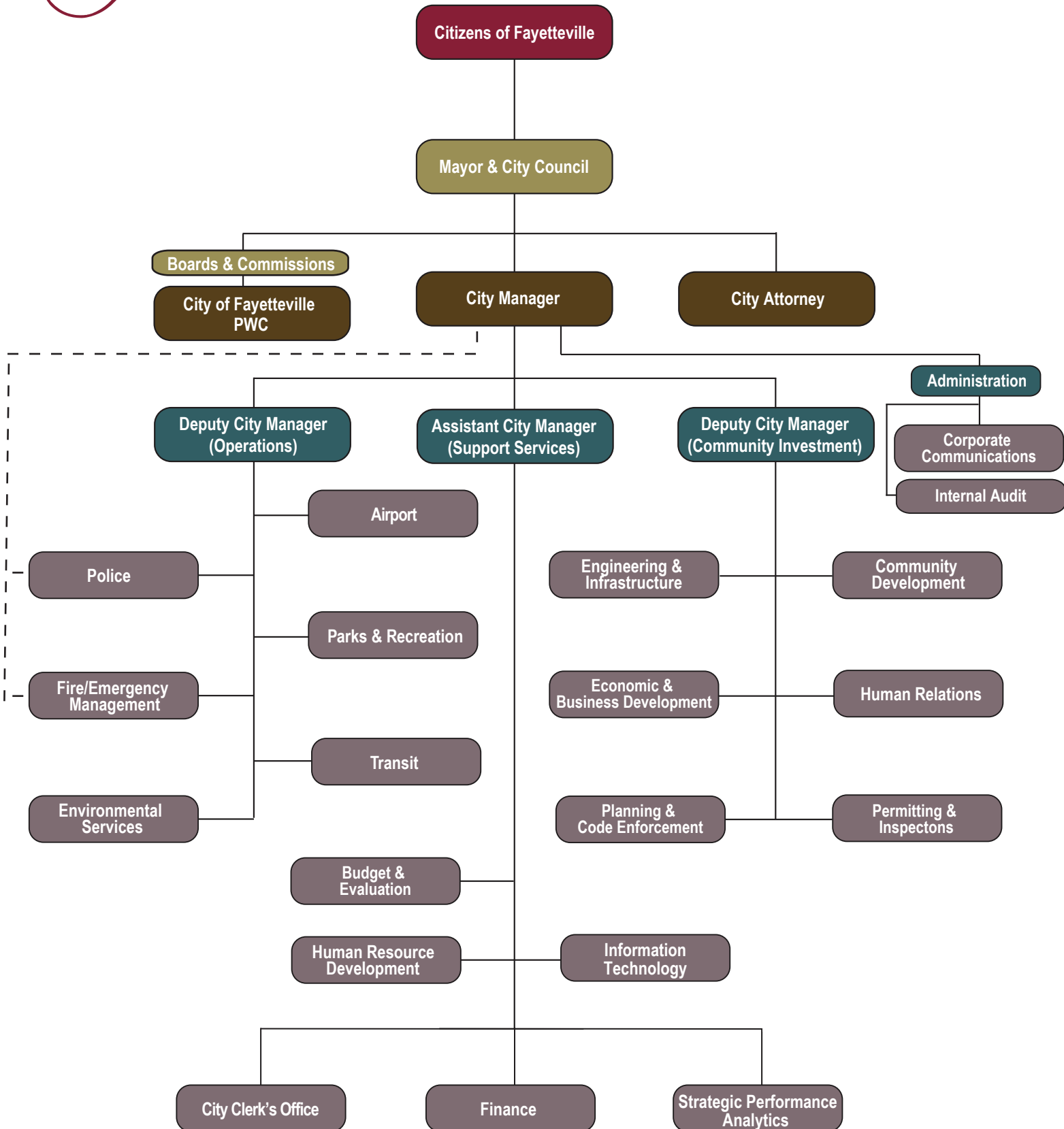
Rochelle Small-Toney
Deputy City Manager

Pamela Megill
City Clerk

Jay Reinstein
Assistant City Manager



City of
Fayetteville
North Carolina



2015

Financial Section

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



City of
Fayetteville
North Carolina

2015

Report of Independent Auditor



City of
Fayetteville
North Carolina

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Additionally the City adopted an alternate accounting principle for the accounting treatment and reporting of long-term loan receivables effective July 1, 2014. As a result, net position as of June 30, 2014 has been restated. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, other schedules, the statistical section, the Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, and the Schedule of Expenditures of Passenger Facility Charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Fayetteville, North Carolina
November 23, 2015

2015

Management's Discussion & Analysis



City of
Fayetteville
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fayetteville ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

Financial Highlights

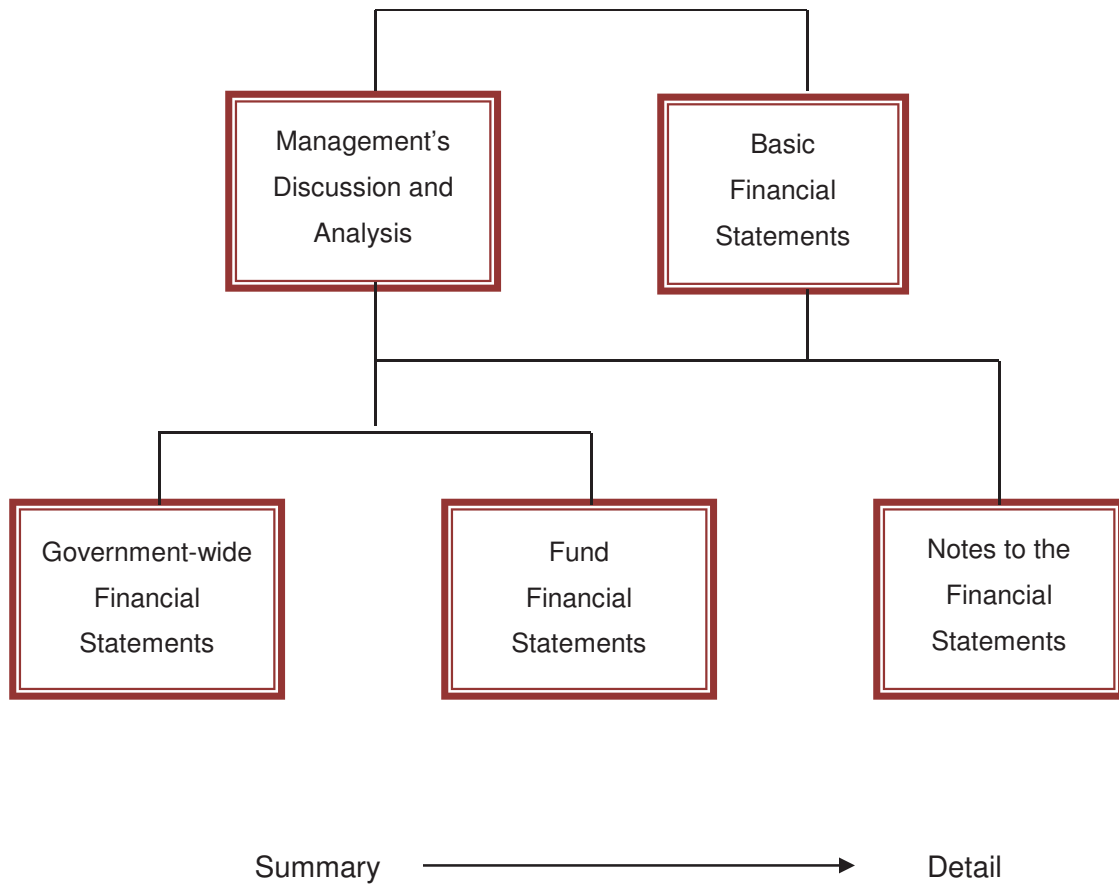
- The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1.4 billion (*net position*). Of this amount, \$283.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$18.8 million.
- Net position decreased \$4.2 million to \$403.1 million in fiscal year 2015, down from \$407.3 million in fiscal year 2014 in the Governmental activities.
- Net position increased \$23.0 million to \$964.7 million in fiscal year 2015, up from \$941.7 million in fiscal year 2014 in the Business type activities. By far, the largest portion of net position, \$642.5 million or 66.6 percent, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Electric, Water and Wastewater, Storm Water Management, Transit, Airport and Environmental Services activities.
- As of the close of fiscal year 2015, the City's governmental funds reported an ending fund balance of \$89.2 million, an increase of \$17.9 million in comparison to the prior year. Approximately 53.2 percent of total fund balance, or \$47.5 million is nonspendable or restricted.
- At the end of fiscal year 2015, unassigned fund balance for the General Fund was \$21.6 million or 14.0 percent of total General Fund expenditures and transfers out for the fiscal year.
- The City's total debt increased by \$105.3 million during fiscal year 2015.
- During fiscal year 2015, the City maintained its Aa1 and AA+ credit rating for its outstanding general obligation bonds and Aa2 and AA credit rating for its outstanding Public Works Commission revenue bonds, from Moody's and Standard & Poor's, respectively. Fitch assigned its first rating to PWC of AA.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Fayetteville's basic financial statements which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown below. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City. This report includes all funds of the City of Fayetteville as well as its component units, which are described in the following pages. Note 1 in the financial report includes further discussion of the reporting entity and description of funds.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's non-major governmental and proprietary funds and the internal service funds. The governmental and internal service funds are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City of Fayetteville’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City’s programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Fayetteville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement on page E-5 of this report uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages F-1 – F-58 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page G-1 of this report.

Government-wide Financial Analysis

Net Position. The following is a summary of net position for the City of Fayetteville at June 30, 2015 with comparative data for June 30, 2014. The City's combined net position increased \$18.8 million, or 1.4% from fiscal year 2014 to 2015. Net position may serve over time as one useful indicator of a government's financial condition. The information provided below provides a more detailed view of the City's net position.

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

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 114,935	\$ 130,697	\$ 314,231	\$ 402,680	\$ 429,166	\$ 533,377
Capital assets	363,340	357,049	865,774	912,817	1,229,114	1,269,866
Deferred outflows of resources	221	4,664	5,923	10,733	6,144	15,397
Total assets and deferred outflows of resources	478,496	492,410	1,185,928	1,326,230	1,664,424	1,818,640
Long-term liabilities outstanding	55,090	56,002	177,332	292,139	232,422	348,141
Other liabilities	15,851	16,223	66,864	58,884	82,715	75,107
Deferred inflows of resources	247	17,128	-	10,466	247	27,594
Total liabilities and deferred inflows of resources	71,188	89,353	244,196	361,489	315,384	450,842
Net position:						
Net investment in capital assets	338,558	330,626	709,444	642,549	1,048,002	973,175
Restricted	29,189	45,687	1,190	65,824	30,379	111,511
Unrestricted	39,561	26,744	231,098	256,368	270,659	283,112
Total net position	\$ 407,308	\$ 403,057	\$ 941,732	\$ 964,741	\$ 1,349,040	\$ 1,367,798

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$1.4 billion as of June 30, 2015. Net position is reported in three categories: net investment in capital assets of \$973.2 million; restricted net position of \$111.5 million; and unrestricted net position of \$283.1 million.

The net investment in capital assets category is defined as the City's investment in City owned capital assets (e.g. infrastructure, land, buildings, automotive equipment, office and other equipment, and electric, water, wastewater and storm water systems), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2015, \$283.1 million, or 20.7% of the reported total net position of \$1.4 billion, is unrestricted.

Also, the City implemented GASB Statement 68 this year. With the new reporting change, the City was allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$15.0 million (see Figure 3). Decisions regarding allocations are made by the administrators of the pension plan, not by the City's management.

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

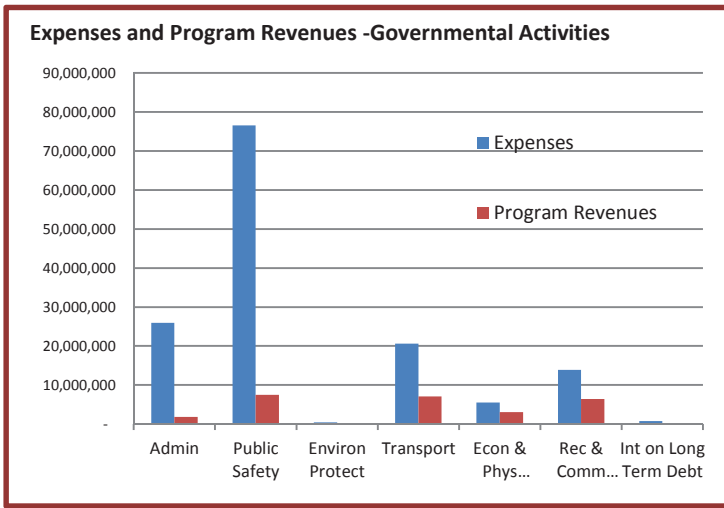
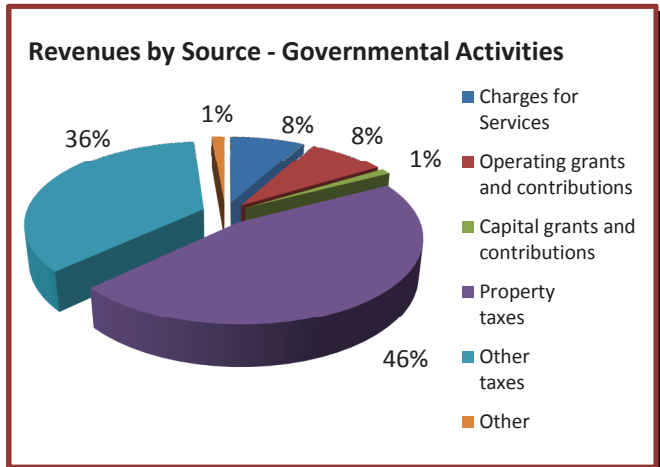
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	\$ 12,448	\$ 11,977	\$ 305,896	\$ 315,325	\$ 318,344	\$ 327,302
Operating grants and contributions	9,487	12,374	2,781	2,972	12,268	15,346
Capital grants and contributions	2,868	1,654	13,543	16,002	16,411	17,656
General revenues:						
Property taxes	64,702	68,091	-	-	64,702	68,091
Other taxes	48,710	53,005	-	638	48,710	53,643
Grants and contributions not restricted to specific programs	915	1,003	-	-	915	1,003
Other	1,502	1,033	4,535	2,106	6,037	3,139
Total revenues	140,632	149,137	326,755	337,043	467,387	486,180
Expenses:						
Administration	25,569	25,910	-	-	25,569	25,910
Public safety	77,282	76,505	-	-	77,282	76,505
Environmental protection	478	458	-	-	478	458
Transportation	20,447	20,621	-	-	20,447	20,621
Economic and physical development	4,715	5,541	-	-	4,715	5,541
Recreation and community facilities	13,974	13,905	-	-	13,974	13,905
Interest and fees	960	811	-	-	960	811
Electric	-	-	212,158	203,442	212,158	203,442
Water and wastewater	-	-	70,015	75,205	70,015	75,205
Storm water management	-	-	4,589	4,570	4,589	4,570
Transit	-	-	8,340	8,886	8,340	8,886
Airport	-	-	6,277	6,511	6,277	6,511
Environmental services	-	-	9,793	10,045	9,793	10,045
Total expenses	143,425	143,751	311,172	308,659	454,597	452,410
Increase in net position before transfers and special items	(2,793)	5,386	15,583	28,384	12,790	33,770
Transfers	(6,721)	(26)	6,721	26	-	-
Increase in net position	(9,514)	5,360	22,304	28,410	12,790	33,770
Net position, July 1	416,822	407,308	919,428	941,732	1,336,250	1,349,040
Net position, beginning, restated	416,822	397,697	919,428	936,331	1,336,250	1,334,028
Net position, June 30	\$ 407,308	\$ 403,057	\$ 941,732	\$ 964,741	\$ 1,349,040	\$ 1,367,798

Governmental activities: Revenues for the City's governmental activities were \$149.1 million, while total expenses were \$143.8 million in fiscal year 2015. The increase in net position for governmental activities, after transfers out, was \$5.4 million. Key elements of this increase are as follows:

- Ad valorem property tax revenues increased \$3.4 million to \$68.1 million primarily due to an increase of 3.0 cents in the tax rate. Property taxes represent 45.7 percent of total governmental revenues.

- Other taxes, which accounted for \$53.0 million or 35.5 percent of total governmental revenues, increased \$4.3 million over 2014. This is primarily due to a \$2.6 million increase in sales tax revenue and a \$2.4 million increase in utility taxes offset by a \$0.3 million decrease in piped natural gas taxes, a \$0.2 million decrease in privilege license taxes, and a \$0.2 million decrease in vehicle license tax revenue.
- Those who directly benefited from service-fee based programs paid \$12.0 million in charges for services which represented a 3.8 percent or \$0.47 million decrease from 2014. This decrease can be primarily attributed to a \$0.67 million decrease in public safety fees offset by a \$0.27 million increase in administrative fees.
- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$12.4 million, representing an increase of 30.4 percent or \$2.9 million in 2015.



- The governmental activities received \$3.7 million in other revenues such as capital grants and contributions, interest, sale of capital assets and unrestricted grants which represented a decrease of 30.2 percent or \$1.6 million. This decrease is primarily due to a decrease in transportation capital grants and contributions of \$1.7 million offset by an increase in recreation and community facilities grants of \$0.30 million.

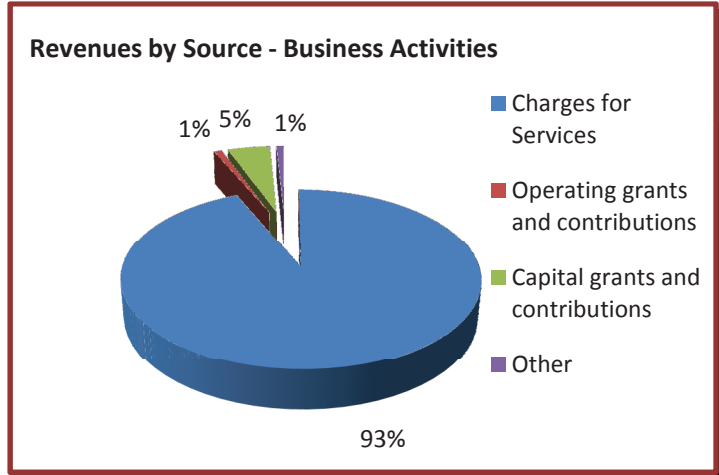
year 2014. These costs were incurred in order to provide municipal services to the citizens of Fayetteville. These services include, but are not limited to: public safety (police, fire, etc.), parks and recreation, street maintenance, administration (city attorney, finance) and others.

- The cost of all governmental activities this year was \$143.8 million as compared to \$143.4 million in fiscal

- The City's four largest governmental programs – public safety (53.2 percent), administration (18.0 percent), transportation (14.3 percent), and recreation and community facilities (9.7 percent), represent 95.3 percent of the total governmental activities.

Business-type activities: Revenues for the City’s business-type activities were \$337.0 million, while total expenses were \$308.7 million in fiscal year 2015. The increase in net position for business-type activities, after transfers in of \$0.03 million, was \$28.4 million, resulting in net position of \$964.7 million. Specifically, net position increased in the electric, water and wastewater activities by \$21.9 million, resulting in net position of \$851.6 million in fiscal year 2015. By far, the largest portion of net position, \$556.3 million or 65.3 percent reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets. Current and Other Assets in the electric, water and wastewater activities increased \$86.2 million or 30.9 percent primarily due to the receipt of bond proceeds to be used for capital improvements. In addition, long-term debt increased \$106.0 million primarily due to the issuance of bonds and receipt of state loan proceeds.

The storm water net position increased \$1.9 million in fiscal year 2015. The increase is due primarily to an increase in the storm water utility fee which generated an additional \$0.9 million in operating revenue and no corresponding increase in operating expenses, as well as \$0.6 million in capital improvements funded by fiscal year 2015 operating revenues. Net position of the airport fund at the end of the year amounted to \$59.3 million, an increase of \$4.1 million. The increase is primarily due to \$5.5 million in federal contributions for airport facility enhancements, \$0.4 million in passenger and customer facility charges, offset by \$1.7 million in operating expenses in excess of operating revenues. The City and federal and state agencies continue to subsidize transit operations, as net position increased \$0.6 million in fiscal year 2015 to \$16.40 million. This increase is primarily due to federal and state grants for capital projects. Net position for the environmental services function decreased \$0.3 million in fiscal year 2015 to \$5.6 million. The decrease is primarily due to \$0.6 million in depreciation expense offset by a general fund transfer \$0.3 million greater than the amount required to cover other operating expenses.



Financial Analysis of the City’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City’s financial requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2015, unassigned fund balance of the General Fund was \$21.6 million, while total fund balance reached \$60.5 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 14.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 39.2 percent of that same amount.

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

The fund balance of the City's General Fund increased by \$8.5 million during the current fiscal year. This increase can be primarily attributed to:

- Overall revenues increased \$7.7 million in fiscal year 2015. Specifically, ad valorem taxes increased \$3.2 million primarily due to a 3.0 cent tax rate increase, sales tax increased \$2.6 million, and utility taxes increased \$2.4 million. These increases were offset by a \$0.3 million decrease in piped natural gas tax.
- Overall expenditures increased \$3.7 million in fiscal year 2015, primarily due to approximately \$2.0 million general growth in personnel expenditures due to pay and fringe benefit cost increases, \$0.6 million for personnel, operating and capital costs for additional law enforcement personnel, and approximately \$0.5 million in personnel and operating costs for enhanced internal audit, budget and economic development functions.
- Net other financing uses decreased \$3.5 million in fiscal year 2015, primarily due the receipt of capital lease proceeds of \$4.3 million in the current year, offset by a net increase transfers out to other funds to cover operational costs and provide funds for capital projects.

At June 30, 2015, the governmental funds of the City reported a combined fund balance of \$89.2 million, reflecting a net increase in fund balance of \$9.0 million. The increase is primarily due to the increase in fund balance in the general fund. Also, the City implemented new accounting guidance provided by the state of North Carolina, in consultation with GASB, regarding the treatment of community development block grant revolving loans. Based on the new guidance, the City no longer records deferred inflows of resources and expenditures for revolving loans. A statement to record the effects of the new accounting guidance increased beginning fund balance by \$8.9 million.

General Fund Budgetary Highlights

The City Council approved a \$156.1 million general fund budget for fiscal year 2015, which represented a \$4.9 million or 3.2% increase from the original budget for fiscal year 2014. The general ad valorem tax rate was increased by 3.0 cents to 48.6 cents per \$100 value. Significant appropriation increases in the fiscal year 2015 budget included: \$4.4 million in enhancements for public safety, including the addition of 36 sworn law enforcement positions and 12 support positions; \$1.6 million to fund employee pay adjustments; \$233,000 for staffing enhancements for economic and business development and development services; \$720,000 for projected increases for vehicle maintenance; and, a \$515,000 increased appropriation to balance County Recreation District expenditures to projected revenues. These appropriation increases were offset by appropriation reductions including: a \$1.1 million reduction of reimbursements for utility sales tax proceeds; a \$1.2 million reduction in budgeted capital purchases and transfers to capital project funds; and a \$532,000 reduction in projected transfers to support enterprise fund activities.

The original fiscal year 2015 budget anticipated an additional \$4.2 million in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2014 budget. The increase principally reflected the impact of the 3.0 cent increase in the general ad valorem tax rate. Other significant revenue increases anticipated in the original fiscal year 2015 budget as compared to fiscal year 2014 original budget included: a \$1.3 million increase in intergovernmental revenues primarily reflecting \$695,000 in anticipated Federal grants for additional law enforcement personnel and a \$444,000 increase in projected funding from Cumberland County for the operations of the joint parks and recreation program; and, a \$1.2 million increase in interfund transfers largely reflecting the return of \$1.0 million transferred for a transit capital project pending receipt of grant funding. Revenue decreases anticipated in the original fiscal year 2015 budget include: a \$305,000 decline in prior year ad valorem taxes mainly reflecting the impact of the Tag and Tax Together program; and, a \$378,000 decline in permit and fee revenues primarily due to anticipated declines in building permit and inspection activity. The \$2.5 million fund balance appropriation for one-time expenditures for fiscal year 2015 represented a \$991,000 decrease compared to the original \$3.5 million fund balance appropriation originally budgeted in fiscal year 2014.

During the fiscal year, the City Council approved budget increases of \$11.0 million or 7.1%, bringing the general fund budget for fiscal year 2015 to \$167.1 million. The budget increases related to appropriations of: \$2.6 million for expenditures for which funds were restricted or assigned at June 30, 2014; \$3.0 million to assign funding at Council direction for a potential affordable housing rehabilitation project; \$2.2 million to repay a temporary interfund loan; \$790,000 for capital improvement funding; \$787,000 for transfers for the Environmental Services fund; \$375,000 for contracted legal services; and \$1.3 million to cover year-end projections and other items across multiple departments. The increased budget appropriations were primarily funded by additional fund balance appropriations of \$3.9 million, an interfund loan of \$3.0 million, financing proceeds of \$2.2 million, and \$1.9 million in increased intergovernmental distributions of sales and utilities sales tax proceeds.

Actual revenues and other financing sources for the general fund totaled \$163.1 million, or \$4.0 million or 2.4% less than the final amended budget. The shortfall largely related to a budgeted fund balance appropriation of \$6.5 million, which is an other financing source that is not reflected as current year revenue. In addition, restricted intergovernmental revenues fell short of budget by \$551,000 primarily due to lower than expected funding received for the operations of the Cumberland County's recreation program and for reimbursement from public safety grants; and permit and fee revenues fell short of budget by \$374,000 primarily due to lower than expected building and trade permit activity. These shortfalls were offset by: ad valorem taxes and other taxes that exceeded the budget by \$775,000 principally due to the enhanced collection of taxes on licensed motor vehicles by the North Carolina Division of Motor Vehicles; unrestricted intergovernmental revenues that exceeded the budget by \$2.5

million largely due to higher than expected distributions of utilities sales tax following the transition from the franchise model; and miscellaneous revenues that exceeded budget by \$209,000 primarily due to indirect cost allocations.

Actual expenditures and other financing uses totaled \$154.6 million, or \$12.5 million or 7.5% less than the final amended budget. The final budget retained appropriations of approximately \$3.6 million or 2.3% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year, and \$3.0 million for the Council funding assignment for the potential future affordable housing project. In addition, there were approximately \$3.3 million in expenditures budgeted for fiscal year 2015 for which fund balance was restricted for encumbrances and \$1.8 million in additional funding assigned for special purposes at June 30, 2015 to be reappropriated in fiscal year 2016.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$973.2 million (net of accumulated depreciation and related debt). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and electric, water, wastewater and storm water utility systems.

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

- \$12.5 million for purchase and installation of AMI electric and water meters
- \$8.5 million for expansion of PO Hoffer Water Treatment Facility
- \$7.5 million for water and wastewater system improvements
- \$5.7 million for NCDOT electric and water distribution systems
- \$6.0 million for airport runway, facility, and parking improvements
- \$4.9 million for water and wastewater system rehabilitation
- \$4.9 million for public safety communications and other equipment
- \$4.1 million for installation of water and wastewater mains and laterals in annexed areas
- \$2.1 million for street infrastructure projects
- \$2.0 million for purchase of vehicles, power operated equipment (electric and water/wastewater)
- \$1.8 million for the new multi-modal transit center
- \$1.6 million for a new outdoor aquatics facility
- \$1.5 million for environmental services vehicles
- \$1.5 million for public safety vehicles
- \$1.3 million for sanitary sewer replacement on Person Street

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

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land and land rights	\$ 38,995	\$ 39,909	\$ 21,863	\$ 21,842	\$ 60,858	\$ 61,751
Infrastructure	241,002	231,768	21,760	21,883	262,762	253,651
Electric utility system	-	-	177,970	175,865	177,970	175,865
Wastewater system	-	-	289,098	291,993	289,098	291,993
Water system	-	-	182,531	190,915	182,531	190,915
Equipment and machinery	-	-	11,030	10,758	11,030	10,758
Buildings and improvements	64,298	62,261	63,191	64,723	127,489	126,984
Equipment, furniture and fixtures	4,159	7,395	2,643	2,882	6,802	10,277
Computer software	763	1,528	7,746	15,815	8,509	17,343
Computer equipment	-	-	1,869	2,068	1,869	2,068
Vehicles	10,709	10,006	19,230	19,947	29,939	29,953
Construction in progress	3,414	4,182	66,843	94,126	70,257	98,308
Total	\$ 363,340	\$ 357,049	\$ 865,774	\$ 912,817	\$ 1,229,114	\$ 1,269,866

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

Long-term Debt. As of June 30, 2015, The City had total bonded debt outstanding of \$235.7 million before loss on defeasance and reacquired debt, premiums, and discounts (see Note 5 in the financial statements), of which \$8.6 million is debt backed by the full faith and credit of the City. In addition, the City has a number of capital leases and several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

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

Figure 5

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2015	2014	2015	2014	2015
Bonded debt	\$ 10,862	\$ 8,282	\$ 129,303	\$ 227,378	\$ 140,165	\$ 235,660
Obligations under capital leases	19,166	20,607	19	576	19,185	21,183
Installment note payable	450	375	26,275	34,168	26,725	34,543
Total long-term debt	\$ 30,478	\$ 29,264	\$ 155,597	\$ 262,122	\$ 186,075	\$ 291,386

The City's total long-term debt increased by \$105.3 million, or 56.6 percent, during the past fiscal year. This increase is due to bond issuance of \$111.4 million, receipt of state loan proceeds of \$9.7 million and capital lease proceeds of \$4.8 million, offset by regularly scheduled principal payments of \$20.6 million.

The City's other long-term obligations include a liability for the estimated amount of vacation and compensatory leave to ultimately be paid (compensated absences) of \$10.5 million, and a \$28.5 million liability for Other Post-Employment Benefits (OPEB).

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

The City's Public Works Commission outstanding revenue bonds carry an Aa2, AA and AA credit rating from Moody's, Standard and Poor's, and Fitch, respectively.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$1.0 billion. The City has \$1.7 million refunding bonds authorized but unissued at June 30, 2015.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-26 – F-37 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2016

The City Council approved a \$160.4 million general fund budget for fiscal year 2016, which represented a \$4.3 million or 2.8% increase from the original budget for fiscal year 2015. The general ad valorem tax rate remained unchanged at 48.6 cents per \$100 value. Significant appropriation increases in the fiscal year 2016 budget included: \$1.8 million to fund employee pay enhancements, including new step pay plans for fire and emergency communications personnel; \$464,000 in increased employer medical contributions; \$190,000 to begin 401(k) contributions for non-sworn employees; \$1.3 million for replacement breathing apparatus for fire personnel; \$572,000 for increased vehicle maintenance costs; \$514,000 for increased funding for the enhanced internal audit, budget and strategic planning functions; \$621,000 for projected increases in sales tax and annexation agreement reimbursements; \$342,000 in increased fleet replacement costs; \$483,000 to implement the new red-light safety camera program; \$350,000 for one-time contract services for economic and business development including development of a strategic plan, a local/small disadvantaged business enterprise program and a redevelopment plan for Catalyst Site 1; \$235,000 for biennial election costs; \$200,000 for costs associated with a parks and recreation bond referendum and education campaign; \$200,000 to renovate a facility to serve as a temporary fire station; \$167,000 for a pavement condition study; and, \$1.7 million in increased transfers to the environmental services fund reflecting the impact of \$1.1 million in one-time loan proceeds in fiscal year 2015. These appropriation increases were offset by appropriation reductions including: a \$1.3 million reduction in transfers to capital project funds; a \$3.5 million reduction in transfers to the utility fund for water and sewer extensions; and a \$413,000 reduction in total expenditure appropriations for the county recreation district to match projected district funding sources.

The original fiscal year 2016 budget anticipated an additional \$1.2 million in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2015 budget. The increase principally reflected the impact of natural growth in taxable values and continuation of enhanced motor vehicle tax collection through the implementation of the North Carolina Tag and Tax Together program. Other significant revenue increases anticipated in the original fiscal year 2016 budget as compared to fiscal year 2015 original budget included: a \$4.4 million increase in intergovernmental revenues primarily reflecting \$3.5 million in increased sales tax distributions and \$1.7 million in increased utilities sales tax distributions, and \$483,000 in new reimbursements from Cumberland County Schools for administration of the red light camera program, offset by an anticipated reduction of \$1.6 million in projected funding from Cumberland County for the operations of the joint parks and recreation program; and a \$261,000 increase in property lease revenues primarily reflecting increased revenues from the Festival Plaza building. Revenue decreases anticipated in the original fiscal year 2016 budget include: a \$4.0 million decline in interfund transfers, including a \$3.0 million reduction in the transfer from the utility fund and \$1.0 million one-time transfer from the transit capital project fund in fiscal year 2015; a \$1.0 million decline in other tax revenues due to the rescission of municipal privilege license authority by the North Carolina legislature; a \$280,000 decline in permit and fee revenues primarily due to anticipated declines in building permit and inspection activity; and a \$350,000 reduction in prior year ad valorem taxes mainly reflecting the transition of the Tag and Tax Together program. The \$7.0 million fund balance appropriation for one-time expenditures for fiscal year 2016 represented a \$4.4 million increase compared to the original \$2.5 million fund balance appropriation originally budgeted in fiscal year 2015.

The City Council has since approved budget increases of \$7.1 million, or 4.4%, bringing the general fund budget for fiscal year 2016 to \$167.5 million. The vast majority of the increases (\$5.1 million) related to appropriations for expenditures for which funds were restricted or assigned at June 30, 2015. Additional appropriations included \$1.5 million for several capital improvement, repair and renovation

projects, and \$508,000 for other items over several departments. The increases were primarily funded by an additional appropriation of \$7.0 million from fund balance and \$45,000 in intergovernmental revenues.

Requests for Information

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

2015

Basic Financial Statements

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Net Position
June 30, 2015**

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and investments	\$ 83,065,145	\$ 115,266,648	\$ 198,331,793
Taxes receivable	2,231,487	-	2,231,487
Accounts receivable	3,466,459	52,717,968	56,184,427
Internal balances	(1,414,853)	1,414,853	-
Assessment receivable	1,646,499	-	1,646,499
Due from other governments	14,344,630	-	14,344,630
Inventories	98,006	14,019,994	14,118,000
Prepaid expenses	882,827	1,149,424	2,032,251
Noncurrent portion of note receivable	8,605,660	-	8,605,660
Restricted asset - cash and investments	10,699,291	205,974,709	216,674,000
Restricted asset - accounts receivable	18,685	4,491,861	4,510,546
Restricted asset - net pension assets	7,024,821	4,294,121	11,318,942
Restricted asset - collateral pledged	-	341,688	341,688
Other assets	300	3,009,060	3,009,360
Property held for resale	27,871	-	27,871
Capital assets:			
Land and construction in progress	44,090,514	115,967,682	160,058,196
Other capital assets, net of depreciation	312,958,495	796,849,249	1,109,807,744
Total assets	487,745,837	1,315,497,257	1,803,243,094
Deferred Outflows of Resources			
Charge on refunding	139,735	5,267,671	5,407,406
Contribution to pension plan in current fiscal year	4,524,081	5,464,926	9,989,007
Total deferred outflow of resources	4,663,816	10,732,597	15,396,413
Liabilities			
Accounts payable and accrued expenses	15,024,301	37,379,742	52,404,043
Restricted liabilities - accounts payable	164,490	17,403,054	17,567,544
Restricted unearned deposits	604,687	-	604,687
Unearned revenues	429,910	29,183	459,093
Unearned deposits	-	4,062,936	4,062,936
Long-term liabilities:			
Due within one year	9,721,655	19,309,503	29,031,158
Due in more than one year	46,279,869	272,829,025	319,108,894
Other liabilities	-	9,501	9,501
Total liabilities	72,224,912	351,022,944	423,247,856
Deferred Inflows of Resources			
Prepaid taxes	6,819	-	6,819
Pension deferrals	17,121,207	10,465,821	27,587,028
Total deferred inflow of resources	17,128,026	10,465,821	27,593,847
Net position			
Net investment in capital assets	330,625,569	642,548,862	973,174,431
Restricted for:			
Capital projects	-	63,903,304	63,903,304
Debt service	-	1,920,080	1,920,080
Operating projects	-	1,020	1,020
Stabilization by State Statute	35,868,585	-	35,868,585
Downtown	72,980	-	72,980
Recreational and cultural	6,088,067	-	6,088,067
Donations	13,655	-	13,655
Lake Valley Drive MSD	230	-	230
Public safety	1,702,249	-	1,702,249
Economic and physical development	10,390	-	10,390
Powell bill	1,930,863	-	1,930,863
Unrestricted	26,744,127	256,367,823	283,111,950
Total net position	\$ 403,056,715	\$ 964,741,089	\$ 1,367,797,804

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities
Year Ended June 30, 2015

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental activities:							
Administration	\$ 25,909,939	\$ 1,811,598	\$ 8,485	\$ -	\$ (24,089,856)	\$ -	\$ (24,089,856)
Public safety	76,505,137	3,423,674	3,781,759	302,007	(68,997,697)	-	(68,997,697)
Environmental protection	458,342	36,020	6,098	-	(416,224)	-	(416,224)
Transportation	20,620,224	1,337,933	5,568,092	173,144	(13,541,055)	-	(13,541,055)
Economic and physical development	5,541,090	376,160	2,702,616	-	(2,462,314)	-	(2,462,314)
Recreation and community facilities	13,905,171	4,990,974	218,258	1,179,024	(7,516,915)	-	(7,516,915)
Interest and fees	811,174	-	88,737	-	(722,437)	-	(722,437)
Total governmental activities	143,751,077	11,976,359	12,374,045	1,654,175	(117,746,498)	-	(117,746,498)
Business-type activities:							
Electric	203,441,960	223,663,832	-	96,819	-	20,318,691	20,318,691
Water and wastewater	75,205,401	76,820,546	-	7,708,126	-	9,323,271	9,323,271
Storm water management	4,569,999	6,224,941	-	-	-	1,654,942	1,654,942
Transit	8,886,160	1,349,877	2,725,732	2,278,449	-	(2,532,102)	(2,532,102)
Airport	6,510,834	4,316,716	110,580	5,918,190	-	3,834,652	3,834,652
Solid waste recycling	10,044,425	2,949,501	135,815	-	-	(6,959,109)	(6,959,109)
Total business-type activities	308,658,779	315,325,413	2,972,127	16,001,584	-	25,640,345	25,640,345
Total primary government	\$ 452,409,856	\$ 327,301,772	\$ 15,346,172	\$ 17,655,759	(117,746,498)	25,640,345	(92,106,153)
General revenues:							
Ad valorem taxes					68,090,990	-	68,090,990
Other taxes							
Sales tax					37,214,408	-	37,214,408
Utilities sales tax					9,409,115	-	9,409,115
Telecommunications sales tax					1,578,634	-	1,578,634
Piped natural gas sales tax					291,976	-	291,976
Video franchise tax					2,394,732	-	2,394,732
Vehicle license tax					600,551	638,129	1,238,680
Privilege license					914,705	-	914,705
Vehicle gross receipts tax					601,149	-	601,149
Unrestricted grants and contributions					1,003,800	-	1,003,800
Interest earned on investments					488,468	1,600,725	2,069,193
Miscellaneous					385,836	466,468	852,304
Gain on sale of capital assets					178,557	38,470	217,027
Total general revenues not including transfers					123,132,921	2,743,792	125,876,713
Transfers					(26,001)	26,001	-
Total general revenues and transfers					123,106,920	2,769,793	125,876,713
Change in net position					5,360,422	28,410,138	33,770,560
Net position - beginning					407,307,620	941,731,817	1,349,039,437
Restatement					(9,611,327)	(5,400,866)	(15,012,193)
Net position - beginning restated					397,696,293	936,330,951	1,334,027,244
Net position - ending					\$ 403,056,715	\$ 964,741,089	\$ 1,367,797,804

CITY OF FAYETTEVILLE, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 47,684,218	\$ 16,397,113	\$ 64,081,331
Taxes receivable	2,088,931	-	2,088,931
Accounts receivable	15,926,980	9,656,721	25,583,701
Assessments receivable	1,303,173	-	1,303,173
Prepaid items	19,016	-	19,016
Inventories	98,006	-	98,006
Restricted cash and investments	6,438,375	4,260,916	10,699,291
Restricted accounts receivable	17,756	929	18,685
Property held for resale	-	27,871	27,871
Total assets	\$ 73,576,455	\$ 30,343,550	\$ 103,920,005
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 8,581,681	\$ 1,156,033	\$ 9,737,714
Restricted unearned deposits	604,687	-	604,687
Unearned revenue	60,265	359,662	419,927
Restricted accounts payable and accrued expenses	-	160,001	160,001
Total liabilities	9,246,633	1,675,696	10,922,329
Deferred inflows of resources:			
Taxes receivable	2,035,862	-	2,035,862
Accounts receivable	239,261	-	239,261
Assessment receivable	1,511,172	-	1,511,172
Prepaid taxes	6,819	-	6,819
Total deferred inflows of resources	3,793,114	-	3,793,114
Fund balances:			
Nonspendable			
For inventories	98,006	-	98,006
For prepaids	19,016	-	19,016
Restricted			
Stabilization by State Statute	18,827,161	18,065,081	36,892,242
For streets - Powell Bill	-	1,930,863	1,930,863
For downtown	63,324	9,656	72,980
For county recreation	5,351,164	-	5,351,164
For capital projects	153,032	-	153,032
For donations	13,655	-	13,655
For Lake Valley Drive MSD	230	-	230
Public safety	-	1,702,249	1,702,249
Economic and physical development	-	514,500	514,500
Recreation and community facilities	-	736,903	736,903
Committed			
Administration	-	3,643,536	3,643,536
Public safety	-	535,027	535,027
Transportation	-	2,554,332	2,554,332
Economic and physical development	-	530,389	530,389
Recreation and community facilities	-	43,836	43,836
Assigned			
For subsequent year's expenditures	5,825,779	-	5,825,779
For special purpose	6,997,110	-	6,997,110
For capital projects	1,558,212	-	1,558,212
Unassigned	21,630,019	(1,598,518)	20,031,501
Total fund balances	60,536,708	28,667,854	89,204,562
Total liabilities, deferred inflows of resources and fund balances	\$ 73,576,455	\$ 30,343,550	\$ 103,920,005

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2015**

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

Ending fund balance - governmental funds		\$ 89,204,562
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		354,788,811
Land	\$ 23,599,912	
Right of Way	16,308,899	
Construction in progress	3,943,132	
Infrastructure	458,701,235	
Buildings and improvements	103,394,724	
Furniture and equipment	35,769,027	
Vehicles	33,860,840	
Accumulated depreciation	<u>(320,788,958)</u>	
	<u>\$ 354,788,811</u>	
Net pension asset		6,994,744
Contributions to the pension plan in the current fiscal year year are deferred outflows of resources on the Statements of Net Position		4,504,710
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		3,798,005
Costs of bond issuance are current-period expenditures in the funds, but will be deferred in the statement of net position and amortized over the life of the outstanding debt.		139,735
Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.		627,820
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		142,557
Internal service funds are used by management to charge the costs of PWC fleet maintenance and insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		15,332,623
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(256,098)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		34,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		(55,207,313)
General obligation bonds	\$ (6,163,437)	
Revenue bonds	(2,414,385)	
Notes payable	(375,000)	
Obligations under capital leases	(20,606,769)	
Net OPEB obligation	(19,389,944)	
Compensated absences	<u>(6,257,778)</u>	
	<u>\$ (55,207,313)</u>	
Pension related deferrals		<u>(17,047,900)</u>
Net position of governmental activities		<u>\$ 403,056,715</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 68,573,807	\$ -	\$ 68,573,807
Other taxes and fees	2,185,731	-	2,185,731
Unrestricted intergovernmental	52,471,036	-	52,471,036
Restricted intergovernmental	9,841,214	6,293,160	16,134,374
Permits and fees	2,324,735	-	2,324,735
Sales and services	4,102,986	-	4,102,986
Miscellaneous	2,309,490	1,148,455	3,457,945
Interest earned on investments	321,385	210,015	531,400
Total revenues	<u>142,130,384</u>	<u>7,651,630</u>	<u>149,782,014</u>
Expenditures			
Current:			
Administration	25,270,347	1,795,165	27,065,512
Public safety	74,977,368	5,624,736	80,602,104
Environmental protection	307,657	-	307,657
Transportation	7,236,783	2,856,000	10,092,783
Economic and physical development	2,185,297	3,287,872	5,473,169
Planning and development	-	-	-
Recreation and community facilities	12,207,259	3,624,271	15,831,530
Debt service:			
Principal	4,667,270	804,186	5,471,456
Interest	809,269	166,319	975,588
Total expenditures	<u>127,661,250</u>	<u>18,158,549</u>	<u>145,819,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,469,134</u>	<u>(10,506,919)</u>	<u>3,962,215</u>
Other financing sources (uses)			
Sale of capital assets	168,430	-	168,430
Transfers in	16,529,635	11,014,273	27,543,908
Transfers out	(26,936,376)	(24,260)	(26,960,636)
Capital lease proceeds	4,257,748	-	4,257,748
Total other financing sources (uses)	<u>(5,980,563)</u>	<u>10,990,013</u>	<u>5,009,450</u>
Net change in fund balances	8,488,571	483,094	8,971,665
Fund balance - beginning, previously reported	<u>52,048,137</u>	<u>19,265,671</u>	<u>71,313,808</u>
Restatement	-	8,919,089	8,919,089
Fund balance - beginning restated	<u>52,048,137</u>	<u>28,184,760</u>	<u>80,232,897</u>
Fund balance - ending	<u>\$ 60,536,708</u>	<u>\$ 28,667,854</u>	<u>\$ 89,204,562</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds \$ 8,971,665

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$20,835,527) exceeded capital outlay (\$14,351,276) in the current period. (6,484,251)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. 23,509

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (209,426)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. (825,076)

New issuance - capital lease	\$	(4,257,748)
Principal repayments		5,471,456
Change in net OPEB obligation		(2,102,978)
Change in compensated absences		(105,103)
Other miscellaneous		169,297
	<u>\$</u>	<u>(825,076)</u>

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 4,469,165

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (447,439)

The net revenue of certain activities of internal service funds is reported with governmental activities. (137,725)

Change in net position of governmental activities \$ 5,360,422

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 67,798,683	\$ 67,798,683	\$ 68,573,807	\$ 775,124
Other taxes	2,260,200	2,260,200	2,185,731	(74,469)
Unrestricted intergovernmental	48,041,515	49,975,878	52,471,036	2,495,158
Restricted intergovernmental	10,391,723	10,391,723	9,841,214	(550,509)
Permits and fees	2,698,350	2,698,350	2,324,735	(373,615)
Sales and services	4,125,356	4,165,813	4,102,986	(62,827)
Miscellaneous	2,100,468	2,100,468	2,309,490	209,022
Interest earned on investments	270,800	270,800	321,385	50,585
Total revenues	137,687,095	139,661,915	142,130,384	2,468,469
EXPENDITURES				
Current:				
Administration	24,652,377	29,988,701	25,270,347	4,718,354
Public safety	76,984,972	78,950,141	74,977,368	3,972,773
Environmental protection	284,934	315,934	307,657	8,277
Transportation	7,766,252	7,837,432	7,236,783	600,649
Economic and physical development	2,306,825	2,668,577	2,185,297	483,280
Recreation and community facilities	13,704,722	13,790,555	12,207,259	1,583,296
Debt Service:				
Principal	5,363,029	5,448,501	4,667,270	781,231
Interest	966,788	834,575	809,269	25,306
Total expenditures	132,029,899	139,834,416	127,661,250	12,173,166
Excess (deficiency) of revenues over (under) expenditures	5,657,196	(172,501)	14,469,134	14,641,635
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	210,000	210,000	168,430	(41,570)
Appropriated fund balance	2,539,720	6,451,503	-	(6,451,503)
Transfers in	13,529,675	16,529,675	16,529,635	(40)
Transfers out	(24,043,702)	(27,276,425)	(26,936,376)	340,049
Proceeds from loans	2,107,111	4,257,748	4,257,748	-
Total other financing sources (uses)	(5,657,196)	172,501	(5,980,563)	(6,153,064)
Net change in fund balances	\$ -	\$ -	8,488,571	\$ 8,488,571
FUND BALANCE - BEGINNING			52,048,137	
FUND BALANCE - ENDING			\$ 60,536,708	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Assets						
Current assets						
Cash and investments	\$ 77,489,458	\$ 14,512,396	\$ 11,671,004	\$ 11,593,790	\$ 115,266,648	\$ 18,983,814
Accounts receivable	29,680,129	17,559,396	150,060	5,328,383	52,717,968	1,130,202
Interfund receivable	(1,348,954)	(327,372)	-	-	(1,676,326)	1,676,326
Inventories	12,209,083	1,593,212	-	217,699	14,019,994	-
Prepaid expenses	652,246	497,178	-	-	1,149,424	235,991
Other current assets	-	-	-	-	-	224
Total unrestricted current assets	<u>118,681,962</u>	<u>33,834,810</u>	<u>11,821,064</u>	<u>17,139,872</u>	<u>181,477,708</u>	<u>22,026,557</u>
Restricted current assets						
Restricted cash and investments	90,620,157	110,664,236	3,973,959	716,357	205,974,709	-
Restricted accounts receivable	62,034	4,291,529	-	138,298	4,491,861	-
Collateral pledged in lieu of deposits	341,688	-	-	-	341,688	-
Total restricted current assets	<u>91,023,879</u>	<u>114,955,765</u>	<u>3,973,959</u>	<u>854,655</u>	<u>210,808,258</u>	<u>-</u>
Total current assets	<u>209,705,841</u>	<u>148,790,575</u>	<u>15,795,023</u>	<u>17,994,527</u>	<u>392,285,966</u>	<u>22,026,557</u>
Noncurrent assets						
Other assets	1,266,382	1,742,678	-	-	3,009,060	76
Capital assets	259,018,232	560,491,761	24,218,971	69,087,967	912,816,931	2,260,198
Net pension assets	1,650,640	1,650,640	166,954	825,887	4,294,121	30,077
Total noncurrent assets	<u>261,935,254</u>	<u>563,885,079</u>	<u>24,385,925</u>	<u>69,913,854</u>	<u>920,120,112</u>	<u>2,290,351</u>
Total assets	<u>471,641,095</u>	<u>712,675,654</u>	<u>40,180,948</u>	<u>87,908,381</u>	<u>1,312,406,078</u>	<u>24,316,908</u>
Deferred outflows of resources						
Unamortized bond refunding charges	384,538	4,883,133	-	-	5,267,671	-
Contribution to pension plan in current fiscal year	2,412,763	2,412,763	107,519	531,881	5,464,926	19,371
Total deferred outflows of resources	<u>2,797,301</u>	<u>7,295,896</u>	<u>107,519</u>	<u>531,881</u>	<u>10,732,597</u>	<u>19,371</u>
Liabilities and net position						
Current liabilities to be paid from unrestricted assets						
Accounts payable and accrued expenses	21,897,308	12,691,941	291,835	2,498,658	37,379,742	5,030,490
Current portion of long term debt	2,606,482	15,253,214	737,453	712,354	19,309,503	121,402
Total current liabilities to be paid from unrestricted assets	<u>24,503,790</u>	<u>27,945,155</u>	<u>1,029,288</u>	<u>3,211,012</u>	<u>56,689,245</u>	<u>5,151,892</u>
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	7,969,519	9,395,180	-	38,355	17,403,054	4,489
Total current liabilities to be paid from restricted assets	<u>7,969,519</u>	<u>9,395,180</u>	<u>-</u>	<u>38,355</u>	<u>17,403,054</u>	<u>4,489</u>
Total current liabilities	<u>32,473,309</u>	<u>37,340,335</u>	<u>1,029,288</u>	<u>3,249,367</u>	<u>74,092,299</u>	<u>5,156,381</u>
Noncurrent liabilities						
Unearned deposits	6,594	2,512,422	1,542,895	1,025	4,062,936	-
Net OPEB obligation	3,116,563	3,661,693	382,386	1,339,815	8,500,457	89,660
Unearned revenues	-	-	-	29,183	29,183	9,984
Long-term debt	28,012,184	227,606,402	8,275,419	434,563	264,328,568	583,149
Other liabilities	-	9,501	-	-	9,501	-
Total noncurrent liabilities	<u>31,135,341</u>	<u>233,790,018</u>	<u>10,200,700</u>	<u>1,804,586</u>	<u>276,930,645</u>	<u>682,793</u>
Total liabilities	<u>63,608,650</u>	<u>271,130,353</u>	<u>11,229,988</u>	<u>5,053,953</u>	<u>351,022,944</u>	<u>5,839,174</u>
Deferred inflows of resources						
Pension deferrals	4,023,015	4,023,015	406,904	2,012,887	10,465,821	73,307
Total deferred outflows of resources	<u>4,023,015</u>	<u>4,023,015</u>	<u>406,904</u>	<u>2,012,887</u>	<u>10,465,821</u>	<u>73,307</u>
Net position						
Net investment in capital assets	230,477,061	325,836,212	17,723,564	68,512,025	642,548,862	2,260,198
Restricted net position						
Capital projects	9,975,469	53,112,559	-	815,276	63,903,304	-
Debt service	359,324	1,560,756	-	-	1,920,080	-
Operating projects	-	-	1,020	-	1,020	-
Unrestricted	165,994,877	64,308,655	10,926,991	12,046,121	253,276,644	16,163,600
Total net position	<u>\$ 406,806,731</u>	<u>\$ 444,818,182</u>	<u>\$ 28,651,575</u>	<u>\$ 81,373,422</u>	<u>961,649,910</u>	<u>\$ 18,423,798</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business type activities.					3,091,179	
Net position of business-type activities					<u>\$ 964,741,089</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2015

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services	\$ 223,663,832	\$ 76,820,546	\$ 6,203,349	\$ 7,951,597	\$ 314,639,324	\$ -
Other revenue from operations	-	-	21,592	360,252	381,844	8,451,548
Interfund charges and employee contributions	-	-	-	-	-	17,029,315
Miscellaneous operating revenue	-	-	-	-	-	334
Total operating revenues	<u>223,663,832</u>	<u>76,820,546</u>	<u>6,224,941</u>	<u>8,311,849</u>	<u>315,021,168</u>	<u>25,481,197</u>
Operating expenses						
General and administrative	18,745,240	18,471,639	-	-	37,216,879	-
Power supply and generation	157,248,396	-	-	-	157,248,396	-
Electric operation	11,059,845	-	-	-	11,059,845	-
Miscellaneous operating expense - water	-	-	-	-	-	-
Water operations	-	12,822,428	-	-	12,822,428	-
Wastewater operations	-	13,428,070	-	-	13,428,070	-
Salaries and employee benefits	-	-	1,971,183	10,139,979	12,111,162	352,141
Other operating expenses	-	-	1,518,515	9,643,328	11,161,843	24,569,347
Depreciation	15,127,588	21,033,813	871,365	5,213,081	42,245,847	187,534
Total operating expenses	<u>202,181,069</u>	<u>65,755,950</u>	<u>4,361,063</u>	<u>24,996,388</u>	<u>297,294,470</u>	<u>25,109,022</u>
Operating income (loss)	<u>21,482,763</u>	<u>11,064,596</u>	<u>1,863,878</u>	<u>(16,684,539)</u>	<u>17,726,698</u>	<u>372,175</u>
Nonoperating revenue (expense)						
Interest earned on investments	829,611	661,300	55,713	54,101	1,600,725	83,108
Federal and State grants	-	-	-	2,972,127	2,972,127	-
Passenger Facility Charges	-	-	-	138,520	138,520	-
Customer Facility Charge	-	-	-	249,743	249,743	-
Miscellaneous revenue	-	-	136,044	330,424	466,468	16,328
Gain (loss) on disposal of capital assets	(176,869)	(965,763)	6,799	31,671	(1,104,162)	(62)
County revenue	-	-	-	304,245	304,245	-
Vehicle fee revenue	-	-	-	638,129	638,129	-
Interest expense	(824,802)	(7,402,209)	(208,936)	(366)	(8,436,313)	-
Amortization	(147,337)	(514,621)	-	-	(661,958)	-
Miscellaneous expense	-	-	-	(444,665)	(444,665)	-
Issuance costs	(111,883)	(566,858)	-	-	(678,741)	-
Total nonoperating revenue (expense)	<u>(431,280)</u>	<u>(8,788,151)</u>	<u>(10,380)</u>	<u>4,273,929</u>	<u>(4,955,882)</u>	<u>99,374</u>
Income (loss) before transfers	<u>21,051,483</u>	<u>2,276,445</u>	<u>1,853,498</u>	<u>(12,410,610)</u>	<u>12,770,816</u>	<u>471,549</u>
Transfers in	-	3,596,493	-	9,959,143	13,555,636	3,241,320
Transfers out	(12,703,057)	(175,297)	-	(1,001,875)	(13,880,229)	(3,500,000)
Capital contributions	96,819	7,708,126	-	7,808,376	15,613,321	-
Change in net position	<u>8,445,245</u>	<u>13,405,767</u>	<u>1,853,498</u>	<u>4,355,034</u>	<u>28,059,544</u>	<u>212,869</u>
Total net position - beginning	<u>400,382,721</u>	<u>433,433,650</u>	<u>27,026,499</u>	<u>78,148,362</u>		<u>18,252,081</u>
Restatement	<u>(2,021,235)</u>	<u>(2,021,235)</u>	<u>(228,422)</u>	<u>(1,129,974)</u>		<u>(41,152)</u>
Total net position - beginning restated	<u>398,361,486</u>	<u>431,412,415</u>	<u>26,798,077</u>	<u>77,018,388</u>		<u>18,210,929</u>
Total net position - ending	<u>\$ 406,806,731</u>	<u>\$ 444,818,182</u>	<u>\$ 28,651,575</u>	<u>\$ 81,373,422</u>		<u>\$ 18,423,798</u>

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

350,594

Change in net position of business-type activities

\$ 28,410,138

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds					
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating activities						
Cash received from customers	\$ 223,197,248	\$ 74,455,968	\$ 6,584,926	\$ 7,865,325	\$ 312,103,467	\$ 24,992,881
Cash received for insurance reimbursements	-	-	-	-	-	316,316
Cash paid to or on behalf of employees for services	(15,376,931)	(22,758,702)	(2,020,801)	(10,321,317)	(50,477,751)	(2,699,244)
Cash paid for goods and services	(4,565,149)	(24,424,926)	(1,672,343)	(10,057,717)	(40,720,135)	(22,119,592)
Cash paid for power supply and generation	(157,248,396)	-	-	-	(157,248,396)	-
Net cash provided by (used in) operating activities	46,006,772	27,272,340	2,891,782	(12,513,709)	63,657,185	490,361
Noncapital financing activities						
Transfers in	-	3,596,493	-	9,959,143	13,555,636	3,241,320
Federal and State grants	-	-	-	2,972,127	2,972,127	-
Cost of debt issuance	-	-	-	-	-	-
Transfers out	(12,703,057)	(175,297)	-	(1,001,875)	(13,880,229)	(3,500,000)
Net cash provided (used) by noncapital financing activities	(12,703,057)	3,421,196	-	11,929,395	2,647,534	(258,680)
Capital and related financing activities						
Proceeds from sale of capital assets	349,998	231,456	6,799	162,675	750,928	111
Proceeds from debt issuance	18,085,000	103,034,737	-	575,942	121,695,679	-
Contributed capital received	96,819	1,096,797	-	7,808,376	9,001,992	-
Acquisition and construction of capital assets	(28,780,194)	(42,833,714)	(645,489)	(10,590,231)	(82,849,628)	(350,594)
Principal paid in debt maturities	(1,453,191)	(13,064,244)	(635,030)	(19,069)	(15,171,534)	-
Interest paid on debt maturities	(1,084,022)	(8,483,688)	(274,417)	(366)	(9,842,493)	-
Net cash provided (used) by capital and related financing activities	(12,785,590)	39,981,344	(1,548,137)	(2,062,673)	23,584,944	(350,483)
Investing activities						
Interest and dividends	829,611	661,300	55,713	54,101	1,600,725	83,108
Net change in investments	11,579,229	7,358,478	-	-	18,937,707	-
Net cash provided (used) by investing activities	12,408,840	8,019,778	55,713	54,101	20,538,432	83,108
Net increase (decrease) in cash and cash equivalents/investments	32,926,965	78,694,658	1,399,358	(2,592,886)	110,428,095	(35,694)
Cash and cash equivalents/investments						
Beginning of year	66,388,146	23,917,827	14,245,605	14,903,033	119,454,611	19,019,508
End of year	\$ 99,315,111	\$ 102,612,485	\$ 15,644,963	\$ 12,310,147	\$ 229,882,706	\$ 18,983,814
Unrestricted cash and cash equivalents/investments	\$ 53,642,086	\$ 12,796,482	\$ 11,671,004	\$ 11,593,790	\$ 89,703,362	\$ 18,983,814
Restricted cash and equivalents/investments	45,673,025	89,816,003	3,973,959	716,357	140,179,344	-
Total cash and cash equivalents/investments	\$ 99,315,111	\$ 102,612,485	\$ 15,644,963	\$ 12,310,147	\$ 229,882,706	\$ 18,983,814

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 21,482,763	\$ 11,064,596	\$ 1,863,878	\$ (16,684,539)	\$ 17,726,698	\$ 372,175
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	15,127,588	21,033,813	871,365	5,213,081	42,245,847	187,534
Nonoperating payments for goods and services	-	-	-	(444,665)	(444,665)	-
Allowance for uncollectible accounts	92,025	35,921	-	-	127,946	-
Nonoperating receipts from customers	-	-	136,044	1,661,061	1,797,105	16,328
Gain (loss) on sale of capital assets	-	-	-	-	-	-
Change in assets and liabilities						
(Increase) decrease in accounts receivable	(524,877)	(2,400,499)	(31,373)	(2,107,729)	(5,064,478)	(190,869)
(Increase) decrease in inventory	(1,400,415)	59,217	-	33,149	(1,308,049)	(225)
(Increase) decrease in prepaid items	-	-	-	-	-	88,916
(Increase) decrease in internal balances	(1,122,576)	1,788,055	-	-	665,479	(665,479)
(Increase) decrease in other current assets	(225,977)	108,874	-	-	(117,103)	-
(Increase) decrease in other assets	8,534,337	(3,279,018)	-	-	5,255,319	-
Increase (decrease) in unearned revenues	(1,407)	(89,661)	255,314	144	164,390	-
Increase (decrease) in accounts payable and accrued liabilities	3,508,752	(429,804)	(153,828)	(2,873)	2,922,247	590,414
Increase (decrease) in accrued compensated absences	536,559	(619,154)	(4,534)	45,440	(41,689)	97,110
Increase (decrease) in unearned revenues	-	-	-	-	-	2,541
Increase (decrease) in LGERS expense	-	-	(95,992)	(474,854)	(570,846)	(17,293)
Increase (decrease) in Net OPEB Obligation	-	-	50,908	248,076	298,984	9,209
Total adjustments	24,524,009	16,207,744	1,027,904	4,170,830	45,930,487	118,186
Net cash provided by (used in) operating activities	\$ 46,006,772	\$ 27,272,340	\$ 2,891,782	\$ (12,513,709)	\$ 63,657,185	\$ 490,361
Noncash investing, capital, and financing activities						
Contributed capital assets	\$ -	\$ 6,381,471	\$ -	\$ -	\$ 6,381,471	\$ -
Change in fair value of investment not included in cash & cash equivalents	\$ 199,526	\$ 78,269	\$ -	\$ -	\$ 277,795	\$ -
FIF Credits Applied	\$ -	\$ 229,858	\$ -	\$ -	\$ 229,858	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

	Pension Trust Fund	Private-purpose Trusts
Assets		
Cash and investments		
Cash and cash equivalents	\$ 3,367,729	\$ 1,374,046
Total cash and investments	<u>3,367,729</u>	<u>1,374,046</u>
Accounts receivable	1,386	-
Total assets	<u>3,369,115</u>	<u>1,374,046</u>
Liabilities		
Accounts payable	42,170	-
Total liabilities	<u>42,170</u>	<u>-</u>
Net position		
Held in Trust for pension benefits and other purposes	3,326,945	1,374,046
Total net position	<u>\$ 3,326,945</u>	<u>\$ 1,374,046</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015**

	Pension Trust Fund	Private-purpose Trusts
Additions		
Employer contributions	\$ 962,563	\$ -
Other contributions	-	97,514
Investment earnings	13,483	10,912
Total additions	<u>976,046</u>	<u>108,426</u>
Deductions		
Benefit payments and premiums	585,607	108,169
Total deductions	<u>585,607</u>	<u>108,169</u>
Change in net position	390,439	257
Total net position - beginning	<u>2,936,506</u>	<u>1,373,789</u>
Total net position - ending	<u>\$ 3,326,945</u>	<u>\$ 1,374,046</u>

2015

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

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

A - Reporting Entity

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

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

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

City of Fayetteville Finance Corporation

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

City of Fayetteville Linear Park, Inc.

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

B - Basis of Presentation

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

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* are presented, even though the fiduciary is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

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

The City reports the following nonmajor governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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

The City reports the following nonmajor enterprise funds: The Transit Fund accounts for operation of the municipal transit system, capital asset acquisition, construction of transit facilities and related improvements. The Airport Fund accounts for the operation and capital asset acquisition and construction of the Fayetteville Regional Airport. The Environmental Services Fund accounts for residential solid waste collection and recycling services and capital asset acquisition.

The City reports the following fund types:

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

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

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

C - Measurement Focus and Basis of Accounting

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on all registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

D – Budgetary Data

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, selected special revenue, and enterprise funds. All annual appropriations lapse at fiscal year end. Project and grant ordinances are adopted for the Federal and State Financial Assistance special revenue fund, Linear Park special revenue fund and capital project funds. Enterprise capital project funds are consolidated with the operating funds for reporting purposes. The City's internal service funds are intra-governmental service funds, which operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the portfolio level for the general fund, at the fund level for selected special revenue and proprietary funds, and at the project level for selected special revenue and capital project funds. Any revisions that alter total appropriations at the portfolio, fund or project level, as appropriate, of any fund must be approved by the City Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

The City's investments with maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

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

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Electric and Water and Wastewater Funds consider demand deposits and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-136(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2014.

Receivables

The receivables in the general fund consist primarily of sales taxes and utility taxes due from the State, which total \$9,792,789 and \$3,079,321, respectively. In addition, motor vehicle ad valorem taxes totaling \$530,546 were also due from the State.

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

Allowance for Uncollectible Receivables

The City recorded an allowance of \$1,333,733 in the federal and state financial assistance related to loans associated with grants or other financial assistance that have been awarded.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

The receivables shown on the Statement of Net Position are presented net of the following allowances for doubtful accounts as of June 30, 2015:

Fund

General Fund:	
Taxes receivable	\$ 910,700
Accounts receivable	220,567
Assessments receivable	348,483
Special Revenue Fund:	
Notes receivable	1,333,733
Transit:	
Accounts receivable	56,774
Airport:	
Accounts receivable	4,419
Solid Waste Recycling:	
Accounts receivable	1,478
Electric Fund:	
Accounts receivable	338,230
Water and Wastewater Fund:	
Accounts receivable	92,844
Storm Water Management Fund:	
Accounts receivable	5,883
Total	<u>\$3,313,111</u>

Interfund Receivables and Payables

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items.

Restricted Assets, Restricted Liabilities and Restricted Net Position

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

At June 30, 2015, the Governmental Activities had restricted assets offset by restricted liabilities related to those assets and unspent financing proceeds, resulting in restricted net position of \$45,687,019. The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-14 and F-15. The restriction for "Recreational and Cultural" incorporates restrictions for county recreation and other recreation and community facilities. Restrictions for Downtown and Lake Valley Drive MSD are created by enabling legislation. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

Business type activities include the following restrictions on net position at June 30, 2015. The Electric Fund and Water/Wastewater Fund had 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 paid from restricted assets are classified as restricted liabilities. The Storm Water Fund had restricted assets offset by restricted liabilities related to those assets and unspent bond proceeds, resulting in restricted net position of \$1,020. The Airport Fund had restricted assets offset by restricted liabilities related to those assets and unspent grant proceeds, resulting in restricted net position of \$815,276.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

	Externally Restricted	Internally Restricted
<u>Governmental Activities</u>		
Restricted Cash and Investments		
General Fund		
For downtown	\$ 63,324	\$ -
For county recreation	5,351,164	-
For capital projects	1,023,657	-
For Lake Valley Drive MSD	230	-
Federal and State Financial Assistance Fund		
Unexpended grant proceeds	555,145	-
Unexpended donations	10,890	-
Transportation Fund		
For downtown	9,656	-
For Powell Bill	2,048,106	-
Economic and Physical Development Fund		
Unexpended debt proceeds	504,110	-
Recreational and Cultural Fund		
Unexpended grant proceeds	1,133,009	-
Total governmental activities - restricted cash and investments	\$ 10,699,291	\$ -
Restricted Receivables		
General Fund		
For county recreation	\$ 17,756	\$ -
Federal and State Financial Assistance Fund		
Unexpended grant proceeds	316	-
Recreational and Cultural Fund		
Unexpended grant proceeds	613	-
Total governmental activities - restricted accounts receivable	\$ 18,685	\$ -
Restricted Net Pension Asset	\$ 7,024,821	\$ -
Restricted Accounts Payable		
Federal and State Financial Assistance Fund		
Unexpended grant proceeds	\$ 7,775	\$ -
Transportation Fund		
For Powell Bill	117,243	-
Recreational and Cultural Fund		
Unexpended grant proceeds	34,983	-
PWC Fleet Maintenance Fund		
For capital projects	-	4,489
Total governmental activities - restricted accounts payable	\$ 160,001	\$ 4,489

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

	Externally Restricted	Internally Restricted
<u>Business Type Activities</u>		
Restricted Cash and Investments		
Electric Fund		
Rate Stabilization Fund Cash	\$ -	\$ 20,746,130
NC Renewable Rider	-	6,002,020
Customer deposits	-	3,005,083
Debt service	359,324	1,184,467
Health insurance reserve	-	1,500,000
Fuel reserve	-	2,233,069
BWG startup costs	-	667,463
Construction fund	9,975,469	-
Total Electric restricted cash and cash equivalents	10,334,793	35,338,232
Investments	-	44,947,132
Water and Wastewater Fund		
Rate Stabilization Fund Cash	-	686,499
Customer deposits	-	2,102,631
Debt service	1,550,998	9,252,605
Annexation Phase V reserve fund cash	-	21,610,711
Health insurance reserve	-	1,500,000
Construction fund	53,112,559	-
Total Water and Wastewater restricted cash and cash equivalents	54,663,557	35,152,446
Investments	1,620,862	19,227,371
Storm Water Fund		
Unexpended bond proceeds	2,430,042	-
Unearned bond deposits	1,542,895	-
For maintenance	1,022	-
Total Storm Water restricted cash and investments	3,973,959	-
Airport Fund		
Rental deposits	1,025	-
Unexpended grant proceeds	695,419	-
	696,444	-
Environmental Services Fund		
Unexpended debt proceeds	19,913	-
Total business type activities - restricted cash and investments	\$ 71,309,528	\$ 134,665,181
Restricted Collateral Pledged in Lieu of Deposits		
Total business type activities - restricted collateral pledged in lieu of deposits	\$ -	\$ 341,688
Restricted Accounts Receivable		
Electric Fund		
Grants	\$ -	\$ 596
Accrued interest	-	61,438
Total Electric restricted accounts receivable	-	62,034
Water and Wastewater Fund		
Accounts	-	3,534,087
Sales taxes	-	743,205
Grants	-	596
Accrued interest	9,758	3,883
Total Water and Wastewater restricted accounts receivable	9,758	4,281,771
Airport Fund		
Unexpended grant proceeds	138,298	-
Total business type activities - restricted accounts receivable	\$ 148,056	\$ 4,343,805
Restricted Net Pension Asset		
Electric Fund	\$ 1,650,640	\$ -
Water and Wastewater Fund	1,650,640	-
Storm Water Fund	166,954	-
Airport Fund	115,892	-
Environmental Services Fund	285,912	-
Transit Fund	424,083	-
Total business type activities - restricted net pension asset	\$ 4,294,121	\$ -
Restricted Accounts Payable		
Electric Fund		
Meter deposits	\$ -	\$ 7,076,700
Other	-	892,819
Total Electric restricted accounts payable	-	7,969,519
Water and Wastewater Fund		
Trade	-	2,733,338
Meter deposits	-	2,928,303
Other	-	3,733,539
Total Water and Wastewater restricted accounts payable	-	9,395,180
Airport Fund		
Unearned grant proceeds	18,442	-
Environmental Services Fund		
Unexpended debt proceeds	19,913	-
Total business type activities - restricted accounts payable	\$ 38,355	\$ 17,364,699

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 and storm water network assets acquired prior to July 1, 2004 are reported at estimated historical cost using deflated current cost. Utility (electric, water, and wastewater) capital assets purchased or constructed since 1958 are recorded at cost. Contributed utility assets are recorded at estimated value at the date of acquisition. Utility assets acquired prior to 1958 are carried on an estimated cost basis. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Infrastructure	15 – 60
Buildings	40
Utility plant systems	20 – 45
Improvements	5 – 15
Vehicles	5 – 20
Furniture and equipment	5 – 10
Computer software	3
Computer equipment	3

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

Deferred outflows/inflows of resources

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Unearned Deposits

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to seven (7) weeks earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences, including compensatory time and holiday pay, and the salary-related payments are recorded as the leave is earned.

The City's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for that sick leave has been made. However, the City's sick leave policy for Electric and Water and Wastewater Fund employees allows 25% of accumulated sick leave to be paid at the time of retirement. A liability for the estimated amount of this sick leave to ultimately be paid is included in the financial statements.

Statement of Cash Flows

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Restricted for capital projects – portion of fund balance restricted for acquisition of vehicles.

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the adopted 2015 - 2016 budget ordinance that is not already classified as restricted or committed.

Special purpose - portion of fund balance identified for specific uses in the general fund and special revenue funds. The amount reflects Council assigned funding for future transportation and technology projects, police operations and equipment, a revolving loan fund, and transit and parks and recreation activities; and, City Manager and Council assigned funding for initiatives to be completed in future years.

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

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

Fund Balance Policy

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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

Pensions

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

F - Use of Estimates

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

G - Upcoming Pronouncements

GASB Statement No. 72, "Fair Value Measurement and Application." This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68." This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

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

H – Pronouncements Implemented

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

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68", replaces the requirements of Statement No. 68. This Statement addresses the issue of the potential understatements that would occur when transitioning to Statement 68. When transitioning, contributions to defined benefit pension plans made after the plan's measurement date and before the end of the fiscal year that Statement 68 is implemented, must be recognized as deferred outflows of resources. Statement No. 71 must be implemented in conjunction with Statement No. 68. The guidance in this Statement will be effective for periods beginning after June 15, 2014.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2 - Cash, Cash Equivalents and Investments

A - Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Depository Insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions for compliance. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The City's policy for custodial credit risk associated with deposits is to comply with the applicable North Carolina General Statutes.

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

At June 30, 2015, the City's demand deposits had a carrying amount of \$90,556,584 and a bank balance of \$93,226,754. Of the bank balance, Federal Deposit Insurance covered \$752,051 and \$92,474,703 was covered by collateral under the Pooling Method.

At June 30, 2015, the City had certificates of deposit totaling \$15,119,300. Of this amount, Federal Deposit Insurance covered \$250,000, and \$14,869,300 was covered by collateral under the Pooling Method.

The City had \$13,072 in the petty cash and change funds.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

B – Investments

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

At June 30, 2015, the City investment balances were as follows:

	Fair Value	Less Than 6 Months	6 Mos - 1 Yr	1-5 Years	5-10 Years
U. S. Government Agencies	\$ 98,678,322	\$ -	\$ -	\$ 73,262,897	\$ 25,415,425
Commercial Paper	71,435,743	59,442,798	11,992,945	-	-
N.C. Capital Management Trust - Term Portfolio	22,757,077	22,757,077	-	-	-
N.C. Capital Management Trust - Cash Portfolio	119,805,867	119,805,867	-	-	-
Total Primary Government	<u>312,677,009</u>	<u>202,005,742</u>	<u>11,992,945</u>	<u>73,262,897</u>	<u>25,415,425</u>
Reporting Entity Total	<u>\$ 312,677,009</u>	<u>\$ 202,005,742</u>	<u>\$ 11,992,945</u>	<u>\$ 73,262,897</u>	<u>\$ 25,415,425</u>

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

Credit Risk. The City has no formal policy regarding credit risk; however, the State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City minimizes credit risk by limiting investments to the types allowed by North Carolina General Statutes 159-30. The City diversifies the investment portfolio to minimize the impact of potential losses from any one security or from any one individual issuer. Also, the City pre-qualifies the financial institutions’ brokers/dealers and requires them to meet specific financial and registration conditions. As of June 30, 2015, the City’s commercial paper was rated P1 by Moody’s Investors Service and A1 by Standard & Poor’s. The City’s investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor’s and the NC Capital Management Trust Term Portfolio was unrated as of June 30, 2015. The City’s investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Fannie Mae, Freddie Mac and Federal Farm Credit Bank) are rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service as of June 30, 2015.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in Federal Home Loan Bank securities which consist of 19.50%

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 312,677,008
Cash (demand deposits)	90,566,584
Certificates of Deposit	15,119,300
Firemen's Relief Fund annuity	1,371,604
Petty Cash	13,072
Total cash and investments	<u>\$ 419,747,568</u>

Totals per Statement of Net Position

Cash and investments - unrestricted	\$ 198,331,793
Cash and investments - restricted	216,674,000
Pension trust cash and investments	3,367,729
Private-purpose trust cash and investments	1,374,046
Total cash and investments	<u>\$ 419,747,568</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

Primary Government

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

	Balance July 1, 2014	Increases	Decreases	Transfers	Balance June 30, 2015
Governmental activities					
Capital assets not being depreciated					
Land and land rights	\$ 38,994,511	\$ 914,298	\$ -	\$ -	\$ 39,908,809
Construction in progress	3,413,653	3,179,041	-	(2,410,989)	4,181,705
Total capital assets not being depreciated	<u>42,408,164</u>	<u>4,093,339</u>	<u>-</u>	<u>(2,410,989)</u>	<u>44,090,514</u>
Capital assets being depreciated:					
Infrastructure	455,017,922	2,164,131	-	1,519,181	458,701,234
Buildings and improvements	104,922,608	1,004,615	-	638,551	106,565,774
Equipment, furniture and fixtures	25,678,531	4,964,513	(227,225)	-	30,415,819
Computer software	5,200,845	811,582	-	253,257	6,265,684
Vehicles	33,971,600	1,726,765	(1,430,141)	-	34,268,224
Total capital assets being depreciated	<u>624,791,506</u>	<u>10,671,606</u>	<u>(1,657,366)</u>	<u>2,410,989</u>	<u>636,216,735</u>
Less accumulated depreciation for:					
Infrastructure	(214,015,601)	(12,917,969)	-	-	(226,933,570)
Buildings and improvements	(40,624,814)	(3,679,940)	-	-	(44,304,754)
Equipment, furniture and fixtures	(21,519,235)	(1,728,622)	227,053	-	(23,020,804)
Computer software	(4,437,672)	(299,532)	-	-	(4,737,204)
Vehicles	(23,262,484)	(2,396,995)	1,397,571	-	(24,261,908)
Total accumulated depreciation	<u>(303,859,806)</u>	<u>\$ (21,023,058)</u>	<u>\$ 1,624,624</u>	<u>\$ -</u>	<u>(323,258,240)</u>
Total capital assets being depreciated, net	<u>320,931,700</u>				<u>312,958,495</u>
General Governmental activity capital assets, net	<u>\$ 363,339,864</u>				<u>\$ 357,049,009</u>

Administration	\$ 512,250
Public Safety	3,865,880
Environment protection	172,555
Transportation	13,404,758
Economic and physical development	1,002,060
Recreation and community facilities	1,878,022
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the funds	<u>187,533</u>
Total depreciation expense	<u>\$ 21,023,058</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Capital Assets (continued)

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

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Business-type activities					
Electric Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 6,457,250	\$ 1,919	\$ -	\$ -	\$ 6,459,169
Construction in progress	<u>20,039,290</u>	<u>25,106,230</u>	<u>(846,982)</u>	<u>(14,123,193)</u>	<u>30,175,345</u>
Total capital assets not being depreciated	<u>26,496,540</u>	<u>25,108,149</u>	<u>(846,982)</u>	<u>(14,123,193)</u>	<u>36,634,514</u>
Capital assets being depreciated:					
Electric utility system	414,250,894	574,099	(3,879,992)	8,447,462	419,392,463
Buildings	44,595,277	29,749	-	266,295	44,891,321
Equipment and machinery	17,368,563	447,903	(137,900)	42,930	17,721,496
Intangibles	14,325,621	41,822	-	5,292,506	19,659,949
Computer equipment	4,012,697	686,751	(45,094)	74,000	4,728,354
Vehicles	7,359,517	938,272	(601,472)	-	7,696,317
Office equipment	<u>1,322,745</u>	<u>-</u>	<u>(1,683)</u>	<u>-</u>	<u>1,321,062</u>
Total capital assets being depreciated	<u>503,235,314</u>	<u>2,718,596</u>	<u>(4,666,141)</u>	<u>14,123,193</u>	<u>515,410,962</u>
Less accumulated depreciation for:					
Electric utility system	(236,280,458)	(10,801,358)	3,553,875	-	(243,527,941)
Buildings	(19,166,731)	(1,131,555)	-	-	(20,298,286)
Equipment and machinery	(9,385,742)	(594,010)	118,115	-	(9,861,637)
Intangibles	(9,538,292)	(1,258,470)	-	-	(10,796,762)
Computer equipment	(2,903,580)	(693,689)	44,885	-	(3,552,384)
Vehicles	(3,874,886)	(615,139)	580,826	-	(3,909,199)
Office equipment	<u>(1,049,351)</u>	<u>(33,367)</u>	<u>1,683</u>	<u>-</u>	<u>(1,081,035)</u>
Total accumulated depreciation	<u>(282,199,040)</u>	<u>\$ (15,127,588)</u>	<u>\$ 4,299,384</u>	<u>\$ -</u>	<u>(293,027,244)</u>
Total capital assets being depreciated, net	<u>221,036,274</u>				<u>222,383,718</u>
Electric fund capital assets, net	<u>\$ 247,532,814</u>				<u>\$ 259,018,232</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Capital Assets (continued)

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Business-type activities (continued)					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 9,956,821	\$ 195,153	\$ (192,510)	\$ (72,199)	\$ 9,887,265
Construction in progress	35,959,040	49,938,705	-	(34,985,906)	50,911,839
Total capital assets not being depreciated	45,915,861	50,133,858	(192,510)	(35,058,105)	60,799,104
Capital assets being depreciated:					
Water system	302,495,106	211,342	(3,617,252)	17,355,398	316,444,594
Sewer system	454,647,276	226,887	-	12,451,713	467,325,876
Buildings	5,323,453	16,693	-	90,451	5,430,597
Equipment and machinery	11,322,386	576,157	(285,420)	-	11,613,123
Intangibles	11,530,199	47,317	-	5,086,543	16,664,059
Computer equipment	3,432,269	687,134	(48,431)	74,000	4,144,972
Vehicles	7,302,331	975,805	(657,255)	-	7,620,881
Office equipment	481,691	-	(588)	-	481,103
Total Capital assets being depreciated	796,534,711	2,741,335	(4,608,946)	35,058,105	829,725,205
Less accumulated depreciation for:					
Water system	(119,963,775)	(8,079,436)	2,513,847	-	(125,529,364)
Sewer system	(165,549,289)	(9,783,166)	-	-	(175,332,455)
Buildings	(2,901,830)	(131,129)	-	-	(3,032,959)
Equipment and machinery	(8,275,101)	(683,543)	243,640	-	(8,715,004)
Intangibles	(8,657,360)	(1,119,892)	-	-	(9,777,252)
Computer equipment	(2,684,800)	(616,726)	48,221	-	(3,253,305)
Vehicles	(3,971,047)	(612,535)	624,619	-	(3,958,963)
Office equipment	(426,448)	(7,386)	588	-	(433,246)
Total accumulated depreciation:	(312,429,650)	\$ (21,033,813)	\$ 3,430,915	\$ -	(330,032,548)
Total capital assets being depreciated, net	484,105,061				499,692,657
Water and Sewer capital assets, net	\$ 530,020,922				\$ 560,491,761

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Capital Assets (continued)

	Balance July 1, 2014	Increases	Decreases	Transfers	Balance June 30, 2015
Business-type activities (continued):					
Storm Water Management Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 256,577	\$ 22,880	\$ (2,060)	\$ -	\$ 277,397
Construction in progress	1,769,845	368,552	-	(547,586)	1,590,811
Total capital assets not being depreciated	2,026,422	391,432	(2,060)	(547,586)	1,868,208
Capital assets being depreciated:					
Infrastructure	37,510,958	61,671	-	547,586	38,120,215
Equipment, furniture and fixtures	2,381,016	259,927	(118,684)	-	2,522,259
Computer software	6,941	-	-	-	6,941
Vehicles	1,056,072	-	-	-	1,056,072
Total capital assets being depreciated	40,954,987	321,598	(118,684)	547,586	41,705,487
Less accumulated depreciation for:					
Infrastructure	(16,262,217)	(549,316)	-	-	(16,811,533)
Equipment, furniture and fixtures	(1,293,254)	(267,152)	118,684	(251,306)	(1,693,028)
Computer software	(6,943)	-	-	-	(6,943)
Vehicles	(1,039,629)	(54,897)	-	251,306	(843,220)
Total accumulated depreciation	(18,602,043)	\$ (871,365)	\$ 118,684	\$ -	(19,354,724)
 Total capital assets being depreciated, net	 22,352,944				 22,350,763
Storm Water Management fund capital assets, net	\$ 24,379,366				\$ 24,218,971

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Capital Assets (continued)

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

** Depreciation includes amortization of intangible assets.

	Balance July 1, 2014	Increases	Decreases	Transfers	Balance June 30, 2015
Business-type activities (continued):					
Nonmajor enterprise funds					
Capital assets not being depreciated:					
Land and land rights	\$ 5,191,941	\$ 26,230	\$ -	\$ -	\$ 5,218,171
Construction in progress	9,074,646	8,067,276	-	(5,694,237)	11,447,685
Total capital assets not being depreciated	14,266,587	8,093,506	-	(5,694,237)	16,665,856
Capital assets being depreciated:					
Infrastructure	535,958	77,916	-	-	613,874
Buildings and improvements	75,192,968	78,801	-	5,515,623	80,787,392
Equipment, furniture and fixtures	4,808,468	693,560	-	178,614	5,680,642
Computer software	352,368	15,498	-	-	367,866
Vehicles	22,319,584	1,630,950	(915,087)	-	23,035,447
Total capital assets being depreciated	103,209,346	2,496,725	(915,087)	5,694,237	110,485,221
Less accumulated depreciation for:					
Infrastructure	(24,963)	(14,974)	-	-	(39,937)
Buildings and improvements	(39,852,484)	(3,202,630)	-	-	(43,055,114)
Equipment, furniture and fixtures	(3,569,262)	(347,827)	-	1,354	(3,915,735)
Computer software	(266,329)	(36,046)	-	-	(302,375)
Vehicles	(9,922,427)	(1,611,604)	784,082	-	(10,749,949)
Total accumulated depreciation	(53,635,465)	\$ (5,213,081)	\$ 784,082	\$ 1,354	(58,063,110)
Total capital assets being depreciated, net	49,573,881				52,422,111
Nonmajor enterprise funds capital assets, net	\$ 63,840,468				\$ 69,087,967
Business-type activities capital assets, net	\$ 865,773,568				\$ 912,816,931

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

Electric	\$ 15,127,588
Water and Wastewater	21,033,813
Storm Water Management	871,365
Transit	1,207,570
Airport	3,367,375
Environmental Services	638,136
Total depreciation expense	\$ 42,245,847

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2015:

	General	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Storm Water Management	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 3,935,813	\$ 307,548	\$ 2,057,630	\$ 6,300,991	\$ 27,980,250	\$ 17,531,153	\$ 88,868	\$ 881,798	\$ -
Incurred but not reported	-	-	2,977,349	2,977,349	847,255	847,255	-	-	-
Contracts payable	34,092	925,773	-	959,865	-	-	-	966,186	-
Interest payable	-	-	-	-	382,096	2,854,153	111,684	235,588	-
Retainage payable	-	82,713	-	82,713	-	-	3,083	175	-
Interfund payable	-	-	-	-	-	-	-	-	-
Salaries and benefits payable	4,611,775	-	-	4,611,775	657,226	854,560	88,200	453,267	42,170
Total	\$ 8,581,681	\$ 1,316,034	\$ 5,034,979	14,932,694	29,866,827	22,087,121	291,835	2,537,013	42,170
Adjustment for interest payable				256,098					
				<u>\$ 15,188,792</u>					
Reconciliation to accounts payable on the financial statements:									
Unrestricted	8,581,681	1,156,033	5,030,490	14,768,204	21,897,308	12,691,941	291,835	2,518,571	42,170
Restricted	-	160,001	4,489	164,490	7,969,519	9,395,180	-	18,442	-
	<u>\$ 8,581,681</u>	<u>\$ 1,316,034</u>	<u>\$ 5,034,979</u>	14,932,694	<u>\$ 29,866,827</u>	<u>\$ 22,087,121</u>	<u>\$ 291,835</u>	<u>\$ 2,537,013</u>	<u>\$ 42,170</u>
Adjustment for interest payable				256,098					
				<u>\$ 15,188,792</u>					

Note 5 - Long-Term Obligations

A - General Obligation Indebtedness

The City has issued general obligation bonds (to include general obligation bonds for the benefit of the Electric and Water and Wastewater funds) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing power of the City. They are serviced by the general fund and the water and wastewater fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2015, are as follows:

Governmental activities

\$5,535,000 Refunding Bonds, Series 2002 due in various Annual installments through June 1, 2016; Interest at various rates between 3.75% and 4.0%.	\$ 230,000
\$8,450,000 Public Improvement Bonds, Series 2005 due in various semiannual installments through June 1, 2025; interest at various rates between 3.7% and 4.25%.	4,200,000
\$7,896,115 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>1,591,842</u>
Add: Unamortized Premium	<u>6,021,842</u> 141,594
Total governmental general obligation bonds	<u>6,163,436</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$3,625,000 Street Improvement Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 4.0% and 4.5%.	\$ 1,225,000
\$4,403,885 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>1,388,158</u>
	2,613,158
Add: Unamortized Premium	<u>128,524</u>
Total business-type general obligation bonds	<u>2,741,682</u>
Total general obligation bonds	<u>\$ 8,905,118</u>

B - Revenue Bonds

The City has issued revenue bonds, which have been used to finance the construction of facilities used in the City's operations. Resources generated by the facilities' operations are retiring the bonds. Revenue bonds outstanding for the year ended June 30, 2015, are as follows:

Governmental activities

\$5,835,000 Municipal Building Project Refunding Bonds, Series 2005, due in various annual installments through February 1, 2018; interest at various rates between 5.0% and 5.25%.	\$ 1,500,000
\$2,685,000 Municipal Building Project Bonds, Series 2005, for the construction of Westover Recreation Center, due in various annual installments through February 1, 2019; interest at various rates between 5.0% and 5.25%.	<u>760,000</u>
	2,260,000
Add: Unamortized Premium	<u>154,385</u>
Total governmental revenue bonds	<u>2,414,385</u>

Business-type activities

\$17,025,000 Revenue Bonds, Series 2008 due in various annual installments through March 1, 2023; interest at various rates between 3.75% and 4.5%.	12,825,000
\$114,155,000 Revenue Refunding Bonds, Series 2009A due in various annual installments through March 1, 2024; interest at 5.0%.	59,520,000

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

\$36,710,000 Revenue Bonds, Series 2009B due in various annual installments through March 1, 2035; interest at various rates between 4.0% and 5.0%.	\$ 32,415,000
\$111,455,000 Series 2014 Revenue Bonds due in various annual installments through March 1, 2039; interest at various rates between 3.0% and 5.0%.	111,455,000
\$10,595,000 Storm Water Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>8,550,000</u>
Add: Unamortized premium	224,765,000
Less: Unamortized Discount	17,356,737
	<u>(19,778)</u>
Total business-type revenue bonds	<u>242,101,959</u>
Total revenue bonds	<u>\$ 244,516,344</u>

Interest expense related to the revenue and general obligation bonds totaled \$9,856,703 for the year ended June 30, 2015 and of that amount, \$556,826 was capitalized during the year.

The City has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$279,345,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2014. Proceeds from the bonds provided financing for extensions, additions and capital improvements to or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the electric, water, and wastewater systems. The bonds are payable solely from electric, water and wastewater customer net revenues and are payable through 2039. The total principal and interest remaining to be paid on the bonds is \$310,784,262. Principal and interest paid for the current year and total customer revenues were \$19,818,838 and \$300,484,378, respectively.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage, and requires that a reserve fund be established and maintained for the 2008 Bonds. The reserve fund requirements have been met by the Commission through funding a reserve fund account with an investment in the full amount of the bond requirement. The Commission is in compliance with all such significant covenants at June 30, 2015.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 5 - Long-Term Obligations (continued)

Purpose	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2015
Series 2011 Storm water System	3.135%	8/11/2011	8/1/2026	\$ 10,595,000	\$ 8,550,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Stormwater Revenue Bonds		
	Principal	Interest	Totals
2016	\$ 625,000	\$ 263,183	\$ 888,183
2017	645,000	243,433	888,433
2018	665,000	223,055	888,055
2019	690,000	202,051	892,051
2020	715,000	180,184	895,184
2021-2025	3,915,000	548,547	4,463,547
2026-2027	<u>1,295,000</u>	<u>40,833</u>	<u>1,335,833</u>
	<u>\$ 8,550,000</u>	<u>\$ 1,701,286</u>	<u>\$ 10,251,286</u>

As of June 30, 2015, deposits under the Trust Agreement for the Storm Water Revenue Bonds are held by the Trustee and the City in institutions designated by the City as an official depository. The deposits are held as follows:

City	\$ 13,214,921
Trustee – NCCMT	<u>2,430,042</u>
Total	<u>\$ 15,644,963</u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$10,251,286 as of June 30, 2015. These revenue bonds are secured by a covenant to budget and collect revenues in the storm water system sufficient enough to pay the principal and interest requirements. The City has been in compliance with the covenants for the bonds, which required the debt service coverage for parity indebtedness (revenue bonds only, as of June 30, 2015) to be 1.20 and for all indebtedness to be 1.00. Financial information below is from the Storm Water Management Enterprise Fund.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service		
Stormwater fee revenues	\$ 6,203,349	
Other operating revenues	21,592	
Nonoperating revenue (expense)	176,213	
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest	-	
Unrealized gain/loss on investments	(13,201)	
Total revenues		6,387,953
Operating expenses	4,361,063	
Less adjustments for:		
Depreciation	(871,365)	
Change in OPEB accrual	(50,908)	
Total current expenses		3,438,790
Income Available for Debt Service		2,949,163
Unrestricted Cash, 6/30/14 (prior year)	10,521,220	
15% of unrestricted cash		1,578,183
Total resources available for debt service		\$ 4,527,346
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds – Principal	\$ 610,000	
Series 2011 Revenue Bonds – Interest	282,385	
		\$ 892,385
Total Available Resources Debt Service Coverage – Parity Indebtedness		5.07
Revenue Bond Covenant Requirement		1.20
Parity, Subordinated, and System G.O. Debt Service Requirement		
NC Stormwater Note Payable 0196	\$ 11,613	
NC Stormwater Note Payable 0231	13,417	
Series 2011 Revenue Bonds – Principal	610,000	
Series 2011 Revenue Bonds – Interest	282,385	
		\$ 917,415
Income Available for Debt Service Debt Service Coverage – All Indebtedness		3.21
Revenue Bond Covenant Requirement		1.00

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

C - Notes Payable

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

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

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

The City has entered into revolving loan agreements for \$7,595,127, \$16,969,848, \$382,788, \$5,299,942, \$3,901,648, \$14,801,858 and \$2,460,662 with the State of North Carolina. The loans were used for various Wastewater capital projects. The City has also entered into a loan agreement with South River Electric Membership Corporation (SREMC) utilizing funds made available to SREMC by USDA-Rural Development for a water capital project. These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the City of Fayetteville as to lien on and source and security for payment from the revenues and in all other respects.

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

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

Governmental activities

\$750,000 HUD Note Payable due in various annual installments of \$75,000 through August 1, 2019; interest rate between 0.31% to 2.05% paid semiannually.

\$ 375,000

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$7,595,127 State revolving loan due in annual installments through May 1, 2021; interest at 2.6% paid semi-annually on May 1 and November 1.	\$ 2,278,538
\$16,969,848 State revolving loan due in annual installments through May 1, 2026; interest at 2.66% paid semiannually on May 1 and November 1.	9,333,416
\$382,788 State Revolving Loan due in 20 annual installments beginning May 1, 2014; interest at 2.0% paid semi-annually on May 1 and November 1; construction draws complete.	344,509
\$5,299,942 State Revolving Loan due in 20 annual installments beginning May 1, 2014; no interest; construction draws complete.	4,773,921
\$3,901,648 State Revolving Loan due in 20 annual installments beginning May 1, 2015; interest at 2.0% with 1st payment due November 1, 2014 and semi-annually thereafter; construction draws complete.	3,706,566
\$2,460,662 State Revolving Loan due in 20 annual installments beginning May 1, 2016; 2.0% no interest; construction draws not yet complete.	1,628,767
\$14,801,858 State Revolving Loan due in 20 annual installments beginning May 1, 2017; no interest; construction draws not yet complete.	11,726,356
\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	174,189
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	<u>201,260</u>
Total business-type notes payable	<u>\$ 34,167,522</u>
Total notes payable	<u>\$ 34,542,522</u>

Interest expense related to the notes payable obligations totaled \$429,972 for the year ended June 30, 2015.

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,

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

have been recorded at the present value of the minimum lease payments as of the date of their inception.

Capital lease obligations are comprised of the following:

Governmental activities

Capital lease obligations payable in various semi-annual installments of approximately \$197,008 in 2016 including interest at rates ranging from 4.19%.	\$ 2,647,328
Capital lease obligations payable in various monthly installments of approximately \$90,916 in 2016 including interest at 1.2123%.	4,363,962
Capital lease obligations payable in annual installments of approximately \$829,887 in 2016 including interest at 1.772%.	3,319,546
Capital lease obligations payable in various semi-annual installments of approximately \$302,012 in 2016 including interest at 5.1%. The City receives a subsidy of 39.9 percent of interest cost from the Federal Government reducing the effective interest rate to 3.07%.	5,333,283
Capital lease obligations payable in various semi-annual installments of approximately \$208,864 in 2016 including interest at estimated 1.0165%.	5,073,189
Capital lease obligations payable in various semi-annual installments of approximately \$96,443 in 2016 including interest at estimated 0.741%.	<u>2,047,953</u>
	22,785,261
Less: amount representing interest	<u>(2,178,492)</u>
Present value of the minimum lease payments	<u>\$ 20,606,769</u>

Business-type activities

Capital lease obligations payable in various monthly installments of approximately \$12,298 in 2016 including interest at 1.2123%	\$ 590,309
Less: amount representing interest	<u>(14,367)</u>
Present value of the minimum lease payments	<u>575,942</u>
Total capital lease obligations	<u>\$ 21,182,711</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 - Long-Term Obligations (continued)

The following is an analysis of leased property under capital leases as of June 30, 2015:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 5,347,551	\$ 466,878	\$ 4,880,673
Vehicles	2,505,873	508,357	1,997,516
Buildings and improvement	21,011,255	2,034,402	18,976,853
Total	<u>\$ 28,864,679</u>	<u>\$ 3,009,637</u>	<u>\$ 25,855,042</u>

Interest expense related to the capital lease obligations totaled \$476,148 for the year ended June 30, 2015.

E - Changes in Long-Term Obligations

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2015.

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Governmental activities					
General obligation debt	\$ 7,961,696	\$ -	\$ 1,939,854	\$ 6,021,842	\$ 1,684,855
Revenue bonds	2,900,000	-	640,000	2,260,000	665,000
Notes payable	450,000	-	75,000	375,000	75,000
Capitalized leases	19,165,621	4,257,749	2,816,601	20,606,769	3,065,828
Compensated absences	6,323,677	6,613,921	6,502,003	6,435,595	4,230,973
Net pension liability (LRS)	13,908,038	-	13,908,038	-	-
Net OPEB Obligation	17,803,859	2,638,923	436,443	20,006,339	-
	<u>68,512,891</u>	<u>\$ 13,510,593</u>	<u>\$ 26,317,939</u>	<u>55,705,545</u>	<u>9,721,656</u>
Add: Unamortized premium	485,151			295,979	-
Total governmental activities	<u>\$ 68,998,042</u>			<u>\$ 56,001,524</u>	<u>\$ 9,721,656</u>

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Business-type activities					
General obligation debt	\$ 3,238,306	\$ -	\$ 625,145	\$ 2,613,161	\$ 520,145
Revenue bonds	126,065,000	111,455,000	12,755,000	224,765,000	14,265,000
Notes payable	26,275,103	9,664,737	1,772,317	34,167,523	1,814,087
Capitalized leases	19,069	575,942	19,069	575,942	141,379
Compensated absences	4,041,983	4,247,101	4,238,117	4,050,967	2,568,892
Net pension liability (LRS)	8,521,748	-	8,521,748	-	-
Net OPEB Obligation	6,957,181	7,077,240	5,533,969	8,500,452	-
	<u>175,118,390</u>	<u>\$ 133,020,020</u>	<u>\$ 33,465,365</u>	<u>274,673,045</u>	<u>19,309,503</u>
Add: Unamortized premium	10,756,311			17,485,261	-
Less: Unamortized discount	(20,784)			(19,778)	-
Total business-type activities	<u>\$ 185,853,917</u>			<u>\$ 292,138,528</u>	<u>\$ 19,309,503</u>

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 5 - Long-Term Obligations (continued)

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

F - Maturities of Long-Term Obligations

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

Governmental activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Construction and Improvement Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,684,855	\$ 252,960	\$ 665,000	\$ 118,650	\$ 1,247,062	\$ 361,591
2017	839,855	176,542	685,000	83,738	1,258,793	323,554
2018	529,474	143,798	720,000	47,775	1,270,896	285,395
2019	439,473	123,044	190,000	9,975	1,283,383	247,110
2020	439,093	105,465			1,296,267	208,696
2021-2025	2,089,092	259,813			5,933,207	493,998
2026-2030			-	-	881,829	9,972
	<u>6,021,842</u>	<u>1,061,622</u>	<u>2,260,000</u>	<u>260,138</u>	<u>13,171,437</u>	<u>1,930,316</u>
Add: Unamortized premium	141,594	-	154,385	-	-	-
	<u>\$ 6,163,436</u>	<u>\$ 1,061,622</u>	<u>\$ 2,414,385</u>	<u>\$ 260,138</u>	<u>\$ 13,171,437</u>	<u>\$ 1,930,316</u>

Year Ended	Vehicle and Equipment Leases		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,818,766	\$ 102,111	\$ 75,000	\$ 5,284	\$ 5,490,683	\$ 840,596
2017	1,845,211	75,666	75,000	4,478	4,703,859	663,978
2018	1,872,054	48,823	75,000	3,443	4,467,424	529,234
2019	1,899,301	21,576	75,000	2,201	3,887,158	403,906
2020			75,000	768	1,810,360	314,929
2021-2025	-	-			8,022,299	753,811
2026-2030					881,829	9,972
	<u>7,435,332</u>	<u>248,177</u>	<u>375,000</u>	<u>16,174</u>	<u>29,263,610</u>	<u>3,516,427</u>
Add: Unamortized premium	-	-	-	-	295,979	-
	<u>\$ 7,435,332</u>	<u>\$ 248,177</u>	<u>\$ 375,000</u>	<u>\$ 16,174</u>	<u>\$ 29,559,589</u>	<u>\$ 3,516,427</u>

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 5 - Long-Term Obligations (continued)

Business-type activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 520,145	\$ 111,253	\$ 14,265,000	\$ 9,676,308	\$ 1,814,088	\$ 418,698
2017	575,145	87,245	16,090,000	9,009,708	2,400,478	382,752
2018	375,526	63,840	17,225,000	8,245,530	2,400,478	344,395
2019	375,526	48,319	14,765,000	7,434,226	2,400,478	306,038
2020	370,907	32,798	14,460,000	6,745,009	2,400,478	267,681
2021-2025	395,909	16,960	48,215,000	25,283,569	10,483,365	822,299
2026-2030	-	-	34,105,000	16,895,398	6,709,639	235,765
2031-2035	-	-	37,590,000	10,192,650	4,972,203	65,746
2036-2039	-	-	28,050,000	2,788,149	586,315	-
	<u>2,613,158</u>	<u>360,415</u>	<u>224,765,000</u>	<u>96,270,547</u>	<u>34,167,522</u>	<u>2,843,374</u>
Add: Unamortized premium	128,524	-	17,356,737	-	-	-
Less: Unamortized loss	-	-	(19,778)	-	-	-
	<u>\$ 2,741,682</u>	<u>\$ 360,415</u>	<u>\$ 242,101,959</u>	<u>\$ 96,270,547</u>	<u>\$ 34,167,522</u>	<u>\$ 2,843,374</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2016	\$ 141,379	\$ 6,198	\$ 16,740,612	\$ 10,212,457
2017	143,103	4,475	19,208,726	9,484,180
2018	144,847	2,730	20,145,851	8,656,495
2019	146,613	965	17,687,617	7,789,548
2020	-	-	17,231,385	7,045,488
2021-2025	-	-	59,094,274	26,122,828
2026-2030	-	-	40,814,639	17,131,163
2031-2035	-	-	42,562,203	10,258,396
2036-2039	-	-	28,636,315	2,788,149
	<u>575,942</u>	<u>14,367</u>	<u>262,121,622</u>	<u>99,488,703</u>
Add: Unamortized premium	-	-	17,485,261	-
Less: Unamortized loss	-	-	(19,778)	-
	<u>\$ 575,942</u>	<u>\$ 14,367</u>	<u>\$ 279,587,105</u>	<u>\$ 99,488,703</u>

G - Legal Debt Margin

The legal debt margin of the City at June 30, 2015, approximated \$1,051,257,222.

H - Authorized But Un-issued Debt

At June 30, 2015, the City had \$1,700,000 refunding bonds authorized but un-issued.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 5 - Long-Term Obligations (continued)

I – Net Investment in Capital Assets

	Government Activities	Business-Type Activities
Capital Assets, Net	\$ 357,049,009	\$ 912,816,931
Less: Long term debt related to capital assets	(28,090,942)	(277,965,782)
Add: Unspent bond/lease proceeds	1,527,767	2,430,042
Add: Unamortized bond refunding charges	139,735	5,267,671
Total Net Investment in Capital Assets	\$ 330,625,569	\$ 642,548,862

Note 6 – Unearned Revenue

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

	Unavailable Revenue
Amounts arising from cash:	
Unearned revenue (General)	\$ 60,265
Unearned grant receipts (Special Revenue)	2,282
Unearned grant receipts (Capital Projects)	357,380
Prepaid retiree insurance premiums (Internal Service)	9,984
Unearned revenue (Enterprise)	29,183
Total	\$ 459,094

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7 – Deferred Outflows and Inflows of Resources

In the government-wide financial statements, deferred outflows of resources is the deferred amount for unamortized refunding charges and the contribution to the pension plan at June 30, 2015.

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds and the 2009 GO Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$7,275,565. At June 30, 2015, the unamortized value of loss was \$5,238,211.

In fiscal year 2011, the City exercised its option to call for early redemption the remaining outstanding maturities of the 2001 Revenue Refunding Electric/Water and Wastewater Bonds totaling \$7,680,000 at a redemption price of 101%. The difference between the amount paid upon reacquisition and the face value, plus any unamortized premium, less any unrelated unamortized debt expense, unamortized discount and reacquisition costs applicable to the debt redeemed is recorded as an Unamortized Loss on Reacquired Debt and is amortized equally on a monthly basis over the original life of the debt. At June 30, 2015, the unamortized value of the loss was \$29,460.

Refunding and defeasance losses of \$139,735 (net of amortization) from the 2002 and 2009 General Obligation Refunding Bonds and the 2005 Revenue Refunding Bonds are also reported as unamortized bond refunding charges in the statement of net position.

City pension plan contributions subsequent to the measurement date and changes in proportion and differences between City contributions and the proportional share of contributions were also reported as deferred outflows of resources on the statement of net position at June 30, 2015. The amounts reported totaled \$4,524,081 and \$5,464,926 for governmental activities and business-type activities, respectively.

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

	Unavailable Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ -	\$ 6,819
Taxes receivable, net (General)	2,035,862	-
Accounts and notes receivable (General)	239,261	-
Special assessments receivable, net (General)	1,511,172	-
	\$ 3,786,295	\$ 6,819

In the government-wide financial statements, deferred inflows of resources consists of prepaid taxes and pension deferrals at June 30, 2015. Pension deferrals reported as a deferred inflow of resources totaled \$17,121,207 and \$10,465,821 for governmental activities and business-type activities, respectively. Prepaid licenses and fees not yet earned totaled \$6,819 for governmental activities.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8 - Risk Management

The City (excluding the electric and water and wastewater funds) is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$150,000 per individual and approximately \$12,404,206 for all employees for the policy period ending June 30, 2015), general liability (up to \$350,000 per occurrence), workers' compensation (\$750,000 per occurrence), public officials liability (up to \$350,000 per occurrence), law enforcement liability (\$500,000 per occurrence), and automobile liability (up to \$350,000 per occurrence). The City maintains excess liability insurance (\$10,000,000) to cover catastrophic losses. Property insurance on city buildings is for replacement value (less \$100,000 self-funded retention). The health insurance plan's excess coverage allows expenditures by the City up to 125% of expected claims adjusted for industry standard trend adjustments, and for expenditures by the City of up to \$150,000 per individual. The insurer reimburses the City 50% of the first \$192,000 of covered expenses in excess of the individual deductible, and 100% thereafter. 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. Within the last three fiscal years, the City had no general liability claims that exceeded the City's retention of \$350,000.

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

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

At June 30, 2015, a liability for incurred but not reported claims of \$5,195,576 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City and the Electric and Water and Wastewater Funds is presented below.

	<u>2015</u>	<u>2014</u>
Liability at June 30, 2014	\$ 5,561,496	\$ 4,689,472
Current year claims and changes in estimates	21,546,329	21,252,925
Actual claim payments	<u>(21,912,249)</u>	<u>(20,380,901)</u>
Liability at June 30, 2015	<u>\$ 5,195,576</u>	<u>\$ 5,561,496</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8 - Risk Management (continued)

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

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

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

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

Note 9 - Commitments and Contingent Liabilities

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

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

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9 - Commitments and Contingent Liabilities (continued)

The City has authorized expenditures totaling approximately \$377.7 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, environmental protection, Linear Park, electric, water and wastewater, storm water, transit and airport projects. At June 30, 2015, cumulative expenditures to date totaled approximately \$205.2 million leaving an unexpended balance of \$172.5 million for projects that are expected to be completed at various dates in future fiscal years.

In June 2009 the City executed a 20 year full requirements Power Supply and Coordination Agreement with Duke Energy Progress (DEP) formerly named Progress Energy Carolina, Inc. effective July 1, 2012. Subsequent amendments extended the term to 30 years. Under this agreement, DEP provides PWC's full power supply requirements at an annually determined capacity and energy price-based on DEP's average system cost. PWC will continue to utilize its SEPA allocation as permitted in the contract. The City may terminate this agreement effective June 30, 2024 with written notice provided by June 30, 2017. Also in June 2009, the City and DEP executed a 5 year Butler Warner Power Sales Agreement effective July 1, 2012. Subsequent amendments provided for the extension of the term until June 30, 2021. Under this agreement, the City generates and delivers energy to DEP pursuant to scheduled energy requests provided by DEP. DEP pays the City for capacity, energy (including any fuel costs) and start costs.

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

During the year ended June 30, 2015, the purchased power cost, including transmission cost and contractual true-up credits/charges of \$3,095,032, to DEP was \$153,541,102.

The City leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2015 to 2020. Minimum lease provisions at June 30, 2015 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2016	\$ 617,901
2017	1,144,295
2018	353,723
2019	228,655
2020	181,536
Total	<u>\$ 2,526,110</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10 - Employee Retirement Systems

A – Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Commission's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions,

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10 - Employee Retirement Systems (continued)

is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$9,552,218 for the year ended June 30, 2015.

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

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

At June 30, 2015, the City reported an asset of \$11,318,942 for its proportionate share of the net pension asset. The net pension asset is presented in other assets in the accompanying financial statements. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers actuarially determined. At June 30, 2014, the City's proportion was 1.919%, which was an increase of 0.059% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$819,098. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,236,790
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plans investments	-	26,350,239
Changes in proportion and differences between City contributions and proportionate share of contributions	436,788	-
City contributions subsequent to the measurement date	9,552,218	-
	\$ 9,989,006	\$ 27,587,029

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10 - Employee Retirement Systems (continued)

\$9,552,218 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (6,788,062)
2017	(6,788,062)
2018	(6,788,062)
2019	(6,786,055)
2020	-
Thereafter	<u>-</u>
	<u>\$ (27,150,241)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 10 - Employee Retirement Systems (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.00%	2.50%
Global Equity	40.50%	6.10%
Real Estate	8.00%	5.70%
Alternatives	6.50%	10.50%
Credit	4.50%	6.80%
Inflation Protection	4.50%	3.70%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 10 - Employee Retirement Systems (continued)

	1% Decrease -6.25%	Discount Rate -7.25%	1% Increase -8.25%
City's proportionate share of the net pension liability (asset)	\$ 38,421,380	\$ (11,318,942)	\$ (53,198,683)

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

B - Law Enforcement Officers' Special Separation Allowance

Plan Description

The City administers a public employee retirement system (the "Separation Allowance"), a single-employer; defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the City's report as a pension trust fund and does not issue separate financial statements. The Separation Allowance covers all full-time City law enforcement officers.

At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	31
Active plan members	<u>411</u>
Total	<u>442</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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10 - Employee Retirement Systems (continued)

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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 \$962,563, or 4.42% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net prepaid pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 924,273
Interest on net pension obligation	(30,529)
Adjustment to annual required contribution	51,579
Annual pension cost	<u>945,323</u>
Contributions made	<u>962,563</u>
Increase (decrease) in net pension obligation	(17,240)
Net prepaid pension obligation beginning of year	<u>(610,580)</u>
Net prepaid pension obligation end of year	<u><u>\$ (627,820)</u></u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 10 - Employee Retirement Systems (continued)

Three-Year Trend Information			
Fiscal Year	Annual	Percentage	Net Prepaid
Ending	Pension	of APC	Pension
	Cost (APC)	Contributed	Obligation
2013	\$ 729,428	100.74%	\$ (563,480)
2014	764,426	106.16%	(610,580)
2015	945,323	101.82%	(627,820)

Funded Status and Funding Progress

As of June 30, 2015 the plan was not funded. The most recent actuarial valuation was December 31, 2014. The actuarial value of plan assets was \$3,145,733. The actuarial accrued liability (AAL) for benefits was \$9,064,799 and the unfunded actuarial accrued liability (UAAL) was \$5,919,066. The funded ratio was 34.7 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$21,757,282 and the ratio of the UAAL to the covered payroll was 27.20 percent.

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

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 10 - Employee Retirement Systems (continued)

The fiscal year 2014-2015 financial statements for the City's pension trust funds are as follows:

Statement of Net Position

	Special Separation Allowance Pension Trust Fund
Assets	
Cash and cash equivalents	\$ 3,367,729
Accounts receivable	1,386
Total assets	3,369,115
Liabilities	
Accounts payable	42,170
Total liabilities	42,170
Net Position	
Held in trust for benefits and other purposes	3,326,945
Total net position	\$ 3,326,945

Statement of Changes in Fiduciary Net Position

	Special Separation Allowance Pension Trust Fund
Additions	
Employer contributions	\$ 962,563
Investment earnings	13,483
Total additions	976,046
Deductions	
Benefit payments and premiums	585,607
Total deductions	585,607
Change in Net Position	390,439
Total net position - beginning	2,936,506
Total net position - ending	\$ 3,326,945

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10 - Employee Retirement Systems (continued)

C - Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City and also those non-law enforcement employees who choose to make their own contributions. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions for the law enforcement officers to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law enforcement officer’s salary, and all amounts contributed are vested immediately. The City does not make any contributions for non-law enforcement employees. All employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015, were \$2,188,085, which consisted of \$1,107,175 from the City and \$1,080,910 from employees.

Note 11 - Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 11, the City (excluding the City’s Public Works Commission) administers the Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan. For employees hired on or after February 1, 2008, this plan provides postemployment healthcare benefits to retirees of the City, up to the age of 65 or until they are eligible to receive Medicare benefits, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least twenty years of creditable service with the City. For employees hired prior to February 1, 2008, employees qualified for similar level benefits after at least five years of creditable service with the City and 10 years of service credit with the System. Employees hired on or after July 1, 2014 are not eligible for this benefit. The City and retirees contribute to the cost of coverage for these benefits through a self-insured plan. Also, the City’s retirees can purchase coverage for their eligible dependents at the City’s group rates. The City also provides a death benefit through the plan based on the number of years of service at retirement. The City may amend the benefit provisions. A separate report was not issued for the plan..

Membership in the healthcare and life insurance benefit plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	557
Active plan members	<u>1,422</u>
Total	<u>1,979</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

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

The current Annual Required Contribution (ARC) rate is 5.54 percent of annual covered payroll as reflected in the latest actuarial valuation. For the current year, the City contributed \$1,222,286 or 1.88 percent of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$12,404,206 for all employees and retirees for the policy ending June 30, 2015. Retiree members contributed \$325,187 or 0.50 percent of annual covered payroll for retiree and dependent coverage. The City also provides death benefits to retirees. Retirees that retired prior to June 1, 1988 are provided with a \$1,000 death benefit. Retirees that retire on or after June 1, 1988 and have at least five (5) years of service with the City, are provided a \$100 death benefit for each year of service up to a maximum of \$3,000. The City's and retiree members' obligation to contribute to the healthcare plan, including the death benefit, is established and may be amended by the City Manager consistent with the annual budget approved by City Council. The City has chosen to fund healthcare and death benefits on a pay-as-you-go basis.

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

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare and death benefits:

Annual Required Contribution (ARC)	\$ 3,599,867
Interest on net OPEB obligation	751,625
Adjustment to annual required contribution	<u>(718,036)</u>
Annual OPEB cost (expense)	3,633,456
Contributions Made	<u>(1,222,286)</u>
Increase (decrease) in net OPEB obligation	2,411,170
Net OPEB obligation, beginning of the year	<u>18,790,635</u>
Net OPEB obligation, end of the year	<u>\$ 21,201,805</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 through 2015 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 3,113,659	39.36%	\$ 16,511,738
2014	3,209,660	29.00%	18,790,635
2015	3,633,456	33.64%	21,201,805

Funded Status and Funding Progress. As of June 30, 2015 the plan was not funded. The most recent actuarial valuation was December 31, 2013. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$37,879,339. The covered payroll (annual payroll of active employees covered by the plan) was \$65,049,516 and the ratio of the UAAL to the covered payroll was 58.23 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include

the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

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

Membership in the Commission's healthcare benefit plan consisted of the following at June 30, 2015:

Retirees	91
Active members	<u>572</u>
Total	<u>663</u>

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

The current Annual Required Contribution (ARC) rate is 6.0 percent of annual covered payroll. The Commission is self-insured with respect to healthcare coverage.

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

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the fiscal year ended June 30, 2015.

Annual Required Contribution (ARC)	\$ 2,832,992
Interest on net OPEB obligation	238,816
Adjustment to annual required contribution	<u>(331,990)</u>
Annual OPEB cost (expense)	2,739,818
Contributions Made	<u>(1,405,232)</u>
Increase (decrease) in net OPEB obligation	1,334,586
Net OPEB obligation, beginning of the year	<u>5,970,407</u>
Net OPEB obligation, end of the year	<u>\$ 7,304,993</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

The Commission's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 through 2015 were as follows:

<u>For the Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 2,072,623	54.76%	\$ 5,503,382
2014	1,941,878	65.65%	5,970,407
2015	2,739,818	51.29%	7,304,993

As of June 30, 2015 the plan was not funded. The most recent actuarial valuation was June 30, 2015. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$31,231,755. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Wastewater and PWC Fleet Maintenance funds as a noncurrent long-term liability and a general and administrative expense, respectively.

The covered payroll (annual payroll of active employees covered by the plan) at June 30, 2015 was \$36,012,022 and the ratio of the UAAL to the covered payroll was 86.73 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 30, 2015 actuarial valuation, the Projected Unit Credit Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend that decreases from 7.50 to 5.00 percent annually. Both rates included a 2.50 percent inflation assumption. The UAAL is being amortized as a level dollar amortization on an open basis. The remaining amortization period was 30 years. There are no assets set aside for these benefits. The plan is funded on a pay-as-you-go basis.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 12 – Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2015, consist of the following:

Due From	Due To Internal Service Fund
Electric	\$ 1,348,954
Water Wastewater	327,372
	<u>\$ 1,676,326</u>

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

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2015, consist of the following:

Transfer out:	Transfer in:					Total
	General	Nonmajor Governmental	Water and Wastewater	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ 10,514,274	\$ 3,596,493	\$ 9,934,883	\$ 2,890,726	\$ 26,936,376
Nonmajor Governmental	-	-	-	24,260	-	24,260
Electric	12,527,760	-	-	-	175,297	12,703,057
Water and Wastewater	-	-	-	-	175,297	175,297
Nonmajor Enterprise	1,001,875	-	-	-	-	1,001,875
Internal Service	3,000,000	500,000	-	-	-	3,500,000
Totals	<u>\$ 16,529,635</u>	<u>\$ 11,014,274</u>	<u>\$ 3,596,493</u>	<u>\$ 9,959,143</u>	<u>\$ 3,241,320</u>	<u>\$ 44,340,865</u>

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

During the fiscal year ended June 30, 2015, a total of \$12,527,760 was transferred from the electric fund to the general fund. This transfer represented 3.1% of electric fund net position at June 30, 2013.

Transfers totaling \$10,514,274 were made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$5,806,134 for transportation projects including street resurfacing and improvements, street lighting and sidewalk improvements, and transportation and railroad crossing improvement project commitments under municipal agreements; \$2,390,986 for general government projects including major facility maintenance projects and computer replacements; \$1,945,000 for recreation and cultural projects consisting of an aquatics facility and playground equipment improvements; \$124,111 for a public safety project; and \$25,000 for economic development.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 12 – Interfund Balances and Activity (continued)

Additionally, transfers to special revenue funds included \$195,045 transferred for local matches for Federal and State funded programs.

The general fund made transfers totaling \$9,934,883 to non-major enterprise funds to support environmental services operations and transit system operations, planning functions and capital purchases, and \$3,596,493 to the water and wastewater fund for infrastructure installation and debt service related to annexed areas. The general fund also made transfers totaling \$2,890,726 to the internal service funds for the employee healthcare program.

Note 13 – Fund Balance

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

Total fund balance - General Fund	\$ 60,536,708
Less:	
Inventories	98,006
Prepays	19,016
Stabilization by State Statute	18,827,161
Central Business Tax District	63,324
Cumberland County Recreation District	5,351,164
Capital Projects	153,032
Donations	13,655
Lake Valley Drive MSD	230
Appropriated Fund Balance in 2016 budget	5,825,779
Specific purpose assignments	6,997,110
Capital funding plan	1,558,212
Working Capital/Fund Balance Policy	15,652,888
Remaining Fund Balance	\$ 5,977,131

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

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

Total Encumbrances	General Fund	Non-Major Funds
\$ 11,656,175	\$ 3,276,615	\$ 8,379,560

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14 – Changes in Accounting Principle Restatements

Having become aware that there is diversity of accounting principles generally accepted for the accounting treatment and reporting of long-term loans receivable in governmental funds, the City has adopted new accounting principles, effective July 1, 2014, that it believes are preferable to its previous principles. The City now uses expenditure and revenue contra accounts to eliminate the effect of expenditures and revenues reported for budgetary purposes in conjunction with the issuance of long-term loans receivable in governmental funds and expends loans which are not expected to be collected. Deferred inflows reported under the City's previous accounting principles have been reclassified to an appropriate component of fund balance or expended. The City's previous accounting principles included elimination of the deferred inflows related to loans receivable when converting the governmental funds to full accrual for reporting in the statement of net position. Therefore, no adjustments to beginning net position of the governmental activities for the effect of deferred inflows in the governmental funds are required.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The cumulative effect of adoption of the standard is presented as an adjustment to beginning fiscal year 2015 net position since information is not available to determine the impact on expense and net position in fiscal year 2014. The reclassifications and restatements are detailed in the tables below:

	<u>Government-Wide Net Position</u>		<u>Governmental Funds - Fund Balance</u>	
	<u>Governmental Net Position</u>	<u>Business-Type Net Position</u>	<u>General Fund</u>	<u>Non Major</u>
June 30, 2014 - Ending balances	\$ 407,307,620	\$ 941,731,817	\$ 52,048,137	\$ 19,265,671
Changes in Accounting Principles Restatements:				
Restatement of deferred inflows to fund balance	-	-	-	8,919,089
Pension restatement	(9,611,327)	(5,400,866)	-	-
June 30, 2014 - Restated balances	<u>\$ 397,696,293</u>	<u>\$ 936,330,951</u>	<u>\$ 52,048,137</u>	<u>\$ 28,184,760</u>

	<u>Net Position</u>				
	<u>Electric Fund</u>	<u>Water and Wastewater Fund</u>	<u>Storm Water Management Fund</u>	<u>Non Major Proprietary Funds</u>	<u>Internal Service Funds</u>
June 30, 2014 - Ending balances	\$ 400,382,721	\$ 433,433,650	\$ 27,026,499	\$ 78,148,362	\$ 18,252,081
Changes in Accounting Principles Restatements:					
Pension restatement	(2,021,235)	(2,021,235)	(228,422)	(1,129,974)	(41,152)
June 30, 2014 - Restated balances	<u>\$ 398,361,486</u>	<u>\$ 431,412,415</u>	<u>\$ 26,798,077</u>	<u>\$ 77,018,388</u>	<u>\$ 18,210,929</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 15 – Subsequent Events

Management has evaluated subsequent events through November 23, 2015 in connection with the preparation of these financial statements which is the date of the financial statements were available to be issued.

2015

Required Supplementary Information



City of
Fayetteville
North Carolina

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)
12/31/2009	2,161,322	7,423,392	5,262,070	29.12%	18,645,039	28.22%
12/31/2010	2,299,829	7,099,596	4,799,767	32.39%	19,348,625	24.81%
12/31/2011	2,494,212	7,577,761	5,083,549	32.91%	19,642,118	25.88%
12/31/2012	2,661,060	7,809,998	5,148,938	34.07%	19,305,057	26.67%
12/31/2013	2,835,029	8,530,271	5,695,242	33.23%	20,711,451	27.50%
12/31/2014	3,145,733	9,064,799	5,919,066	34.70%	21,757,282	27.20%

The annual required contribution for the fiscal year ended June 30, 2015 was determined as part of the December 31, 2013 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The remaining amortization period at December 31, 2013 was 17 years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information**

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Actual Contributions</u>
2010	465,302	110.02%	511,937
2011	689,012	102.27%	704,620
2012	677,846	101.28%	686,544
2013	729,428	100.74%	734,796
2014	764,426	106.16%	811,526
2015	945,323	101.82%	962,563

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, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	5%
Projected salary increases*	4.25 -7.85%
* Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF FAYETTEVILLE, NORTH CAROLINA

Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 31,906,033	\$ 31,906,033	0.00%	\$ 59,132,363	53.96%
12/31/2011	-	31,318,000	31,318,000	0.00%	61,529,547	50.90%
12/31/2013	-	37,879,339	37,879,339	0.00%	65,049,516	58.23%

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information**

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2010	2,963,516	799,635	26.98%
2012	3,332,873	989,203	29.68%
2014	3,180,144	930,763	29.27%

Notes to the Required Schedules:

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

Valuation date	December 31, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay on an Open Basis
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	7.75% - 5%
* Includes inflation at	3.00%

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
6/30/11	-	22,033,901	22,033,901	0.00%	32,487,865	67.82%
6/30/13	-	25,051,694	25,051,694	0.00%	34,013,831	73.65%
6/30/15	-	31,231,755	31,231,755	0.00%	36,012,022	86.73%

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2011	2,125,256	952,939	44.84%
2013	2,140,755	1,135,031	53.02%
2015	2,832,992	1,405,232	49.60%

Notes to the Required Schedules:

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

Valuation date	June 30, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amortization on an Open Basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	7.5% - 5%
* Includes inflation at	2.5%

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years ***

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	1.91929%	1.86080%
City's proportion of the net pension liability (asset) (\$)	\$ (11,318,942)	\$ 22,429,786
City's covered-employee payroll	\$ 107,418,002	\$ 104,285,543
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.54%)	21.51%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,552,218	\$ 7,417,597
Contributions in relation to the contractually required contribution	9,552,218	7,417,597
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 107,418,002	\$ 104,285,543
Contributions as a percentage of covered-employee payroll	8.89%	7.11%

2015

Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

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

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



City of
Fayetteville
North Carolina

2015

Governmental Funds

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

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



City of
Fayetteville
North Carolina

2015

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2015 and 2014

ASSETS	2015	2014
Cash and investments	\$ 47,684,218	\$ 42,809,835
Taxes receivable	2,088,931	2,615,808
Accounts receivable	15,926,980	14,156,545
Assessments receivable	1,303,173	1,167,926
Inventories	98,006	124,837
Prepaid Items	19,016	9,863
Restricted accounts receivable	17,756	-
Restricted cash and investments	6,438,375	4,840,395
Property held for resale	-	7,000
Total assets	\$ 73,576,455	\$ 65,732,209
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 8,581,681	\$ 8,643,906
Restricted unearned deposits	604,687	664,040
Unearned revenue	60,265	136,269
Total liabilities	9,246,633	9,444,215
 Deferred inflows of resources		
Taxes receivable	2,035,862	2,560,335
Accounts receivable	239,261	264,600
Assessment receivable	1,511,172	1,167,926
Prepaid taxes	6,819	246,996
Total deferred inflows of resources	3,793,114	4,239,857
 Fund balances		
Fund balances:		
Nonspendable		
For inventories	98,006	124,837
For prepaids	19,016	-
Restricted		
Stabilization by State Statute	18,827,161	16,153,768
For downtown	63,324	34,494
For Lake Valley Drive MSD	230	134
For county recreation	5,351,164	4,783,784
For capital projects	153,032	-
For donations	13,655	21,983
Assigned		
For subsequent year's expenditures	5,825,779	2,539,540
For special purpose	6,997,110	6,550,771
For capital projects	1,558,212	2,470,419
Unassigned	21,630,019	19,368,407
Total fund balances	60,536,708	52,048,137
 Total liabilities, deferred inflows of resources and fund balances	 \$ 73,576,455	 \$ 65,732,209

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
With Comparative Actual Statements for the Year Ended June 30, 2014

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 66,721,003	\$ 910,825	\$ 67,631,828	\$ 63,835,416
Prior year	776,913	(122,950)	653,963	1,137,544
Interest and penalties	300,767	(12,751)	288,016	355,989
Total ad valorem taxes	67,798,683	775,124	68,573,807	65,328,949
Other taxes				
Vehicle license tax	615,000	54,877	669,877	873,233
Privilege license	1,067,500	(152,795)	914,705	1,121,164
Gross receipts tax on rental property	577,700	23,449	601,149	603,416
Total other taxes	2,260,200	(74,469)	2,185,731	2,597,813
Unrestricted intergovernmental				
Local option sales tax	37,058,974	155,434	37,214,408	34,581,531
Telecommunications sales tax	1,557,200	21,434	1,578,634	1,646,537
Utilities sales tax	6,970,800	2,438,315	9,409,115	7,006,126
Piped natural gas sales tax	596,300	(304,324)	291,976	605,737
Video franchise fee	2,334,800	59,932	2,394,732	2,351,181
Beer and wine tax	877,800	126,000	1,003,800	914,579
County - other	226,000	15,314	241,314	236,463
Local - public safety	339,000	(13,577)	325,423	315,752
Local - other	15,004	(3,370)	11,634	38,014
Total unrestricted intergovernmental	49,975,878	2,495,158	52,471,036	47,695,920
Restricted intergovernmental				
Federal - public safety	769,543	(307,433)	462,110	125,402
Federal - other	98,646	(3,656)	94,990	161,791
Powell Bill allocation	5,536,578	(1,699)	5,534,879	5,510,524
State - other	23,700	4,455	28,155	45,958
State - public safety	69,000	8,558	77,558	88,590
County recreation	3,709,000	(260,511)	3,448,489	3,613,570
County - other	96,561	9,777	106,338	100,262
Local - other	88,695	-	88,695	-
Total restricted intergovernmental	10,391,723	(550,509)	9,841,214	9,646,097
Permits and fees				
	2,698,350	(373,615)	2,324,735	2,347,930
Sales and services				
Property leases	603,068	(46,247)	556,821	632,839
Engineering/planning services	479,550	24,069	503,619	495,932
Public safety services	1,135,897	(26,184)	1,109,713	1,040,550
Recreation and cultural services	1,522,229	22,254	1,544,483	1,472,405
Parking revenues	169,269	(6,594)	162,675	203,522
Other fees and services	255,800	(30,125)	225,675	153,251
Total sales and services	4,165,813	(62,827)	4,102,986	3,998,499
Miscellaneous				
Refunds and sundry	259,319	(49,116)	210,203	457,813
Indirect cost allocation	1,673,149	204,930	1,878,079	1,643,419
Special use assessment	168,000	53,208	221,208	259,093
Total miscellaneous	2,100,468	209,022	2,309,490	2,360,325
Interest earned on investments				
	270,800	50,585	321,385	458,543
Total revenues	139,661,915	2,468,469	142,130,384	134,434,076

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
With Comparative Actual Statements for the Year Ended June 30, 2014

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Expenditures				
Current				
Administration				
Legislative				
Salaries and employee benefits	\$ 461,895	\$ 39,003	\$ 422,892	\$ 424,318
Other operating expenditures	325,960	58,390	267,570	433,973
	<u>787,855</u>	<u>97,393</u>	<u>690,462</u>	<u>858,291</u>
City attorney				
Salaries and employee benefits	873,148	40,535	832,613	698,981
Other operating expenditures	932,435	55,581	876,854	538,925
Cost redistribution	(27,000)	-	(27,000)	(13,500)
	<u>1,778,583</u>	<u>96,116</u>	<u>1,682,467</u>	<u>1,224,406</u>
Executive				
Salaries and employee benefits	1,332,239	34,214	1,298,025	1,182,705
Other operating expenditures	592,732	245,361	347,371	300,468
	<u>1,924,971</u>	<u>279,575</u>	<u>1,645,396</u>	<u>1,483,173</u>
Human resources development				
Salaries and employee benefits	975,326	59,267	916,059	916,343
Other operating expenditures	250,681	21,915	228,766	203,452
	<u>1,226,007</u>	<u>81,182</u>	<u>1,144,825</u>	<u>1,119,795</u>
Corporate communications				
Salaries and employee benefits	803,220	2,479	800,741	775,501
Other operating expenditures	244,400	76,320	168,080	211,473
Capital outlay	-	-	-	5,690
Inventory	118,100	19,247	98,853	122,260
Cost redistribution	(246,500)	(23,914)	(222,586)	(231,012)
	<u>919,220</u>	<u>74,132</u>	<u>845,088</u>	<u>883,912</u>
Information technology				
Salaries and employee benefits	1,903,497	56,097	1,847,400	1,742,457
Other operating expenditures	2,668,718	856,644	1,812,074	1,630,121
Capital outlay	159,645	-	159,645	285,884
	<u>4,731,860</u>	<u>912,741</u>	<u>3,819,119</u>	<u>3,658,462</u>
Human relations				
Salaries and employee benefits	234,938	735	234,203	251,282
Other operating expenditures	47,237	10,061	37,176	46,377
Payments to agencies	13,147	4,684	8,463	500
	<u>295,322</u>	<u>15,480</u>	<u>279,842</u>	<u>298,159</u>
Finance				
Salaries and employee benefits	1,167,340	13,180	1,154,160	1,301,615
Other operating expenditures	1,103,638	88,270	1,015,368	1,028,954
	<u>2,270,978</u>	<u>101,450</u>	<u>2,169,528</u>	<u>2,330,569</u>
General government				
Salaries and employee benefits	1,388,643	598	1,388,045	380,525
Other operating expenditures	12,363,987	2,984,526	9,379,461	10,205,675
Inventory	1,552,320	201,983	1,350,337	1,680,969
Payments to agencies	-	-	-	312,875
Cost redistribution	(1,606,420)	(222,857)	(1,383,563)	(1,716,328)
	<u>13,698,530</u>	<u>2,964,250</u>	<u>10,734,280</u>	<u>10,863,716</u>
Public buildings				
Salaries and employee benefits	859,111	3,656	855,455	832,612
Other operating expenditures	871,967	51,215	820,752	907,960
Capital outlay	38,119	15,876	22,243	-
	<u>1,769,197</u>	<u>70,747</u>	<u>1,698,450</u>	<u>1,740,572</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
With Comparative Actual Statements for the Year Ended June 30, 2014

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Expenditures (continued)				
Current (continued)				
Administration				
Real Estate				
Salaries and employee benefits	\$ 237,128	\$ 3,450	\$ 233,678	\$ 224,255
Other operating expenditures	13,755	3,594	10,161	10,639
	<u>250,883</u>	<u>7,044</u>	<u>243,839</u>	<u>234,894</u>
Budget and Evaluation				
Salaries and employee benefits	291,941	243	291,698	-
Other operating expenditures	43,354	18,001	25,353	-
	<u>335,295</u>	<u>18,244</u>	<u>317,051</u>	<u>-</u>
Total Administration	29,988,701	4,718,354	25,270,347	24,695,949
Public Safety				
Police				
Salaries and employee benefits	39,263,296	289,871	38,973,425	37,804,940
Other operating expenditures	8,083,005	928,893	7,154,112	6,173,782
Capital outlay	3,477,930	1,923,035	1,554,895	159,333
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	(41,309)	11,627	(52,936)	(34,664)
	<u>50,785,922</u>	<u>3,153,426</u>	<u>47,632,496</u>	<u>44,106,391</u>
Fire				
Salaries and employee benefits	20,565,732	114,568	20,451,164	20,405,838
Other operating expenditures	3,607,985	388,340	3,219,645	3,069,298
Capital outlay	704,934	133,965	570,969	1,317,428
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>24,803,651</u>	<u>636,873</u>	<u>24,166,778</u>	<u>24,717,564</u>
Inspections				
Salaries and employee benefits	2,440,994	51,319	2,389,675	2,353,316
Other operating expenditures	842,485	131,155	711,330	710,565
Capital outlay	77,089	-	77,089	318,034
	<u>3,360,568</u>	<u>182,474</u>	<u>3,178,094</u>	<u>3,381,915</u>
Total public safety	78,950,141	3,972,773	74,977,368	72,205,870
Cemeteries				
Salaries and employee benefits	105,864	1,457	104,407	82,086
Other operating expenditures	23,716	4,144	19,572	15,628
Capital outlay	16,383	7	16,376	8,637
	<u>145,963</u>	<u>5,608</u>	<u>140,355</u>	<u>106,351</u>
Urban forestry				
Salaries and employee benefits	151,809	1,459	150,350	156,514
Other operating expenditures	18,162	1,210	16,952	12,186
	<u>169,971</u>	<u>2,669</u>	<u>167,302</u>	<u>168,700</u>
Total environmental protection	315,934	8,277	307,657	275,051
Transportation				
Streets				
Salaries and employee benefits	3,336,111	33,025	3,303,086	3,134,837
Other operating expenditures	2,175,845	395,563	1,780,282	2,047,661
Capital outlay	224,458	32,233	192,225	67,406
	<u>5,736,414</u>	<u>460,821</u>	<u>5,275,593</u>	<u>5,249,904</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
With Comparative Actual Statements for the Year Ended June 30, 2014

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Expenditures (continued)				
Current (continued)				
Transportation				
Engineering				
Salaries and employee benefits	\$ 1,338,505	\$ 4,624	\$ 1,333,881	\$ 1,386,819
Other operating expenditures	270,413	89,448	180,965	121,578
Capital outlay	44,885	1,090	43,795	26,176
	<u>1,653,803</u>	<u>95,162</u>	<u>1,558,641</u>	<u>1,534,573</u>
Parking				
Other operating expenditures	447,215	44,666	402,549	407,540
	<u>447,215</u>	<u>44,666</u>	<u>402,549</u>	<u>407,540</u>
Total transportation	7,837,432	600,649	7,236,783	7,192,017
Economic and physical development				
Central business district				
Other operating expenditures	68,851	11,799	57,052	68,002
Cost redistribution	36,294	13,658	22,636	35,659
	<u>105,145</u>	<u>25,457</u>	<u>79,688</u>	<u>103,661</u>
Community development				
Salaries and employee benefits	240,039	45,624	194,415	256,179
Other operating expenditures	395,454	49,359	346,095	388,488
Payments to agencies	28,125	-	28,125	-
Cost redistribution	(36,294)	(13,658)	(22,636)	(35,659)
	<u>627,324</u>	<u>81,325</u>	<u>545,999</u>	<u>609,008</u>
Planning and development				
Salaries and employee benefits	862,752	23,659	839,093	784,535
Other operating expenditures	277,908	116,949	160,959	194,149
Payments to agencies	3,428	1,725	1,703	1,720
	<u>1,144,088</u>	<u>142,333</u>	<u>1,001,755</u>	<u>980,404</u>
Lake Valley Drive MSD				
Other operating expenditures	18,708	2,845	15,863	-
	<u>18,708</u>	<u>2,845</u>	<u>15,863</u>	<u>-</u>
Economic and Business Development				
Salaries and employee benefits	181,630	95,992	85,638	-
Other operating expenditures	341,682	100,054	241,628	-
Payments to agencies	250,000	35,274	214,726	-
	<u>773,312</u>	<u>231,320</u>	<u>541,992</u>	<u>-</u>
Total economic and physical development	2,668,577	483,280	2,185,297	1,693,073
Recreation and community facilities				
Parks and recreation				
Salaries and employee benefits	7,716,893	162,632	7,554,261	7,702,485
Other operating expenditures	5,347,379	1,236,242	4,111,137	4,203,269
Capital outlay	547,033	184,422	362,611	424,438
Payments to agencies	179,250	-	179,250	-
	<u>13,790,555</u>	<u>1,583,296</u>	<u>12,207,259</u>	<u>12,330,192</u>
Total recreation and community facilities	13,790,555	1,583,296	12,207,259	12,330,192

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
With Comparative Actual Statements for the Year Ended June 30, 2014

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Debt service				
Principal	\$ 5,448,501	\$ 781,231	\$ 4,667,270	\$ 4,654,379
Interest	834,575	25,306	809,269	893,895
Total debt service	<u>6,283,076</u>	<u>806,537</u>	<u>5,476,539</u>	<u>5,548,274</u>
Total expenditures	<u>139,834,416</u>	<u>12,173,166</u>	<u>127,661,250</u>	<u>123,940,426</u>
Revenues over (under) expenditures	<u>(172,501)</u>	<u>14,641,635</u>	<u>14,469,134</u>	<u>10,493,650</u>
Other financing sources (uses)				
Sale of capital assets	210,000	(41,570)	168,430	107,268
Appropriated fund balance	6,451,503	(6,451,503)	-	-
Transfers in	16,529,675	(40)	16,529,635	14,454,252
Transfers (out)	(27,276,425)	340,049	(26,936,376)	(24,071,391)
Proceeds from loans	4,257,748	-	4,257,748	-
Total other financing sources (uses)	<u>172,501</u>	<u>(6,153,064)</u>	<u>(5,980,563)</u>	<u>(9,509,871)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 8,488,571</u>	<u>8,488,571</u>	<u>983,779</u>
Fund balance				
Beginning of year - July 1			<u>52,048,137</u>	<u>51,064,358</u>
End of year - June 30			<u>\$ 60,536,708</u>	<u>\$ 52,048,137</u>

2015

Nonmajor Governmental Funds



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,486,251	\$ 14,910,862	\$ 16,397,113
Accounts receivable	9,206,087	450,634	9,656,721
Restricted cash and investments	566,035	3,694,881	4,260,916
Restricted accounts receivable	316	613	929
Property held for resale	27,871	-	27,871
Total assets	<u>\$ 11,286,560</u>	<u>\$ 19,056,990</u>	<u>\$ 30,343,550</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 205,628	\$ 950,405	\$ 1,156,033
Unearned revenue	2,282	357,380	359,662
Restricted accounts payable and accrued expenses	7,775	152,226	160,001
Total liabilities	<u>215,685</u>	<u>1,460,011</u>	<u>1,675,696</u>
Fund balances:			
Restricted			
Stabilization by State Statute	10,627,652	7,437,429	18,065,081
Downtown	-	9,656	9,656
Public safety	1,702,249	-	1,702,249
For streets - Powell Bill	-	1,930,863	1,930,863
Recreation and community facilities	500	736,403	736,903
Economic and physical development	10,390	504,110	514,500
Committed			
Administration	-	3,643,536	3,643,536
Public safety	-	535,027	535,027
Transportation	-	2,554,332	2,554,332
Economic and physical development	-	530,389	530,389
Recreation and community facilities	43,836	-	43,836
Unassigned	(1,313,752)	(284,766)	(1,598,518)
Total fund balances	<u>11,070,875</u>	<u>17,596,979</u>	<u>28,667,854</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,286,560</u>	<u>\$ 19,056,990</u>	<u>\$ 30,343,550</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 4,974,667	\$ 1,318,493	\$ 6,293,160
Miscellaneous	934,799	213,656	1,148,455
Interest earned on investments	200,967	9,048	210,015
Total revenues	<u>6,110,433</u>	<u>1,541,197</u>	<u>7,651,630</u>
Expenditures			
Current			
Administration	-	1,795,165	1,795,165
Public safety	1,823,174	3,801,562	5,624,736
Transportation	-	2,856,000	2,856,000
Economic and physical development	2,827,490	460,382	3,287,872
Recreation and community facilities	201,312	3,422,959	3,624,271
Debt service:			
Principal	804,186	-	804,186
Interest	166,319	-	166,319
Total expenditures	<u>5,822,481</u>	<u>12,336,068</u>	<u>18,158,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>287,952</u>	<u>(10,794,871)</u>	<u>(10,506,919)</u>
Other financing sources (uses)			
Transfers in	223,042	11,006,502	11,229,544
Transfers out	(215,271)	(24,260)	(239,531)
Total other financing sources (uses)	<u>7,771</u>	<u>10,982,242</u>	<u>10,990,013</u>
Net change in fund balances	295,723	187,371	483,094
Fund balance - beginning, previously reported	<u>1,856,063</u>	<u>17,409,608</u>	<u>19,265,671</u>
Restatement	8,919,089	-	8,919,089
Fund balance - beginning restated	<u>10,775,152</u>	<u>17,409,608</u>	<u>28,184,760</u>
Fund balance - ending	<u>\$ 11,070,875</u>	<u>\$ 17,596,979</u>	<u>\$ 28,667,854</u>

2015

Special Revenue Funds

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

The following comprise the City's Special Revenue Funds:

- Emergency Telephone System Fund
- Federal and State Financial Assistance Fund
- City of Fayetteville Finance Corporation
- Linear Park Fund

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2015

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 1,178,489	\$ 252,202	\$ -	\$ 55,560	\$ 1,486,251
Accounts receivable	143,818	9,060,986	-	1,283	9,206,087
Restricted cash and investments	-	566,035	-	-	566,035
Restricted accounts receivable	-	316	-	-	316
Property held for resale	-	27,871	-	-	27,871
Total assets	<u>\$ 1,322,307</u>	<u>\$ 9,907,410</u>	<u>\$ -</u>	<u>\$ 56,843</u>	<u>\$ 11,286,560</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,494	\$ 192,410	\$ -	\$ 11,724	\$ 205,628
Unearned revenue	-	2,282	-	-	2,282
Restricted accounts payable and accrued expenses	-	7,775	-	-	7,775
Total liabilities	<u>1,494</u>	<u>202,467</u>	<u>-</u>	<u>11,724</u>	<u>215,685</u>
Fund balances:					
Restricted					
Stabilization by State Statute	164,710	10,461,659	-	1,283	10,627,652
Public safety	1,156,103	546,146	-	-	1,702,249
Recreation and community facilities	-	500	-	-	500
Economic and physical development	-	10,390	-	-	10,390
Committed					
Recreation and community facilities	-	-	-	43,836	43,836
Unassigned	-	(1,313,752)	-	-	(1,313,752)
Total fund balances	<u>1,320,813</u>	<u>9,704,943</u>	<u>-</u>	<u>45,119</u>	<u>11,070,875</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,322,307</u>	<u>\$ 9,907,410</u>	<u>\$ -</u>	<u>\$ 56,843</u>	<u>\$ 11,286,560</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2015**

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Revenues					
Restricted intergovernmental	\$ 1,721,988	\$ 3,252,679	\$ -	\$ -	\$ 4,974,667
Miscellaneous	-	87,676	795,823	51,300	934,799
Interest earned on investments	2,976	197,691	2	298	200,967
Total revenues	<u>1,724,964</u>	<u>3,538,046</u>	<u>795,825</u>	<u>51,598</u>	<u>6,110,433</u>
Expenditures					
Current:					
Public safety	1,131,557	691,617	-	-	1,823,174
Economic and physical development	-	2,823,915	3,575	-	2,827,490
Recreation and community facilities	-	147,285	-	54,027	201,312
Debt Service:					
Principal	89,186	75,000	640,000	-	804,186
Interest	8,185	5,884	152,250	-	166,319
Total expenditures	<u>1,228,928</u>	<u>3,743,701</u>	<u>795,825</u>	<u>54,027</u>	<u>5,822,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>496,036</u>	<u>(205,655)</u>	<u>-</u>	<u>(2,429)</u>	<u>287,952</u>
Other financing sources (uses)					
Transfers in	27,998	195,044	-	-	223,042
Transfers out	(24,842)	(190,429)	-	-	(215,271)
Total other financing sources (uses)	<u>3,156</u>	<u>4,615</u>	<u>-</u>	<u>-</u>	<u>7,771</u>
Net change in fund balances	499,192	(201,040)	-	(2,429)	295,723
Fund balance - beginning, previously reported	<u>821,621</u>	<u>986,894</u>	<u>-</u>	<u>47,548</u>	<u>1,856,063</u>
Restatement	-	8,919,089	-	-	8,919,089
Fund balance - beginning restated	<u>821,621</u>	<u>9,905,983</u>	<u>-</u>	<u>47,548</u>	<u>10,775,152</u>
Fund balance - ending	<u>\$ 1,320,813</u>	<u>\$ 9,704,943</u>	<u>\$ -</u>	<u>\$ 45,119</u>	<u>\$ 11,070,875</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015

(With Comparative Actual Amounts For Year Ended June 30, 2014)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2015 Actual</u>	<u>2014 Actual</u>
Revenues				
Restricted intergovernmental	\$ 805,520	\$ 916,468	\$ 1,721,988	\$ 805,520
Interest earned on investments	650	2,326	2,976	2,969
Total revenues	<u>806,170</u>	<u>918,794</u>	<u>1,724,964</u>	<u>808,489</u>
Expenditures				
Current				
Public safety				
Other operating expenditures	804,750	145,313	659,437	647,259
Capital outlay	462,029	2	462,027	195,996
Cost redistribution	10,094	1	10,093	9,944
Total public safety	<u>1,276,873</u>	<u>145,316</u>	<u>1,131,557</u>	<u>853,199</u>
Debt service				
Principal	89,189	3	89,186	-
Interest	8,185	-	8,185	-
Total debt service	<u>97,374</u>	<u>3</u>	<u>97,371</u>	<u>-</u>
Total expenditures	<u>1,374,247</u>	<u>145,319</u>	<u>1,228,928</u>	<u>853,199</u>
Revenues over (under) expenditures	<u>(568,077)</u>	<u>1,064,113</u>	<u>496,036</u>	<u>(44,710)</u>
Other financing sources (uses)				
Appropriated fund balance	564,922	(564,922)	-	-
Transfers in	27,998	-	27,998	-
Transfer out	(24,843)	1	(24,842)	-
Capital lease proceeds	-	-	-	486,869
Total other financing sources (uses)	<u>568,077</u>	<u>(564,921)</u>	<u>3,156</u>	<u>486,869</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 499,192</u>	<u>499,192</u>	<u>442,159</u>
Fund balance				
Beginning of year - July 1			<u>821,621</u>	<u>379,462</u>
End of year - June 30			<u>\$ 1,320,813</u>	<u>\$ 821,621</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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 14,260,016	\$ 9,761,848	\$ 1,163,619	\$ 3,083,213	\$ 11,681,442
State grants	2,012,559	1,997,611	209,930	161,144	1,948,825
County	24,304	58,729	23,167	8,322	43,884
Total restricted intergovernmental	<u>16,296,879</u>	<u>11,818,188</u>	<u>1,396,716</u>	<u>3,252,679</u>	<u>13,674,151</u>
Miscellaneous	<u>1,592,984</u>	<u>1,027,070</u>	<u>23,016</u>	<u>87,676</u>	<u>1,091,730</u>
Interest earned on investments	<u>93,939</u>	<u>100,127</u>	<u>-</u>	<u>197,691</u>	<u>297,818</u>
Total revenues	<u>17,983,802</u>	<u>12,945,385</u>	<u>1,419,732</u>	<u>3,538,046</u>	<u>15,063,699</u>
Expenditures					
Current					
Public safety	8,002,614	7,976,534	1,470,168	691,617	7,197,983
Economic and physical development	8,655,866	3,888,000	-	2,823,915	6,711,915
Recreation and community facilities	1,419,057	412,893	-	147,285	560,178
Total current	<u>18,077,537</u>	<u>12,277,427</u>	<u>1,470,168</u>	<u>3,662,817</u>	<u>14,470,076</u>
Debt service	<u>162,181</u>	<u>81,296</u>	<u>-</u>	<u>80,884</u>	<u>162,180</u>
Total expenditures	<u>18,239,718</u>	<u>12,358,723</u>	<u>1,470,168</u>	<u>3,743,701</u>	<u>14,632,256</u>
Revenues over (under) expenditures	<u>(255,916)</u>	<u>586,662</u>	<u>(50,436)</u>	<u>(205,655)</u>	<u>431,443</u>
Other financing sources (uses)					
Sale of capital assets	7,720	7,720	-	-	7,720
Transfers in	617,562	571,082	50,436	195,044	715,690
Transfers out	(369,366)	(178,570)	-	(190,429)	(368,999)
Total other financing sources (uses)	<u>255,916</u>	<u>400,232</u>	<u>50,436</u>	<u>4,615</u>	<u>354,411</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 986,894</u>	<u>\$ -</u>	<u>(201,040)</u>	<u>\$ 785,854</u>
Fund balance					
Beginning of year - July 1, as previously reported				<u>986,894</u>	
Restatement				8,919,089	
Beginning of year - July 1 - Restated				<u>9,905,983</u>	
End of year - June 30				<u>\$ 9,704,943</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, 2015

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 3,734,195	\$ 2,961,727	\$ -	\$ 409,377	\$ 3,371,104
PSN Anti-Gang; Operation Ceasefire	18,050	58,810	40,795	-	18,015
Domestic Violence Training 2011	42,913	26,811	4,925	4,952	26,838
PSN Media Blitz	23,000	19,889	-	-	19,889
Juvenile Restitution	242,593	327,497	228,085	88,643	188,055
Sobriety Court Grant	-	38,112	38,112	-	-
Cumberland County STARS Drug Treatment Court	265,285	237,900	-	-	237,900
Justice Assistance Grant	297,450	642,131	349,434	-	292,697
COPS Technology Grant	150,000	149,440	-	-	149,440
FY11 Hazmat Equipment and Training	25,000	17,500	-	7,500	25,000
FY10 FEMA Defibrillators Grant	-	100,000	100,000	-	-
COPS Hiring Recovery Program (ARRA)	2,528,240	2,524,395	-	-	2,524,395
Justice Assistance Grant (ARRA)	-	708,817	708,817	-	-
Gang Partnership 2012	48,196	20,999	-	-	20,999
Prescription Drug Initiative 2012	67,202	54,461	-	10,029	64,490
Cumberland Community Foundation	18,000	2,782	-	13,994	16,776
Youth Growth Stock Trust	10,000	-	-	9,918	9,918
Gang Prevention for Schools	37,185	31,273	-	5,270	36,543
Mobile Technology Initiative	54,000	53,990	-	-	53,990
2014 FPD City-wide Gang Prevention	68,368	-	-	50,653	50,653
2014 Cumberland County STARS	74,805	-	-	43,096	43,096
FY14 Violent Gang and Gun Crime Reduction	298,132	-	-	48,185	48,185
Total public safety	8,002,614	7,976,534	1,470,168	691,617	7,197,983
Economic and physical development					
Community Development Block Grant	4,234,729	1,531,989	-	2,064,127	3,596,116
NC Rural Economic Development	47,335	47,320	-	-	47,320
Community Garden	13,500	3,000	-	10,000	13,000
HOME	3,110,570	1,112,800	-	706,640	1,819,440
CDBG-R (ARRA)	385,584	385,584	-	-	385,584
Homeless Prevention (ARRA)	589,648	589,647	-	-	589,647
Bragg Blvd Corridor Plan	200,000	200,000	-	-	200,000
Downtown Public Art Project	34,500	17,660	-	3,151	20,811
Fair housing outreach program	40,000	-	-	39,997	39,997
Total economic and physical development	8,655,866	3,888,000	-	2,823,915	6,711,915
Recreation and community facilities					
Wayfinding signage	500,586	340,542	-	58,270	398,812
Cultural arts program	22,520	22,520	-	-	22,520
National Recreation & Parks Association	10,000	-	-	-	-
Badges for Baseball 2013	23,950	23,947	-	-	23,947
Badges for Baseball 2014 #2	4,000	4,000	-	-	4,000
Badges for Baseball 2014	21,500	21,500	-	-	21,500
Badges for Baseball	6,500	384	-	6,103	6,487
Big Cross Creek Multiuse Trail	800,000	-	-	61,221	61,221
Tree Inventory Phase II	30,001	-	-	21,691	21,691
Total recreation and community facilities	1,419,057	412,893	-	147,285	560,178
Total expenditures by project	\$ 18,077,537	\$ 12,277,427	\$ 1,470,168	\$ 3,662,817	\$ 14,470,076

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
(With Comparative Actual Amounts For Year Ended June 30, 2014)

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Revenues				
Miscellaneous				
Property leases	\$ 795,850	\$ (27)	\$ 795,823	\$ 806,508
Total miscellaneous	<u>795,850</u>	<u>(27)</u>	<u>795,823</u>	<u>806,508</u>
Interest earned on investments	<u>-</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total revenues	<u>795,850</u>	<u>(25)</u>	<u>795,825</u>	<u>806,510</u>
Expenditures				
Current				
Economic and physical development				
Other operating expenditures	3,600	25	3,575	3,260
Debt service				
Principal	640,000	-	640,000	620,000
Interest	152,250	-	152,250	183,250
Total debt service	<u>792,250</u>	<u>-</u>	<u>792,250</u>	<u>803,250</u>
Total expenditures	<u>795,850</u>	<u>25</u>	<u>795,825</u>	<u>806,510</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Appropriated fund balance	-	-	-	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance				
Beginning of year - July 1			<u>-</u>	<u>-</u>
End of year - June 30			<u>\$ -</u>	<u>\$ -</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
County grants and contributions	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000
Total restricted intergovernmental	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Miscellaneous					
Other (donations)	1,895,975	1,844,875	-	51,300	1,896,175
Total miscellaneous	<u>1,895,975</u>	<u>1,844,875</u>	<u>-</u>	<u>51,300</u>	<u>1,896,175</u>
Interest earned on investments	<u>46,911</u>	<u>46,855</u>	<u>-</u>	<u>298</u>	<u>47,153</u>
Total revenues	<u>2,072,886</u>	<u>2,021,730</u>	<u>-</u>	<u>51,598</u>	<u>2,073,328</u>
Expenditures					
Current					
Recreational and community facilities					
Linear Park	2,123,065	2,024,361	-	54,027	2,078,388
Total expenditures	<u>2,123,065</u>	<u>2,024,361</u>	<u>-</u>	<u>54,027</u>	<u>2,078,388</u>
Revenues over (under) expenditures	<u>(50,179)</u>	<u>(2,631)</u>	<u>-</u>	<u>(2,429)</u>	<u>(5,060)</u>
Other financing sources (uses)					
Transfers in	50,179	50,179	-	-	50,179
Total other financing sources (uses)	<u>50,179</u>	<u>50,179</u>	<u>-</u>	<u>-</u>	<u>50,179</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 47,548</u>	<u>\$ -</u>	<u>(2,429)</u>	<u>\$ 45,119</u>
Fund balance					
Beginning of year - July 1				<u>47,548</u>	
End of year - June 30				<u>\$ 45,119</u>	

2015

Capital Project Funds

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

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

- General Government Fund
- Public Safety Fund
- Transportation Fund
- Economic and Physical Development Fund
- Recreational and Cultural Fund

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2015

	General Government Fund	Public Safety Fund	Transportation Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
Assets						
Cash and investments	\$ 4,114,568	\$ 561,654	\$ 6,571,269	\$ 856,063	\$ 2,807,308	\$ 14,910,862
Accounts receivable	2,538	48,086	224,968	-	175,042	450,634
Restricted cash and investments	-	-	2,057,762	504,110	1,133,009	3,694,881
Restricted accounts receivable	-	-	-	-	613	613
Total assets	\$ 4,117,106	\$ 609,740	\$ 8,853,999	\$ 1,360,173	\$ 4,115,972	\$ 19,056,990
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued expenses	\$ 57,150	-	\$ 231,650	\$ 81,514	\$ 580,091	\$ 950,405
Unearned revenue	-	-	-	-	357,380	357,380
Restricted accounts payable and accrued expenses	-	-	117,243	-	34,983	152,226
Total liabilities	57,150	-	348,893	81,514	972,454	1,460,011
Fund balances:						
Restricted						
Stabilization by State Statute	416,420	74,713	4,010,255	244,160	2,691,881	7,437,429
Downtown	-	-	9,656	-	-	9,656
Economic and physical development	-	-	-	504,110	-	504,110
Recreation and community facilities	-	-	-	-	736,403	736,403
For streets - Powell bill	-	-	1,930,863	-	-	1,930,863
Committed						
Administration	3,643,536	-	-	-	-	3,643,536
Public safety	-	535,027	-	-	-	535,027
Transportation	-	-	2,554,332	-	-	2,554,332
Economic and physical development	-	-	-	530,389	-	530,389
Unassigned	-	-	-	-	(284,766)	(284,766)
Total fund balances	4,059,956	609,740	8,505,106	1,278,659	3,143,518	17,596,979
Total liabilities and fund balances	\$ 4,117,106	\$ 609,740	\$ 8,853,999	\$ 1,360,173	\$ 4,115,972	\$ 19,056,990

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Project Funds
 Year Ended June 30, 2015

	General Government Fund	Public Safety Fund	Transportation Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
Revenues						
Restricted intergovernmental	\$ -	\$ 238,928	\$ 165,497	\$ -	\$ 914,068	\$ 1,318,493
Miscellaneous	-	-	-	-	213,656	213,656
Interest earned in investments	-	-	75	630	8,343	9,048
Total revenues	-	238,928	165,572	630	1,136,067	1,541,197
Expenditures						
Administration	1,795,165	-	-	-	-	1,795,165
Public safety	-	3,801,562	-	-	-	3,801,562
Transportation	-	-	2,856,000	-	-	2,856,000
Economic and physical development	-	-	-	460,382	-	460,382
Recreational and community facilities	-	-	-	-	3,422,959	3,422,959
Total expenditures	1,795,165	3,801,562	2,856,000	460,382	3,422,959	12,336,068
Excess (deficiency) of revenues over (under) expenditures	(1,795,165)	(3,562,634)	(2,690,428)	(459,752)	(2,286,892)	(10,794,871)
Other financing sources (uses)						
Transfers in	2,581,415	148,953	5,806,134	275,000	2,195,000	11,006,502
Transfers out	-	-	(24,260)	-	-	(24,260)
Total other financing sources (uses)	2,581,415	148,953	5,781,874	275,000	2,195,000	10,982,242
Net change in fund balances	786,250	(3,413,681)	3,091,446	(184,752)	(91,892)	187,371
Fund balance - beginning	3,273,706	4,023,421	5,413,660	1,463,411	3,235,410	17,409,608
Fund balance - ending	\$ 4,059,956	\$ 609,740	\$ 8,505,106	\$ 1,278,659	\$ 3,143,518	\$ 17,596,979

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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,716,400	\$ 1,577,276	\$ -	\$ -	\$ 1,577,276
Expenditures					
Current					
Administration					
Clean Cities project	385,491	278,247	-	-	278,247
Computer replacements	2,461,106	1,666,856	-	761,588	2,428,444
Telephone system upgrade	123,440	123,243	-	-	123,243
Planning software	64,200	51,700	-	-	51,700
Enterprise-wide GIS	227,450	89,655	-	2,507	92,162
Disaster recovery system	827,318	500,533	-	23,149	523,682
Laserfiche Rio System	163,222	117,995	-	30,189	148,184
Uninterruptible power supply	58,650	34,356	-	3,522	37,878
Virtual server expansion	60,034	41,793	-	11,876	53,669
Wireless network expansion	151,000	97,447	-	35,622	133,069
Grove Street parking lot paving	412,000	233,840	-	-	233,840
Integrated cashiering system	106,180	95,559	-	-	95,559
Grove Street roof replacement	60,500	50,773	-	-	50,773
Electronic plan review system	68,500	20,525	-	-	20,525
Building projects	5,635,084	1,902,971	-	718,929	2,621,900
Parking lot projects	395,520	338,558	-	-	338,558
Council chambers upgrade	158,453	158,452	-	-	158,452
Energy Efficiency Conservation Block Grant (ARRA)	1,645,400	1,512,276	-	-	1,512,276
Internet telephone system	222,000	142,000	-	72,871	214,871
Time and attendance system	580,000	382,966	-	25,983	408,949
E-mail system upgrade	150,800	120,714	-	21,338	142,052
External website for the City	170,000	-	-	51,452	51,452
Org Performance Mgmt System	81,980	-	-	-	-
FayTV7 Servicer System	36,139	-	-	36,139	36,139
Total expenditures	<u>14,244,467</u>	<u>7,960,459</u>	<u>-</u>	<u>1,795,165</u>	<u>9,755,624</u>
Revenues over (under) expenditures	<u>(12,528,067)</u>	<u>(6,383,183)</u>	<u>-</u>	<u>(1,795,165)</u>	<u>(8,178,348)</u>
Other financing sources (uses)					
Transfers in	12,535,567	9,664,389	-	2,581,415	12,245,804
Transfer out	(7,500)	(7,500)	-	-	(7,500)
Total other financing sources (uses)	<u>12,528,067</u>	<u>9,656,889</u>	<u>-</u>	<u>2,581,415</u>	<u>12,238,304</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,273,706</u>	<u>\$ -</u>	<u>786,250</u>	<u>\$ 4,059,956</u>
Fund balance					
Beginning of year - July 1				<u>3,273,706</u>	
End of year - June 30				<u>\$ 4,059,956</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, 2015

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 441,237	\$ 195,752	\$ -	\$ 238,928	434,680
Interest earned on investments	-	78	-	-	78
Total revenues	441,237	195,830	-	238,928	434,758
Expenditures					
Current					
Public Safety					
Police department server upgrade	208,000	185,910	-	-	185,910
Fire station #12	500,000	-	-	-	-
Police department CAD and RMS	3,209,917	3,134,326	-	-	3,134,326
Police department 800mhz radios	3,600,000	3,169,870	-	-	3,169,870
Police department firing range improvements	50,000	50,000	-	-	50,000
Justice Assistance Grant	331,187	145,754	-	182,467	328,221
Enhanced security systems	70,000	57,421	-	12,430	69,851
Police 800MHz radio lease	4,209,433	-	-	3,481,847	3,481,847
Fire hazardous materials response equipment	27,400	-	-	23,810	23,810
Fire hazmat emergency planning project	7,650	-	-	7,650	7,650
Fire call notification and paging system	124,111	-	-	68,358	68,358
Fire deployed logix shelter	25,000	-	-	25,000	25,000
Total expenditures	12,362,698	6,743,281	-	3,801,562	10,544,843
Revenues over (under) expenditures	(11,921,461)	(6,547,451)	-	(3,562,634)	(10,110,085)
Other financing sources (uses)					
Issuance of debt	10,073,819	8,929,925	-	-	8,929,925
Transfers in	4,169,742	3,963,047	-	148,953	4,112,000
Transfers out	(2,322,100)	(2,322,100)	-	-	(2,322,100)
Total other financing sources (uses)	11,921,461	10,570,872	-	148,953	10,719,825
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 4,023,421	\$ -	(3,413,681)	\$ 609,740
Fund balance					
Beginning of year - July 1				4,023,421	
End of year - June 30				\$ 609,740	

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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,699,937	\$ -	\$ -	\$ 165,497	\$ 165,497
Total restricted intergovernmental	<u>1,699,937</u>	<u>-</u>	<u>-</u>	<u>165,497</u>	<u>165,497</u>
Miscellaneous					
Owner contributions	39,712	39,712	-	-	39,712
Other	10,204	30,408	20,204	-	10,204
Total miscellaneous	<u>49,916</u>	<u>70,120</u>	<u>20,204</u>	<u>-</u>	<u>49,916</u>
Interest earned on investments	<u>6,524</u>	<u>6,486</u>	<u>-</u>	<u>75</u>	<u>6,561</u>
Total revenues	<u>1,756,377</u>	<u>76,606</u>	<u>20,204</u>	<u>165,572</u>	<u>221,974</u>
Expenditures					
Current					
Transportation					
Thoroughfare streetlights	250,000	-	-	-	-
Sidewalks	693,120	752,275	752,275	62,429	62,429
Downtown railroad enhancements	1,892,000	395,526	-	21,011	416,537
Transportation improvements	14,023,103	11,933,190	8,253,787	2,757,560	6,436,963
Railroad cabinet relocation	46,744	-	-	15,000	15,000
Total expenditures	<u>16,904,967</u>	<u>13,080,991</u>	<u>9,006,062</u>	<u>2,856,000</u>	<u>6,930,929</u>
Revenues (over) under expenditures	<u>(15,148,590)</u>	<u>(13,004,385)</u>	<u>(8,985,858)</u>	<u>(2,690,428)</u>	<u>(6,708,955)</u>
Other financing sources (uses)					
Transfers in	15,196,754	18,441,949	8,985,858	5,806,134	15,262,225
Transfers out	(48,164)	(23,904)	-	(24,260)	(48,164)
Total other financing sources (uses)	<u>15,148,590</u>	<u>18,418,045</u>	<u>8,985,858</u>	<u>5,781,874</u>	<u>15,214,061</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 5,413,660</u>	<u>\$ -</u>	<u>3,091,446</u>	<u>\$ 8,505,106</u>
Fund balance					
Beginning of year - July 1				<u>5,413,660</u>	
End of year - June 30				<u>\$ 8,505,106</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, 2015

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,251,150	\$ 1,251,150	\$ -	\$ -	\$ 1,251,150
County	250,243	250,242	-	-	250,242
Total restricted intergovernmental	<u>1,501,393</u>	<u>1,501,392</u>	<u>-</u>	<u>-</u>	<u>1,501,392</u>
Interest earned on investments	<u>12,000</u>	<u>12,546</u>	<u>-</u>	<u>630</u>	<u>13,176</u>
Total revenues	<u>1,513,393</u>	<u>1,513,938</u>	<u>-</u>	<u>630</u>	<u>1,514,568</u>
Expenditures					
Current					
Economic and physical development					
Texfi Project	803,619	677,610	-	6,902	684,512
HOPE VI	6,526,000	5,664,355	-	296,712	5,961,067
Downtown parking deck	5,719,998	5,569,958	-	-	5,569,958
Military Business Park	1,251,150	1,251,150	-	-	1,251,150
Murchison Road redevelopment	1,130,000	573,011	-	141,175	714,186
Festival Park Plaza renovations	100,000	81,818	-	15,593	97,411
Dr. EE Smith House restoration	25,000	-	-	-	-
Total economic and physical development	<u>15,555,767</u>	<u>13,817,902</u>	<u>-</u>	<u>460,382</u>	<u>14,278,284</u>
Debt service	<u>242,002</u>	<u>242,002</u>	<u>-</u>	<u>-</u>	<u>242,002</u>
Total expenditures	<u>15,797,769</u>	<u>14,059,904</u>	<u>-</u>	<u>460,382</u>	<u>14,520,286</u>
Revenues over (under) expenditures	<u>(14,284,376)</u>	<u>(12,545,966)</u>	<u>-</u>	<u>(459,752)</u>	<u>(13,005,718)</u>
Other financing sources (uses)					
Transfers in	8,334,376	8,059,377	-	275,000	8,334,377
Issuance of debt	5,950,000	5,950,000	-	-	5,950,000
Total other financing sources (uses)	<u>14,284,376</u>	<u>14,009,377</u>	<u>-</u>	<u>275,000</u>	<u>14,284,377</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,463,411</u>	<u>\$ -</u>	<u>(184,752)</u>	<u>\$ 1,278,659</u>
Fund balance					
Beginning of year - July 1				<u>1,463,411</u>	
End of year - June 30				<u>\$ 1,278,659</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, 2015

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 865,000	\$ 119,410	\$ -	\$ 144,300	\$ 263,710
State grants and contributions	18,725,000	16,260,870	-	769,768	17,030,638
Local	541,662	537,412	-	-	537,412
Total restricted intergovernmental	<u>20,131,662</u>	<u>16,917,692</u>	<u>-</u>	<u>914,068</u>	<u>17,831,760</u>
Miscellaneous					
Other	159,976	181,476	-	211,621	393,097
Donations	282,269	282,375	-	2,035	284,410
Total miscellaneous	<u>442,245</u>	<u>463,851</u>	<u>-</u>	<u>213,656</u>	<u>677,507</u>
Interest earned on investments	<u>503,958</u>	<u>544,478</u>	<u>-</u>	<u>8,343</u>	<u>552,821</u>
Total revenues	<u>21,077,865</u>	<u>17,926,021</u>	<u>-</u>	<u>1,136,067</u>	<u>19,062,088</u>
Expenditures					
Current					
Recreational and community facilities					
Freedom Park	538,939	490,667	-	44,621	535,288
NC State Veterans Park	3,092,641	2,326,095	-	-	2,326,095
Western Area Neighborhood Park	856,756	845,549	-	9,127	854,676
NC State Veterans Park #2	14,050,000	13,109,378	-	674,962	13,784,340
Playground equipment and improvements	919,535	714,159	-	98,243	812,402
Reid Ross track facility	176,404	174,346	-	-	174,346
Rec Trac Software	61,153	31,841	-	-	31,841
Joint use facilities with Cumberland County	431,000	431,000	-	-	431,000
Cape Fear River Trail Phase 2	4,839,345	574,195	-	926,785	1,500,980
NCFS Forestry Program	32,960	27,419	-	-	27,419
Aquatic Center at Westover	2,095,000	-	-	1,669,221	1,669,221
Tree Project	159,826	-	-	-	-
Total expenditures	<u>27,253,559</u>	<u>18,724,649</u>	<u>-</u>	<u>3,422,959</u>	<u>22,147,608</u>
Revenues over (under) expenditures	<u>(6,175,694)</u>	<u>(798,628)</u>	<u>-</u>	<u>(2,286,892)</u>	<u>(3,085,520)</u>
Other financing sources (uses)					
Transfers in	5,566,496	3,379,142	-	2,195,000	5,574,142
Transfers out	(86,155)	(86,155)	-	-	(86,155)
Sale of capital assets	695,353	738,695	-	-	738,695
Issuance of debt	-	2,356	-	-	2,356
Total other financing sources (uses)	<u>6,175,694</u>	<u>4,034,038</u>	<u>-</u>	<u>2,195,000</u>	<u>6,229,038</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,235,410</u>	<u>\$ -</u>	<u>(91,892)</u>	<u>\$ 3,143,518</u>
Fund balance					
Beginning of year - July 1				<u>3,235,410</u>	
End of year - June 30				<u>\$ 3,143,518</u>	

2015

Proprietary Funds

- Enterprise Funds
- Internal Service Funds

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



City of
Fayetteville
North Carolina

2015

Enterprise Funds

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

The following comprise the City's Enterprise Funds:

- Electric Fund
- Water and Wastewater Fund
- Stormwater Management Fund
- Nonmajor Enterprise Funds
 - Transit Fund
 - Airport Fund
 - Environmental Services Fund

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Electric Fund
June 30, 2015

	Electric Fund	Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Clean Fuel Advanced Technology Grant Fund	Total
ASSETS						
Current unrestricted assets						
Cash and cash equivalents	\$ 53,642,086	-	\$ -	-	\$ -	\$ 53,642,086.00
Investments	23,847,372	-	-	-	-	23,847,372.00
Receivables	30,018,359	-	-	-	-	30,018,359.00
Internal balances	(1,036,367)	21,753	(23,256)	(286,796)	(24,288)	(1,348,954.00)
Less allowance for doubtful accounts	(338,230)	-	-	-	-	(338,230.00)
Inventories	12,209,083	-	-	-	-	12,209,083.00
Other current assets	652,246	-	-	-	-	652,246.00
Total current unrestricted assets	118,994,549	21,753	(23,256)	(286,796)	(24,288)	118,681,962
Current restricted assets						
Cash and cash equivalents	14,951,426	20,746,130	4,569,551	5,405,918	-	45,673,025
Investments	18,130,908	26,816,224	-	-	-	44,947,132
Collateral	341,688	-	-	-	-	341,688
Receivables	596	61,438	-	-	-	62,034
Total current restricted assets	33,424,618	47,623,792	4,569,551	5,405,918	-	91,023,879
Total current assets	152,419,167	47,645,545	4,546,295	5,119,122	(24,288)	209,705,841
Noncurrent assets						
Other assets	2,156,522	760,500	-	-	-	2,917,022
Capital assets:						
Land	6,459,169	-	-	-	-	6,459,169
Construction in process	25,125,752	-	4,223,810	801,495	24,288	30,175,345
Electric utility systems	175,864,522	-	-	-	-	175,864,522
Buildings	24,593,035	-	-	-	-	24,593,035
Equipment and machinery	7,859,859	-	-	-	-	7,859,859
Computer programs	1,175,970	-	-	-	-	1,175,970
Intangibles	8,863,187	-	-	-	-	8,863,187
Vehicles	3,787,118	-	-	-	-	3,787,118
Office equipment	240,027	-	-	-	-	240,027
Capital assets, net	253,968,639	-	4,223,810	801,495	24,288	259,018,232
Total noncurrent assets	256,125,161	760,500	4,223,810	801,495	24,288	261,935,254
Total assets	408,544,328	48,406,045	8,770,105	5,920,617	-	471,641,095
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	384,538	-	-	-	-	384,538
Contributions to pension plan in current fiscal year	2,412,763	-	-	-	-	2,412,763
Total deferred outflows of resources	2,797,301	-	-	-	-	2,797,301
LIABILITIES						
Current liabilities to be paid from unrestricted current assets						
Current portion of long-term liabilities	2,606,482	-	-	-	-	2,606,482
Accounts payable and accrued expenses	21,897,308	-	-	-	-	21,897,308
Total current liabilities to be paid from unrestricted current assets	24,503,790	-	-	-	-	24,503,790
Current liabilities to be paid from restricted current assets						
Accounts payable and accrued expenses	7,116,665	-	839,563	13,291	-	7,969,519
Total current liabilities to be paid from restricted current assets	7,116,665	-	839,563	13,291	-	7,969,519
Total current liabilities	31,620,455	-	839,563	13,291	-	32,473,309
Noncurrent liabilities						
Long-term liabilities	31,128,747	-	-	-	-	31,128,747
Unearned deposits	6,594	-	-	-	-	6,594
Total noncurrent liabilities	31,135,341	-	-	-	-	31,135,341
Total liabilities	62,755,796	-	839,563	13,291	-	63,608,650
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	4,023,015	-	-	-	-	4,023,015
Total deferred inflows of resources	4,023,015	-	-	-	-	4,023,015
NET POSITION						
Net investment in capital assets	225,427,468	-	4,223,810	801,495	24,288	230,477,061
Restricted for -						
Capital Projects	-	-	4,569,551	5,405,918	-	9,975,469
Debt service	359,324	-	-	-	-	359,324
Unrestricted Net Position	118,776,026	48,406,045	(862,819)	(300,087)	(24,288)	165,994,877
Total Net Position	\$ 344,562,818	48,406,045	\$ 7,930,542	5,907,326	-	406,806,731

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Schedule of Revenues, Expenses and Changes in Net Position
Electric Fund
Year ended June 30, 2015**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Clean Fuel Advanced Technology Grant Fund	Total
Operating revenues						
Residential, commercial, and industrial sales	\$ 184,577,723	\$ -	\$ -	\$ -	\$ -	\$ 184,577,723
Other charges for services	39,086,109	-	-	-	-	39,086,109
Total operating revenues	<u>223,663,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,663,832</u>
Operating expenses						
Power supply and generation	157,248,396	-	-	-	-	157,248,396
Electric operation	11,059,845	-	-	-	-	11,059,845
General and administrative	18,745,240	-	-	-	-	18,745,240
Depreciation	15,127,588	-	-	-	-	15,127,588
Total operating expenses	<u>202,181,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,181,069</u>
Operating income	<u>21,482,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,482,763</u>
Nonoperating revenue (expense)						
Interest earned on investments	584,875	244,736	-	-	-	829,611
Gain (loss) on disposal of assets	(176,869)	-	-	-	-	(176,869)
Interest expense	(824,802)	-	-	-	-	(824,802)
Amortization	(147,337)	-	-	-	-	(147,337)
Finance costs	(111,883)	-	-	-	-	(111,883)
Total nonoperating revenue (expense)	<u>(676,016)</u>	<u>244,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(431,280)</u>
Income before transfers and contributions	<u>20,806,747</u>	<u>244,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,051,483</u>
Transfers in	17,839,946	250,000	13,720,488	6,391,603	-	38,202,037
Transfers out	(24,298,968)	(8,288,420)	(5,789,946)	-	-	(38,377,334)
Transfers out - City of Fayetteville	(12,527,760)	-	-	-	-	(12,527,760)
Contributions	96,819	-	-	-	-	96,819
Change in Net Position	1,916,784	(7,793,684)	7,930,542	6,391,603	-	8,445,245
Total Net Position - beginning Restatement	344,667,269 (2,021,235)	56,199,729	-	(484,277)	-	400,382,721 (2,021,235)
Total Net Position - beginning	<u>342,646,034</u>	<u>56,199,729</u>	<u>-</u>	<u>(484,277)</u>	<u>-</u>	<u>398,361,486</u>
Total Net Position - ending	<u>\$ 344,562,818</u>	<u>\$ 48,406,045</u>	<u>\$ 7,930,542</u>	<u>\$ 5,907,326</u>	<u>\$ -</u>	<u>\$ 406,806,731</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Electric operations				
Residential, commercial, and industrial sales - electric	\$ 187,064,900	\$ (2,487,177)	\$ 184,577,723	\$ 182,456,234
Other sales of electric	10,656,700	171,676	10,828,376	10,492,549
Wholesale power cost adjustment	3,761,600	70,121	3,831,721	-
City Services	1,320,200	(23,145)	1,297,055	1,279,571
Non-utility charges	1,774,600	30,952	1,805,552	1,946,997
Service charges	6,468,599	(206,381)	6,262,218	6,627,575
Miscellaneous	15,182,201	(121,014)	15,061,187	15,050,860
Total operating revenues	<u>226,228,800</u>	<u>(2,564,968)</u>	<u>223,663,832</u>	<u>217,853,786</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(176,869)	(176,869)	(440,957)
Interest earned on investments	450,000	134,875	584,875	1,148,328
Total non-operating revenues	<u>450,000</u>	<u>(41,994)</u>	<u>408,006</u>	<u>707,371</u>
Contributions				
Contributions	4,190,000	(4,093,181)	96,819	1,297,052
Total contributions	<u>4,190,000</u>	<u>(4,093,181)</u>	<u>96,819</u>	<u>1,297,052</u>
Transfers in				
Transfer from City of Fayetteville	-	-	-	20,847
Transfer from Electric Rate Stabilization Fund	12,050,000	-	12,050,000	15,642,480
Total transfers in	<u>12,050,000</u>	<u>-</u>	<u>12,050,000</u>	<u>15,663,327</u>
Budgetary appropriations				
Reserve for REPS	2,000,000	(362,704)	1,637,296	-
Reserve for Electric capital project	3,912,500	(3,900,917)	11,583	-
Series 2014 bond proceeds	756,700	3,529	760,229	-
Appropriated net position	4,115,270	(4,115,270)	-	9,383,650
Total budgetary appropriations	<u>10,784,470</u>	<u>(8,375,362)</u>	<u>2,409,108</u>	<u>9,383,650</u>
Total revenues	<u>\$ 253,703,270</u>	<u>\$ (15,075,505)</u>	<u>\$ 238,627,765</u>	<u>\$ 244,905,186</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 158,034,320	\$ 785,924	\$ 157,248,396	\$ 163,175,003
Administration	1,093,900	640,467	453,433	703,466
Apparatus repair shop	444,310	36,412	407,898	421,362
Electric meter shop	216,900	(27,445)	244,345	232,550
Construction and maintenance	8,374,390	2,237,435	6,136,955	8,424,793
Substation construction	1,886,110	99,684	1,786,426	2,020,429
Engineering	3,456,660	530,565	2,926,095	2,355,697
Fiber	198,900	(123,764)	322,664	193,936
SCADA	259,900	71,358	188,542	145,475
CT metering crews	430,500	119,471	311,029	346,312
Compliance	787,700	290,133	497,567	631,365
Overhead clearing	(500)	2,214,609	(2,215,109)	-
Total electric operations	<u>175,183,090</u>	<u>6,874,849</u>	<u>168,308,241</u>	<u>178,650,388</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,152,350	\$ 190,826	\$ 961,524	\$ 987,509
Internal audit	53,050	47,746	5,304	3,714
Communications and community relations	724,850	82,129	642,721	725,790
Financial administration	213,210	22,279	190,931	181,666
Human resources	758,510	(113,842)	872,352	771,451
Accounting	405,160	18,168	386,992	502,050
Accounts receivable	795,310	125,718	669,592	642,667
Payroll	68,150	5,668	62,482	76,237
Customer accounts	1,725,090	(117,474)	1,842,564	1,756,414
Utility field services	1,343,660	333,973	1,009,687	1,141,936
Corporate development	2,522,810	507,900	2,014,910	1,116,967
Risk management	814,680	157,521	657,159	711,251
Collections	1,693,800	(86,117)	1,779,917	987,138
Capital Projects	267,600	(61,943)	329,543	287,874
Rates	163,750	26,570	137,180	232,049
Budget	127,610	(8,168)	135,778	137,555
Purchasing	413,700	140,450	273,250	287,543
Warehouse	385,250	(6,446)	391,696	574,225
Fleet maintenance	1,378,750	490,249	888,501	1,147,817
Facilities maintenance	278,500	2,702	275,798	274,415
Customer programs and call center	242,380	(237,887)	480,267	230,421
Corporate services administration	256,600	113,350	143,250	230,835
Development and marketing	555,310	195,480	359,830	358,821
Telecommunications systems	1,777,750	159,745	1,618,005	660,157
Information systems	3,342,450	570,922	2,771,528	1,937,938
Medical insurance	3,377,250	(556,538)	3,933,788	4,815,949
Other	4,303,050	2,206,522	2,096,528	2,674,541
Allocated rent and fiber clearing	(1,683,700)	778,825	(2,462,525)	(2,331,298)
Overhead clearing	(4,998,800)	(557,485)	(4,441,315)	(4,771,477)
Total general and administrative	22,458,080	4,430,843	18,027,237	16,352,155
Total operating expenditures	197,641,170	11,305,692	186,335,478	195,002,543
Non-operating expenditures				
Interest expense	945,900	121,098	824,802	516,684
Finance costs	66,300	(45,583)	111,883	5,182
Total non-operating expenditures	1,012,200	75,515	936,685	521,866

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			
	Budget	Variance Positive (Negative)	Actual	2014 Actual
Transfers out				
Transfers to City of Fayetteville	\$ 12,527,800	\$ (40)	\$ 12,527,760	\$ 12,303,615
Transfers to Electric Rate Stabilization Fund - WPCW	3,761,600	(20)	3,761,580	-
Transfers to Electric Rate Stabilization Fund	250,000	-	250,000	250,000
Transfers to Series 2014 LED Lighting Fund	1,490,000	-	1,490,000	-
Transfers to Fleet Maintenance Fund	207,600	(32,303)	175,297	128,687
Total transfers out	18,237,000	(32,363)	18,204,637	12,682,302
Budgetary appropriations				
Inventory increase (decrease)	100,000	116,253	(16,253)	(90,215)
Vehicle and equipment	-	645,452	(645,452)	(51,980)
Debt principal payments	1,453,200	9	1,453,191	1,817,340
Transfer to REPS Reserve	2,172,100	(20,698)	2,192,798	-
BWGP Start up Cost Reserve	634,400	(33,063)	667,463	-
Capital outlay	28,368,700	9,403,476	18,965,224	17,234,864
Transfer to WPCA Reserve	2,225,300	(7,768)	2,233,068	-
Transfer to Health Insurance Reserve	1,500,000	-	1,500,000	-
Transfer to Capital Interest Reserve	359,200	359,200	-	-
Appropriated Net Position	-	-	-	2,137,734
Total budgetary appropriations	36,812,900	10,462,861	26,350,039	21,047,743
Total expenditures	\$ 253,703,270	\$ 21,811,705	\$ 231,826,839	\$ 229,254,454
Reconciliation of change in Net Position				
Total revenues		\$ (15,075,505)	\$ 238,627,765	\$ 244,899,186
Total expenditures		21,811,705	231,826,839	229,254,454
Subtotal		\$ 6,736,200	6,800,926	15,644,732
Reconciling items:				
Budgetary appropriations			23,940,931	11,664,093
Depreciation			(15,127,588)	(15,657,252)
Amortization			(147,337)	(253,073)
OPEB expense			(564,887)	(282,330)
LGERS expense			(153,117)	-
Series 2014 Electric Connect Bond Proceeds			(13,720,488)	-
Series 2014 LED Lighting Bond Proceeds			(4,901,602)	-
Transfer of assets (to)/from the 2014 Electric Connect Capital Project Fund			5,789,946	-
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			-	484,277
Total reconciling items			(4,884,142)	(4,044,285)
Change in Net Position			\$ 1,916,784	\$ 11,600,447

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Electric Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	4,265,000	4,045,284	244,736	4,290,020
Total revenues	<u>8,434,725</u>	<u>8,215,009</u>	<u>244,736</u>	<u>8,459,745</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>8,434,725</u>	<u>8,215,009</u>	<u>244,736</u>	<u>8,459,745</u>
Other financing sources (uses)				
Transfer from Electric Fund	68,877,155	68,627,200	250,000	68,877,200
Transfer from Electric Fund - Duke Energy True-up	3,761,600	-	-	-
Transfer to Electric Fund	(28,930,900)	(16,880,900)	(12,050,000)	(28,930,900)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,580)	3,761,580	-
Loan to Annexation Phase V Reserve Fund	-	(1,531,400)	1,531,400	-
Loan to Electric & W/WW General Fund	-	(11,562,000)	10,801,500	(760,500)
Appropriated Net Position	(48,380,980)	-	-	-
Total other financing sources (uses)	<u>(8,434,725)</u>	<u>34,891,320</u>	<u>4,294,480</u>	<u>39,185,800</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 43,106,329</u>	<u>4,539,216</u>	<u>\$ 47,645,545</u>
Reconciling items:				
Advance receivable from Annexation Phase V Reserve			(1,531,400)	
Advance receivable from W/WW for Proposed Bond Projects			(10,801,500)	
Change in Net Position			<u>\$ (7,793,684)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 Electric Connect Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 1,257	\$ 1,257
Total revenues	<u>-</u>	<u>-</u>	<u>1,257</u>	<u>1,257</u>
Expenditures				
Construction	-	2,616,300	7,172,119	9,788,419
Engineering	-	10,725	101,714	112,439
Other	-	24,793	89,361	114,154
Total expenditures	<u>24,477,300</u>	<u>2,651,818</u>	<u>7,363,194</u>	<u>10,015,012</u>
Revenues under expenditures	<u>(24,477,300)</u>	<u>(2,651,818)</u>	<u>(7,361,937)</u>	<u>(10,013,755)</u>
Other financing sources				
2014 Revenue Bond Proceeds	13,717,811	-	13,720,488	13,720,488
2016 Revenue Bond Proceeds	10,759,489	-	-	-
Total other financing sources	<u>24,477,300</u>	<u>-</u>	<u>13,720,488</u>	<u>13,720,488</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (2,651,818)</u>	6,358,551	<u>\$ 3,706,733</u>
Reconciling items:				
Capital outlay			7,361,937	
Transfer of assets (to)/from the Electric Fund			<u>(5,789,946)</u>	
Change in Net Position			<u>\$ 7,930,542</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 LED Lighting Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 729	\$ 729
Total revenues	<u>-</u>	<u>-</u>	<u>729</u>	<u>729</u>
Expenditures				
Construction	-	484,277	802,224	1,286,501
Total expenditures	<u>18,000,000</u>	<u>484,277</u>	<u>802,224</u>	<u>1,286,501</u>
Revenues under expenditures	<u>(18,000,000)</u>	<u>(484,277)</u>	<u>(801,495)</u>	<u>(1,285,772)</u>
Other financing sources				
Transfer from Electric REPS Reserve	3,500,000	-	1,490,000	1,490,000
2014 Revenue Bond Proceeds	4,900,647	-	4,901,603	4,901,603
2016 Revenue Bond Proceeds	9,599,353	-	-	-
Total other financing sources	<u>18,000,000</u>	<u>-</u>	<u>6,391,603</u>	<u>6,391,603</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (484,277)</u>	5,590,108	<u>\$ 5,105,831</u>
Reconciling items:				
Capital outlay			801,495	
Transfer of assets (to)/from the Electric Fund			-	
Change in Net Position			<u>\$ 6,391,603</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Clean Fuel Advance Technology Grant Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	-	-
Right of Way	-	-	24,288	24,288
Other	-	-	-	-
Total expenditures	<u>52,356</u>	<u>-</u>	<u>24,288</u>	<u>24,288</u>
Revenues under expenditures	<u>(52,356)</u>	<u>-</u>	<u>(24,288)</u>	<u>(24,288)</u>
Other financing sources				
Federal Grant Proceeds	37,884	-	-	-
Transfer from Electric Fund	14,472	-	-	-
Total other financing sources	<u>52,356</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(24,288)</u>	<u>\$ (24,288)</u>
Reconciling items:				
Capital outlay			24,288	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 WTF Clearwell Chemical Fund
ASSETS						
Current unrestricted assets						
Cash and cash equivalents	\$ 8,629,482	\$ 4,167,000	\$ -	\$ -	\$ -	\$ -
Investments	1,715,914	-	-	-	-	-
Receivables	17,652,240	-	-	-	-	-
Internal balances	8,473,907	(4,167,000)	68,776	(2,153)	(26,086)	-
Less Allowance for doubtful accounts	(92,844)	-	-	-	-	-
Inventories	1,593,212	-	-	-	-	-
Other current assets	497,178	-	-	-	-	-
Total current unrestricted assets	38,469,089	-	68,776	(2,153)	(26,086)	-
Current restricted assets						
Cash and cash equivalents	14,406,234	686,499	21,610,711	593,728	767,558	-
Investments	16,853,361	3,994,872	-	-	-	-
Receivables	10,354	3,883	-	2,153	21,102	-
Total current restricted assets	31,269,949	4,685,254	21,610,711	595,881	788,660	-
Total current assets	69,739,038	4,685,254	21,679,487	593,728	762,574	-
Noncurrent assets						
Other assets	3,393,318	-	-	-	-	-
Capital Assets:						
Land	9,887,147	-	-	-	89	-
Construction in process	16,983,025	-	-	(178)	(372)	-
Water system	190,915,230	-	-	-	-	-
Sewer system	291,993,421	-	-	-	-	-
Buildings	2,397,638	-	-	-	-	-
Equipment and machinery	2,898,119	-	-	-	-	-
Computer equipment	904,033	-	-	-	-	-
Intangibles	6,886,807	-	-	-	-	-
Vehicles	3,661,918	-	-	-	-	-
Office equipment	35,491	-	-	-	-	-
Capital assets, net	526,562,829	-	-	(178)	(283)	-
Total noncurrent assets	529,956,147	-	-	(178)	(283)	-
Total assets	599,695,185	4,685,254	21,679,487	593,550	762,291	-
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	4,883,133	-	-	-	-	-
Contributions to pension plan in current fiscal year	2,412,763	-	-	-	-	-
Total deferred outflows of resources	7,295,896	-	-	-	-	-

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

2013 Outfall Rehab Project	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phas V Areas 18/19 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,796,482
-	-	-	-	-	-	-	1,715,914
-	-	-	-	-	-	-	17,652,240
-	11,271	(1,063,383)	(340,954)	(3,240,778)	(40,972)	-	(327,372)
-	-	-	-	-	-	-	(92,844)
-	-	-	-	-	-	-	1,593,212
-	-	-	-	-	-	-	497,178
-	11,271	(1,063,383)	(340,954)	(3,240,778)	(40,972)	-	33,834,810
-	14,684,012	37,067,261	-	-	-	-	89,816,003
-	-	-	-	-	-	-	20,848,233
-	-	184,103	493,093	3,576,841	-	-	4,291,529
-	14,684,012	37,251,364	493,093	3,576,841	-	-	114,955,765
-	14,695,283	36,187,981	152,139	336,063	(40,972)	-	148,790,575
-	-	-	-	-	-	-	3,393,318
-	-	-	-	-	29	-	9,887,265
-	3,076,109	14,551,872	1,787,094	12,326,005	1,737,543	450,741	50,911,839
-	-	-	-	-	-	-	190,915,230
-	-	-	-	-	-	-	291,993,421
-	-	-	-	-	-	-	2,397,638
-	-	-	-	-	-	-	2,898,119
-	-	-	-	-	-	-	904,033
-	-	-	-	-	-	-	6,886,807
-	-	-	-	-	-	-	3,661,918
-	-	-	-	-	-	-	35,491
-	3,076,109	14,551,872	1,787,094	12,326,005	1,737,572	450,741	560,491,761
-	3,076,109	14,551,872	1,787,094	12,326,005	1,737,572	450,741	563,885,079
-	17,771,392	50,739,853	1,939,233	12,662,068	1,696,600	450,741	712,675,654
-	-	-	-	-	-	-	4,883,133
-	-	-	-	-	-	-	2,412,763
-	-	-	-	-	-	-	7,295,896

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 WTF Clearwell Chemica Fund
LIABILITIES						
Current liabilities to be paid from unrestricted current assets						
Current portion of long-term liabilities	\$ 15,253,214	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	12,691,941	-	-	-	-	-
Total current liabilities to be paid from unrestricted current assets	27,945,155	-	-	-	-	-
Current liabilities to be paid from restricted current assets						
Accounts payable and accrued expenses	3,005,103	-	-	74,840	5,975	-
Total current liabilities to be paid from restricted current assets	3,005,103	-	-	74,840	5,975	-
Total current liabilities	30,950,258	-	-	74,840	5,975	-
Noncurrent liabilities						
Long-term liabilities	217,912,972	-	-	-	-	-
Other liabilities	9,501	-	-	-	-	-
Unearned deposits	2,512,422	-	-	-	-	-
Total noncurrent liabilities	220,434,895	-	-	-	-	-
Total liabilities	251,385,153	-	-	74,840	5,975	-
DEFERRED INFLOWS OF RESOURCES						
Pension deferral	4,023,015	-	-	-	-	-
Total deferred inflows of resources	4,023,015	-	-	-	-	-
NET POSITION						
Net investment in capital assets	305,261,942	-	-	-	-	-
Restricted for -						
Capital Projects	-	-	-	593,728	767,558	-
Debt service	1,560,756	-	-	-	-	-
Unrestricted Net Position	44,760,215	4,685,254	21,679,487	(75,018)	(11,242)	-
Total Net Position	\$ 351,582,913	\$ 4,685,254	\$ 21,679,487	\$ 518,710	\$ 756,316	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

2013 Outfall Rehab Project Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phas V Areas 18/19 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,253,214
-	-	-	-	-	-	-	12,691,941
-	-	-	-	-	-	-	27,945,155
-	317,594	4,257,115	310,466	935,712	37,634	450,741	9,395,180
-	317,594	4,257,115	310,466	935,712	37,634	450,741	9,395,180
-	317,594	4,257,115	310,466	935,712	37,634	450,741	37,340,335
-	-	-	1,628,767	11,726,356	-	-	231,268,095
-	-	-	-	-	-	-	9,501
-	-	-	-	-	-	-	2,512,422
-	-	-	1,628,767	11,726,356	-	-	233,790,018
-	317,594	4,257,115	1,939,233	12,662,068	37,634	450,741	271,130,353
-	-	-	-	-	-	-	4,023,015
-	-	-	-	-	-	-	4,023,015
-	3,076,109	14,551,872	158,327	599,649	1,737,572	450,741	325,836,212
-	14,684,012	37,067,261	-	-	-	-	53,112,559
-	-	-	-	-	-	-	1,560,756
-	(306,323)	(5,136,395)	(158,327)	(599,649)	(78,606)	(450,741)	64,308,655
\$ -	\$ 17,453,798	\$ 46,482,738	\$ -	\$ -	\$ 1,658,966	\$ -	\$ 444,818,182

CITY OF FAYETTEVILLE, NORTH CAROLINA
Combining Schedule of Revenues, Expenses and Changes in Net Position
Water and Wastewater Fund
Year ended June 30, 2015

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 WTF Clearwell Chemical Fund
Operating revenues						
Residential, commercial, and industrial sales	\$ 69,572,705	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	7,247,841	-	-	-	-	-
Miscellaneous operating income-water	-	-	-	-	-	-
Total operating revenues	<u>76,820,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses						
Water operations	12,822,428	-	-	-	-	-
Wastewater operations	13,428,070	-	-	-	-	-
General and administrative	18,471,639	-	-	-	-	-
Depreciation	21,033,813	-	-	-	-	-
Total operating expenses	<u>65,755,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	<u>11,064,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating revenue (expense)						
Interest earned on investments	640,863	17,197	3,240	-	-	-
Gain (loss) on disposal of assets	(965,763)	-	-	-	-	-
Interest expense	(7,394,147)	-	(8,062)	-	-	-
Amortization	(514,621)	-	-	-	-	-
Finance costs	(566,858)	-	-	-	-	-
Total nonoperating revenue (expense)	<u>(8,800,526)</u>	<u>17,197</u>	<u>(4,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers and contributions	<u>2,264,070</u>	<u>17,197</u>	<u>(4,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers in	15,776,768	250,000	20,102,655	17,076,400	6,138,666	5,299,942
Transfers out	(110,042,668)	(2,167,000)	(2,383,346)	(19,175,364)	(6,463,390)	-
Transfers in - City of Fayetteville	385,200	-	3,211,293	-	-	-
Capital Contributions	7,708,126	-	-	-	-	-
Change in Net Position	<u>(83,908,504)</u>	<u>(1,899,803)</u>	<u>20,925,780</u>	<u>(2,098,964)</u>	<u>(324,724)</u>	<u>5,299,942</u>
Total Net Position - beginning	437,512,652	6,585,057	753,707	2,617,674	1,081,040	(5,299,942)
Restatement	(2,021,235)	-	-	-	-	-
Total Net Position - beginning	<u>435,491,417</u>	<u>6,585,057</u>	<u>753,707</u>	<u>2,617,674</u>	<u>1,081,040</u>	<u>(5,299,942)</u>
Total Net Position - ending	<u>\$ 351,582,913</u>	<u>\$ 4,685,254</u>	<u>\$ 21,679,487</u>	<u>\$ 518,710</u>	<u>\$ 756,316</u>	<u>\$ -</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
 Combining Schedule of Revenues, Expenses and Changes in Net Position
 Water and Wastewater Fund
 Year ended June 30, 2015

2013 Outfall Rehab Project Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phas V Areas 18/19 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,572,705
-	-	-	-	-	-	-	7,247,841
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	76,820,546
-	-	-	-	-	-	-	12,822,428
-	-	-	-	-	-	-	13,428,070
-	-	-	-	-	-	-	18,471,639
-	-	-	-	-	-	-	21,033,813
-	-	-	-	-	-	-	65,755,950
-	-	-	-	-	-	-	11,064,596
-	-	-	-	-	-	-	661,300
-	-	-	-	-	-	-	(965,763)
-	-	-	-	-	-	-	(7,402,209)
-	-	-	-	-	-	-	(514,621)
-	-	-	-	-	-	-	(566,858)
-	-	-	-	-	-	-	(8,788,151)
-	-	-	-	-	-	-	2,276,445
3,901,648	21,001,269	52,979,789	-	-	1,076,805	-	143,603,942
-	(3,547,471)	-	-	-	-	-	(143,779,239)
-	-	-	-	-	-	-	3,596,493
-	-	-	-	-	-	-	7,708,126
3,901,648	17,453,798	52,979,789	-	-	1,076,805	-	13,405,767
(3,901,648)	-	(6,497,051)	-	-	582,161	-	433,433,650
-	-	-	-	-	-	-	(2,021,235)
(3,901,648)	-	(6,497,051)	-	-	582,161	-	431,412,415
\$ -	\$ 17,453,798	\$ 46,482,738	\$ -	\$ -	\$ 1,658,966	\$ -	\$ 444,818,182

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)

	2015			2014 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Water operations				
Residential, commercial, and industrial sales	\$ 31,874,218	\$ (673,802)	\$ 31,200,416	\$ 30,061,280
Other sales of water	2,588,600	94,247	2,682,847	2,574,242
Connection fees	300,000	(134,936)	165,064	289,921
City services	239,500	10,854	250,354	215,482
Total water operations	35,002,318	(703,637)	34,298,681	33,140,925
Wastewater operations				
Residential, commercial, and industrial sales	39,592,000	(1,219,711)	38,372,289	37,793,386
Other sales of wastewater	441,600	175,516	617,116	565,247
Connection fees	190,000	(19,533)	170,467	183,727
City services	86,400	10,829	97,229	86,151
Total wastewater operations	40,310,000	(1,052,899)	39,257,101	38,628,511
Other operating revenues				
Non-utility charges	1,318,600	(102,121)	1,216,479	1,195,493
Service charges	1,262,000	603,675	1,865,675	1,319,919
Miscellaneous	297,000	(114,390)	182,610	207,648
Total other operating revenues	2,877,600	387,164	3,264,764	2,723,060
Total operating revenues	78,189,918	(1,369,372)	76,820,546	74,492,496
Non-operating revenues				
Gain (loss) on asset disposal	-	(965,763)	(965,763)	(23,203)
Interest earned on investments	554,000	86,863	640,863	1,191,072
Total non-operating revenues	554,000	(878,900)	(324,900)	1,167,869
Contributions				
Contributions	4,156,900	(3,060,103)	1,096,797	3,359,875
Total contributions	4,156,900	(3,060,103)	1,096,797	3,359,875
Transfers in				
Transfer from City of Fayetteville	385,200	-	385,200	572,935
Transfer from Annexation Phase V Reserve Fund	1,116,300	44	1,116,344	741,648
Transfer from Water Rate Stabilization Fund	2,167,000	-	2,167,000	-
Total transfers in	3,668,500	44	3,668,544	1,314,583
Budgetary appropriations				
Department of Transportation financing	10,364,900	(7,571,068)	2,793,832	-
Cumberland County note proceeds	39,600	-	39,600	39,600
Fort Bragg note proceeds	104,000	(18)	103,982	7,295,019
Reserve for NCDOT projects	4,000,000	(455,083)	3,544,917	-
Reserve for W/WW capital projects	5,289,600	(3,075,932)	2,213,668	-
W/WW Series 2014 bond proceeds	3,073,100	18,745	3,091,845	-
Appropriation of Net Position	8,785,112	(8,785,112)	-	9,669,074
Total budgetary appropriations	31,656,312	(19,868,468)	11,787,844	17,003,693
Total revenues	\$ 118,225,630	\$ (25,176,799)	\$ 93,048,831	\$ 97,338,516
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,638,055	\$ 499,981	\$ 1,138,074	\$ 1,200,500
Water meter shop	154,000	(27,783)	181,783	187,199
Water maintenance and repair	4,852,010	(53,619)	4,905,629	5,292,356
Contract system maintenance	59,700	(15,948)	75,648	86,635
P. O. Hoffer water treatment plant	5,747,940	1,050,775	4,697,165	4,752,423
Glenville Lake water treatment plant	2,661,540	419,483	2,242,057	2,339,092
Environmental system protection	197,355	4,363	192,992	206,925
Laboratory	280,045	43,434	236,611	222,265
Environmental	111,050	261	110,789	115,942
Watersheds	150,900	1,850	149,050	171,714
Overhead clearing	-	1,107,370	(1,107,370)	-
Total water operations	15,852,595	3,030,167	12,822,428	14,575,051

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	<u>Budget</u>	<u>2015 Variance Positive (Negative)</u>	<u>Actual</u>	<u>2014 Actual</u>
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,638,055	\$ 499,981	\$ 1,138,074	\$ 1,200,500
Sewer maintenance and repair	6,048,840	(1,102,130)	7,150,970	6,430,460
Contract system maintenance	39,800	(10,631)	50,431	57,756
Cross Creek WW treatment plant	2,890,440	223,630	2,666,810	2,579,117
Rockfish Creek WW treatment plant	2,687,740	(8,046)	2,695,786	2,552,228
Residuals management	296,490	3,514	292,976	250,706
Environmental system protection	197,355	4,362	192,993	206,924
Laboratory	280,045	43,434	236,611	222,265
Environmental	111,050	261	110,789	115,943
Overhead clearing	-	1,107,370	(1,107,370)	-
Total wastewater operations	14,189,815	761,745	13,428,070	13,615,899
General and administrative				
Executive	654,050	177,765	476,285	390,904
Internal audit	53,050	47,743	5,307	3,737
Communications and community relations	724,850	43,811	681,039	673,015
Financial administration	213,210	19,064	194,146	173,489
Human resources	758,510	(94,944)	853,454	712,568
Accounting	405,160	20,751	384,409	478,972
Accounts receivable	795,310	126,201	669,109	641,765
Payroll	68,150	5,689	62,461	76,223
Customer accounts	1,725,090	(113,061)	1,838,151	1,755,789
Utility field service	1,343,660	279,336	1,064,324	1,160,953
Corporate development	2,512,110	515,603	1,996,507	1,105,549
Risk management	803,580	213,427	590,153	591,024
Collections	615,300	(119,068)	734,368	360,152
Capital projects	267,600	(61,682)	329,282	288,540
Rates	163,750	50,693	113,057	124,773
Budget	127,610	(7,176)	134,786	136,618
Purchasing	413,700	136,370	277,330	288,272
Warehouse	385,250	17,922	367,328	230,933
Fleet maintenance	1,378,750	(31,327)	1,410,077	1,891,817
Facilities maintenance	278,500	(54,442)	332,942	267,468
Customer programs administration and call center	242,380	(222,122)	464,502	224,629
Corporate services administration	256,600	116,873	139,727	208,978
Development and marketing	475,310	208,909	266,401	410,105

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014 Actual
	Budget	Variance Positive (Negative)	Actual	
General and administrative (continued)				
Telecommunications systems	\$ 1,777,750	\$ 185,358	\$ 1,592,392	\$ 620,584
Information systems	3,342,450	577,905	2,764,545	1,977,035
Medical insurance	4,477,890	298,464	4,179,426	5,155,521
Other	1,529,800	602,849	926,951	1,402,129
Overhead clearing	(4,422,150)	787,193	(5,209,343)	(5,323,570)
Total general and administrative	<u>21,367,220</u>	<u>3,728,104</u>	<u>17,639,116</u>	<u>16,027,972</u>
Total operating expenditures	<u>51,409,630</u>	<u>7,520,016</u>	<u>43,889,614</u>	<u>44,218,922</u>
Non-operating expenditures				
Interest expense	7,992,400	598,253	7,394,147	6,052,295
Finance costs	371,500	(195,358)	566,858	57,406
Total non-operating expenditures	<u>8,363,900</u>	<u>402,895</u>	<u>7,961,005</u>	<u>6,109,701</u>
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	4,518,900	1,109,044	3,409,856	3,308,859
Transfer to Fleet Maintenance Fund	207,600	32,303	175,297	128,687
Total transfers out	<u>4,976,500</u>	<u>1,141,347</u>	<u>3,835,153</u>	<u>3,687,546</u>
Budgetary appropriations				
Inventory increase (decrease)	-	142,276	(142,276)	(283,052)
Vehicle and equipment increase (decrease)	-	713,907	(713,907)	(59,256)
Debt principal payments	13,785,500	760,857	13,024,643	10,767,805
Note payments	-	(39,600)	39,600	39,600
NCDOT project payments	4,000,000	652,647	3,347,353	-
Transfer to NCDOT project reserve	3,500,000	-	3,500,000	-
Capital outlay	29,264,200	9,370,206	19,893,994	11,205,027
Transfer to Health Insurance reserve	1,500,000	-	1,500,000	-
Transfer to Capital Interest reserve	1,425,900	1,425,900	-	-
Appropriation of Net Position	-	-	-	7,591,547
Total budgetary appropriations	<u>53,475,600</u>	<u>13,026,193</u>	<u>40,449,407</u>	<u>29,261,671</u>
Total expenditures	<u>\$ 118,225,630</u>	<u>\$ 22,090,451</u>	<u>\$ 96,135,179</u>	<u>\$ 83,277,840</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)

	2015		2014 Actual
	Budget	Variance Positive (Negative)	
Reconciliation of change in Net Position			
Total revenue	\$ (25,176,799)	\$ 93,048,831	\$ 97,338,516
Total expenditures	22,090,451	96,135,179	83,277,840
Subtotal	<u>\$ (3,086,348)</u>	(3,086,348)	14,060,676
Reconciling items:			
Budgetary appropriations		28,661,563	12,257,978
Depreciation		(21,033,813)	(18,830,452)
Amortization		(514,621)	(461,226)
OPEB expense		(679,406)	(339,566)
LGERS expense		(153,117)	-
Developer and FIF credits		6,611,329	4,783,848
Series 2014 Annex 14 & 15 bond proceeds		(5,974,879)	-
Series 2014 Annex 8-13 bond proceeds		(17,049,988)	-
Series 2014 Water Connect bond proceeds		(21,001,269)	-
Series 2014 Water & Wastewater bond proceeds		(52,926,251)	-
Transfer of assets (to) / from Annexation Phase V, Areas 8-13		3,544,917	3,025,059
Transfer of assets (to) / from Annexation Phase V, Areas 14-15		5,401,036	-
Transfer of assets (to) / from Clearwell Chemical Capital Project Fund		(5,299,942)	5,299,942
Transfer of assets (to) / from Outfall Rehab Capital Project Fund		(3,901,648)	3,901,648
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund		3,547,471	6,497,051
Transfer of assets (to) / from Series 2014 Water/WW Capital Project Fund		(53,538)	-
Transfer of assets (to) / from the Fleet Maintenance Fund		-	-
Total reconciling items		<u>(80,822,156)</u>	<u>16,134,282</u>
Change in Net Position		<u>\$ (83,908,504)</u>	<u>\$ 30,194,958</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 360,000	\$ 335,057	\$ 17,197	\$ 352,254
Total revenues	<u>360,000</u>	<u>335,057</u>	<u>17,197</u>	<u>352,254</u>
Other financing sources				
Transfer from Water and Wastewater Fund	6,500,000	6,250,000	250,000	6,500,000
Transfer to Water and Wastewater Fund	(2,167,000)	-	(2,167,000)	(2,167,000)
Appropriated Net Position	(4,693,000)	-	-	-
Total other financing sources	<u>(360,000)</u>	<u>6,250,000</u>	<u>(1,917,000)</u>	<u>4,333,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 6,585,057</u>	<u>(1,899,803)</u>	<u>\$ 4,685,254</u>
Change in Net Position			<u>\$ (1,899,803)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Phase V Reserve Fund
From Inception and for the Year Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 6,500	\$ 5,012	\$ 3,240	\$ 8,252
Total revenues	<u>6,500</u>	<u>5,012</u>	<u>3,240</u>	<u>8,252</u>
Expenditures				
Interest	80,000	71,294	8,062	79,356
Total expenditures	<u>80,000</u>	<u>71,294</u>	<u>8,062</u>	<u>79,356</u>
Revenues over (under) expenditures	<u>(73,500)</u>	<u>(66,282)</u>	<u>(4,822)</u>	<u>(71,105)</u>
Other financing sources (uses)				
Advance from Electric Rate Stabilization Fund	-	1,531,400	(1,531,400)	-
Assessments transfer	7,500,000	4,666,624	1,670,944	6,337,568
Transfer from(to) Water and Wastewater Fund	5,847,701	5,232,835	622,568	5,855,403
Transfer from the City	11,261,179	8,118,619	3,211,293	11,329,912
Transfer from (to) Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer from (to) Annexation Phase V, Areas 8-13 Fund	(721,633)	(16,262,792)	15,604,034	(658,758)
Transfer from (to) Annexation Phase V, Areas14-15 Fund	(226,276)	(1,081,040)	898,568	(182,472)
Transfer from (to) Annexation Phase V, Areas16-17 Fund	(11,000,000)	(582,161)	(1,076,805)	(1,658,966)
Transfer from (to) Annexation Phase V, Areas18-19 Fund	(11,500,000)	-	-	-
Appropriated Net Position	(1,815,374)	-	-	-
Total other financing sources (uses)	<u>73,500</u>	<u>2,351,388</u>	<u>19,399,202</u>	<u>21,750,590</u>
Revenues and other financing sources (uses) over(under) expenditures	<u>\$ -</u>	<u>\$ 2,285,106</u>	<u>19,394,380</u>	<u>\$ 21,679,486</u>
Reconciling items:				
Advance Payable to Electric Rate Stabilization Fund			1,531,400	
Change in Net Position			<u>20,925,780</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation - Phase V-Areas 8 through 13 Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on other investments	\$ -	\$ -	\$ 178	\$ 178
Total revenues	<u>-</u>	<u>-</u>	<u>178</u>	<u>178</u>
Expenditures				
Construction	-	19,264,220	293,353	19,557,573
Engineering	-	2,327,200	7,936	2,335,136
Rights of way	-	539,368	(796)	538,572
Less City of Fayetteville participation	-	(2,365,336)	(40,103)	(2,405,439)
Other	-	1,348,916	46,953	1,395,869
Total expenditures	<u>22,000,000</u>	<u>21,114,368</u>	<u>307,343</u>	<u>21,421,711</u>
Revenues under expenditures	<u>(22,000,000)</u>	<u>(21,114,368)</u>	<u>(307,165)</u>	<u>(21,421,533)</u>
Other financing sources				
Transfer from (to)Annexation Phase V Reserve Fund	721,633	16,262,792	(15,604,035)	658,757
Series 2009B Bond Proceeds	4,231,677	4,231,676	-	4,231,676
Series 2014 Bond Proceeds	17,046,690	-	17,049,988	17,049,988
Total other financing sources	<u>22,000,000</u>	<u>20,494,468</u>	<u>1,445,953</u>	<u>21,940,421</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (619,900)</u>	1,138,788	<u>\$ 518,888</u>
Reconciling items:				
Capital outlay			307,165	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,544,917)	
Change in Net Position			<u>\$ (2,098,964)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation - Phase V-Areas 14 through 15 Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on other investments	\$ -	\$ -	\$ 283	\$ 283
Total revenues	<u>-</u>	<u>-</u>	<u>283</u>	<u>283</u>
Expenditures				
Construction		2,145,781	2,603,321	4,749,102
Engineering	-	470,300	45,138	515,438
Rights of way	-	79,951	(1,517)	78,434
City Participation	-	(77,851)	(222,263)	(300,114)
Other	-	125,571	232,605	358,176
Total expenditures	<u>6,200,000</u>	<u>2,743,752</u>	<u>2,657,284</u>	<u>5,401,036</u>
Revenues under expenditures	<u>(6,200,000)</u>	<u>(2,743,752)</u>	<u>(2,657,001)</u>	<u>(5,400,753)</u>
Other financing sources				
Bond proceeds	5,973,724	-	5,974,880	5,974,880
Transfer from Annexation Phase V Reserve Fund	226,276	1,081,040	(898,568)	182,472
Total other financing sources	<u>6,200,000</u>	<u>1,081,040</u>	<u>5,076,312</u>	<u>6,157,352</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,662,712)</u>	2,419,311	<u>\$ 756,599</u>
Reconciling items:				
Capital outlay			2,657,001	
Transfer of assets (to)/from the Water and Wastewater Fund			(5,401,036)	
Change in Net Position			<u>\$ (324,724)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2012 Water Treatment Facility Clearwell and Chemical Improvement
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	4,769,094	-	4,769,094
Engineering	-	415,876	-	415,876
Other	-	114,972	-	114,972
Total expenditures	<u>5,400,000</u>	<u>5,299,942</u>	<u>-</u>	<u>5,299,942</u>
Revenues under expenditures	<u>(5,400,000)</u>	<u>(5,299,942)</u>	<u>-</u>	<u>(5,299,942)</u>
Other financing sources				
State Revolving Loan Proceeds	5,400,000	5,299,942	-	5,299,942
Total other financing sources	<u>5,400,000</u>	<u>5,299,942</u>	<u>-</u>	<u>5,299,942</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
Transfer of assets (to)/from the Water and Wastewater Fund			<u>5,299,942</u>	
Change in Net Position			<u>\$ 5,299,942</u>	

Capital Project Fund closed at June 30, 2015.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2013 Outfall Rehabilitation
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	3,746,835	-	3,746,835
Other	-	154,813	-	154,813
Total expenditures	<u>3,922,282</u>	<u>3,901,648</u>	<u>-</u>	<u>3,901,648</u>
Revenues under expenditures	<u>(3,922,282)</u>	<u>(3,901,648)</u>	<u>-</u>	<u>(3,901,648)</u>
Other financing sources				
State Revolving Loan Proceeds	<u>3,922,282</u>	<u>3,901,648</u>	<u>-</u>	<u>3,901,648</u>
Total other financing sources	<u>3,922,282</u>	<u>3,901,648</u>	<u>-</u>	<u>3,901,648</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
Transfer of assets (to)/from the Water and Wastewater Fund			<u>3,901,648</u>	
Change in Net Position			<u>\$ 3,901,648</u>	

Capital Project Fund closed at June 30, 2015.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 Water Connect Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 2,706	\$ 2,706
Total revenues	<u>-</u>	<u>-</u>	<u>2,706</u>	<u>2,706</u>
Expenditures				
Construction	-	1,423,905	4,992,907	6,416,812
Engineering	-	10,725	(10,725)	-
Other	-	77,497	131,977	209,474
Total expenditures	<u>28,606,500</u>	<u>1,512,127</u>	<u>5,114,159</u>	<u>6,626,286</u>
Revenues under expenditures	<u>(28,606,500)</u>	<u>(1,512,127)</u>	<u>(5,111,453)</u>	<u>(6,623,580)</u>
Other financing sources (uses)				
2014 Revenue Bond Proceeds	20,997,207	-	21,001,269	21,001,269
2016 Revenue Bond Proceeds	7,609,293	-	-	-
Total other financing sources	<u>28,606,500</u>	<u>-</u>	<u>21,001,269</u>	<u>21,001,269</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,512,127)</u>	15,889,816	<u>\$ 14,377,689</u>
Reconciling items:				
Capital outlay			5,111,453	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>(3,547,471)</u>	
Change in Net Position			<u>\$ 17,453,798</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 Water and Wastewater Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 6,865	\$ 6,865
Total revenues	<u>-</u>	<u>-</u>	<u>6,865</u>	<u>6,865</u>
Expenditures				
Construction	-	7,584,770	10,407,579	17,992,349
Engineering	-	1,593,942	1,131,681	2,725,623
ROW	-	2,500	47,582	50,082
Other	-	59,944	174,252	234,196
Total expenditures	<u>53,020,000</u>	<u>9,241,156</u>	<u>11,761,094</u>	<u>21,002,250</u>
Revenues under expenditures	<u>(53,020,000)</u>	<u>(9,241,156)</u>	<u>(11,754,229)</u>	<u>(20,995,385)</u>
Other financing sources				
Transfer from Water/Wastewater Fund	103,987	-	-	-
2014 Revenue Bond Proceeds Proceeds	<u>52,916,013</u>	<u>-</u>	<u>52,926,251</u>	<u>52,926,251</u>
Total other financing sources	<u>53,020,000</u>	<u>-</u>	<u>52,926,251</u>	<u>52,926,251</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (9,241,156)</u>	41,172,022	<u>\$ 31,930,866</u>
Reconciling items:				
Capital outlay			11,754,229	
Transfer of assets (to)/from the Water and Wastewater Fund			53,538	
Change in Net Position			<u>\$ 52,979,789</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2014 Person Street Sanitary Sewer Replacement
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	1,483,781	1,483,781
Engineering	-	231,448	52,876	284,324
Other	-	16,317	2,672	18,989
Total expenditures	<u>2,967,243</u>	<u>247,765</u>	<u>1,539,329</u>	<u>1,787,094</u>
Revenues under expenditures	<u>(2,967,243)</u>	<u>(247,765)</u>	<u>(1,539,329)</u>	<u>(1,787,094)</u>
Other financing sources				
State Revolving Loan Proceeds	2,967,243	-	1,628,767	1,628,767
Total other financing sources	<u>2,967,243</u>	<u>-</u>	<u>1,628,767</u>	<u>1,628,767</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (247,765)</u>	89,438	<u>\$ (158,327)</u>
Reconciling items:				
Capital outlay			1,539,329	
Loan Proceeds			<u>(1,628,767)</u>	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2013 PO Hoffer Phase 1
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	2,245,411	8,174,103	10,419,514
Engineering	-	1,280,327	320,682	1,601,009
Loan Closing Costs	-	296,037	9,445	305,482
Total expenditures	<u>19,521,552</u>	<u>3,821,775</u>	<u>8,504,230</u>	<u>12,326,005</u>
Revenues under expenditures	<u>(19,521,552)</u>	<u>(3,821,775)</u>	<u>(8,504,230)</u>	<u>(12,326,005)</u>
Other financing sources				
State Revolving Loan Proceeds	14,801,858	3,690,386	8,035,970	11,726,356
Transfer from W/S and /or Other Debt Financing	4,719,694	-	-	-
Total other financing sources	<u>19,521,552</u>	<u>3,690,386</u>	<u>8,035,970</u>	<u>11,726,356</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (131,389)</u>	(468,260)	<u>\$ (599,649)</u>
Reconciling items:				
Capital outlay			8,504,230	
Loan Proceeds			<u>(8,035,970)</u>	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Phase V - Areas 16 through 17 Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	1,015,253	271,524	1,286,777
Right of Way	-	32,650	321,548	354,198
Other	-	24,230	72,367	96,597
Total expenditures	<u>11,000,000</u>	<u>1,072,133</u>	<u>665,439</u>	<u>1,737,572</u>
Revenues under expenditures	<u>(11,000,000)</u>	<u>(1,072,133)</u>	<u>(665,439)</u>	<u>(1,737,572)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	11,000,000	582,161	1,076,805	1,658,966
Total other financing sources	<u>11,000,000</u>	<u>582,161</u>	<u>1,076,805</u>	<u>1,658,966</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (489,972)</u>	411,366	<u>\$ (78,606)</u>
Reconciling items:				
Capital outlay			665,439	
Change in Net Position			<u>\$ 1,076,805</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Phase V - Areas 18 through 19 Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	450,741	450,741
Total expenditures	11,500,000	-	450,741	450,741
Revenues under expenditures	(11,500,000)	-	(450,741)	(450,741)
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	11,500,000	-	-	-
Total other financing sources	11,500,000	-	-	-
Revenues and other financing sources under expenditures	\$ -	\$ -	(450,741)	\$ (450,741)
Reconciling items:				
Capital outlay			450,741	
Change in Net Position			\$ -	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Net Position
Storm Water Management Fund
June 30, 2015**

	2015
Assets	
Current assets	
Cash and investments	\$ 11,671,004
Accounts receivable	150,060
Restricted cash and investments	3,973,959
Total current assets	15,795,023
Noncurrent assets	
Capital assets	24,218,971
Net pension asset	166,954
Total noncurrent assets	24,385,925
Total assets	40,180,948
Deferred outflows of resources	
Contributions to pension plan in current fiscal year	107,519
Total deferred outflows of resources	107,519
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$ 291,835
Current portion of long-term liabilities	737,453
Total current liabilities	1,029,288
Noncurrent liabilities	
Restricted unearned deposits	1,542,895
Net OPEB obligation	382,386
Long-term debt	8,275,419
Total noncurrent liabilities	10,200,700
Total liabilities	11,229,988
Deferred inflows of resources	
Pension deferrals	406,904
Total deferred inflows of resources	406,904
Net position	
Net investment in capital assets	17,723,564
Restricted for:	
Operating projects	1,020
Unrestricted net position	10,926,991
Total net position	\$ 28,651,575

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Storm Water Management Fund
Year Ended June 30, 2015**

	<u>2015</u>
Operating revenues	
Charges for services	\$ 6,203,349
Other revenue from operations	21,592
Total operating revenues	<u>6,224,941</u>
Operating expenses	
Salaries and employee benefits	1,971,183
Other operating expenses	1,518,515
Depreciation	871,365
Total operating expenses	<u>4,361,063</u>
Operating income (loss)	<u>1,863,878</u>
Nonoperating revenue (expense)	
Interest earned on investments	55,713
Miscellaneous revenues	136,044
Gain (loss) on disposal of capital assets	6,799
Interest expense	(208,936)
Total nonoperating revenue (expense)	<u>(10,380)</u>
Income (loss) before transfers and contributions	<u>1,853,498</u>
Change in net position	1,853,498
Total net position - beginning, previously reported	27,026,499
Restatement	(228,422)
Total net position - beginning, restated	26,798,077
Total net position - ending	<u>\$ 28,651,575</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
(With Comparative Actual Amounts for Year Ended June 30, 2014)

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Operating revenues				
Charges for services	\$ 6,189,700	\$ 6,383	\$ 6,196,083	\$ 5,273,860
Other revenue from operations	14,400	7,192	21,592	14,762
Total operating revenues	<u>6,204,100</u>	<u>13,575</u>	<u>6,217,675</u>	<u>5,288,622</u>
Operating expenditures				
Personnel	2,097,714	76,914	2,020,800	1,992,720
Other operating expenditures	1,748,997	308,364	1,440,633	1,400,681
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>3,921,711</u>	<u>385,278</u>	<u>3,536,433</u>	<u>3,468,401</u>
Operating income (loss)	<u>2,282,389</u>	<u>398,853</u>	<u>2,681,242</u>	<u>1,820,221</u>
Nonoperating revenues (expenditures)				
Miscellaneous	120,500	15,544	136,044	148,088
Interest earned on investments	17,200	1,660	18,860	44,482
Debt service - principal payment	(635,030)	-	(635,030)	(620,030)
Interest expense	(282,385)	-	(282,385)	(301,195)
Nonoperating revenues (expenditures)	<u>(779,715)</u>	<u>17,204</u>	<u>(762,511)</u>	<u>(728,655)</u>
Revenues over (under) expenditures	<u>1,502,674</u>	<u>416,057</u>	<u>1,918,731</u>	<u>1,091,566</u>
Other financing sources (uses)				
Sale of capital assets	-	6,799	6,799	7,659
Transfers out	(2,467,842)	-	(2,467,842)	(2,486,618)
Appropriated fund balance	965,168	(965,168)	-	-
Total other financing sources (uses)	<u>(1,502,674)</u>	<u>(958,369)</u>	<u>(2,461,043)</u>	<u>(2,478,959)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (542,312)</u>	<u>\$ (542,312)</u>	<u>\$ (1,387,393)</u>
Reconciliation of change in net position				
Total revenues			\$ 6,379,378	\$ 5,488,851
Total expenditures			<u>6,921,690</u>	<u>6,876,244</u>
Subtotal			<u>(542,312)</u>	<u>(1,387,393)</u>
Depreciation			(871,365)	(818,961)
Change in accrued vacation			4,534	(28,863)
Net OPEB expense			(50,908)	(49,429)
LGERS expense			95,991	-
Proceeds from sale of assets			(6,799)	(7,659)
Gain (loss) on disposal of assets			6,799	7,659
Principal payment			635,030	620,030
Unearned revenue			7,266	(4,946)
Bad debt expense			(2,882)	223
Capitalized interest			65,481	70,043
Accrued interest			7,968	7,772
Transfer of assets (to)/from government-wide			-	397,774
Subtotal			<u>(108,885)</u>	<u>193,643</u>
Change in net position			<u>\$ (651,197)</u>	<u>\$ (1,193,750)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2015

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants	\$ 309,500	\$ -	\$ -	\$ -	\$ -
Local	-	10,499	-	-	10,499
Total restricted ingovernmental	<u>309,500</u>	<u>10,499</u>	<u>-</u>	<u>-</u>	<u>10,499</u>
Interest earned on investments	49,719	79,998	-	37,293	117,291
Total revenues	<u>359,219</u>	<u>90,497</u>	<u>-</u>	<u>37,293</u>	<u>127,790</u>
Expenditures					
Current					
Environmental Protection					
Annexation area improvements	3,336,132	2,956,491	-	172,811	3,129,302
Godfrey Outfall	372,000	52,650	-	-	52,650
Bonnie Doone	44,961	43,232	-	-	43,232
Lyon Rd/Rogers Dr Construction	150,006	150,006	-	-	150,006
Lockwood and Ravenhill	216,454	216,454	-	-	216,454
Seabrook	375,441	375,441	-	-	375,441
Spruce St/Forest Hill Dr	646,535	646,533	-	-	646,533
LaFayette Village/Spruce Dr	2,359,200	2,359,199	-	-	2,359,199
Cottonade	462,902	462,902	-	-	462,902
Buckhead Creek Group 1	257,981	257,981	-	-	257,981
McNeill Circle	1,917,162	1,917,162	-	-	1,917,162
Yadkin Rd	2,667,403	144,835	-	1,400	146,235
Summerhill	1,053,818	1,053,818	-	-	1,053,818
Anson Pond	322,791	322,791	-	-	322,791
Buckhead Creek Watershed	888,121	749,791	-	48,009	797,800
Regiment	65,000	-	-	-	-
Spruce St - Phase II	75,000	-	-	-	-
Roxie Ave Phase I	315,000	73,441	-	509	73,950
N. Edgewater Drive	51,910	51,909	-	-	51,909
Seabrook Phase II	65,366	65,366	-	-	65,366
Bonnie Doone (West Outfall 3)	625,407	28,359	-	1,100	29,459
Murray Hill Rd repair	574,056	574,044	-	-	574,044
Coventry Rd culvert stream imp	1,088,346	-	-	-	-
Buckhead Kingsford	1,824,146	2,060	-	20,478	22,538
Brigadoon Lane Infiltration Basin	316,377	-	-	-	-
Boonie Doone Area 12	112,350	-	-	-	-
Westmont Drive	42,345	32,344	-	10,000	42,344
Boonie Doone Area 5	1,539,272	-	-	-	-
Godfrey Outfall Phase II	398,220	-	-	-	-
Ferncreek Norwood	112,350	-	-	-	-
Branson Creek Restoration at Murray Hill	154,477	-	-	122,909	122,909
Emergency Repair at McGilvary St	160,200	-	-	-	-
Spot Repair Program	495,690	-	-	-	-
Person St Innovation Stormwater Greenscape	382,391	-	-	-	-
Stormwater drainage miscellaneous	2,342,931	621,533	-	268,713	890,246
Total expenditures	<u>25,811,741</u>	<u>13,158,342</u>	<u>-</u>	<u>645,929</u>	<u>13,804,271</u>
Revenues over (under) expenditures	<u>(25,452,522)</u>	<u>(13,067,845)</u>	<u>-</u>	<u>(608,636)</u>	<u>(13,676,481)</u>
Other financing sources (uses)					
Transfers in	14,857,522	12,389,680	-	2,467,842	14,857,522
Bond proceeds	10,595,000	10,595,000	-	-	10,595,000
Total other financing sources (uses)	<u>25,452,522</u>	<u>22,984,680</u>	<u>-</u>	<u>2,467,842</u>	<u>25,452,522</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 9,916,835</u>	<u>\$ -</u>	<u>\$ 1,859,206</u>	<u>\$ 11,776,041</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 1,859,206	
Capital outlay				645,929	
Capitalized interest				(440)	
Change in net position				<u>\$ 2,504,695</u>	

2015

Nonmajor Enterprise Funds



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015**

	Transit Fund	Airport Fund	Environmental Services Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and investments	\$ 969,909	\$ 9,157,574	\$ 1,466,307	\$ 11,593,790
Accounts receivable	2,359,329	2,542,537	426,517	5,328,383
Inventories	176,473	4,357	36,869	217,699
Restricted cash and investments	-	696,444	19,913	716,357
Restricted accounts receivable	-	138,298	-	138,298
Total current assets	3,505,711	12,539,210	1,949,606	17,994,527
Noncurrent assets				
Capital assets	15,472,195	47,985,981	5,629,791	69,087,967
Net pension asset	424,083	115,892	285,912	825,887
Total noncurrent assets	15,896,278	48,101,873	5,915,703	69,913,854
Total assets	19,401,989	60,641,083	7,865,309	87,908,381
Deferred outflows of resources				
Contributions to pension plan in current fiscal year	273,116	74,635	184,130	531,881
Total deferred outflows of resources	273,116	74,635	184,130	531,881
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	1,164,204	654,023	680,431	2,498,658
Current portion of long-term liabilities	208,191	94,616	409,547	712,354
Restricted accounts payable and accrued expenses	-	18,442	19,913	38,355
Total current liabilities	1,372,395	767,081	1,109,891	3,249,367
Noncurrent liabilities				
Restricted unearned deposits	-	1,025	-	1,025
Net OPEB obligation	868,037	300,039	171,739	1,339,815
Unearned revenues	-	29,183	-	29,183
Long-term debt	-	-	434,563	434,563
Total noncurrent liabilities	868,037	330,247	606,302	1,804,586
Total liabilities	2,240,432	1,097,328	1,716,193	5,053,953
Deferred inflows of resources				
Pension deferrals	1,033,595	282,457	696,835	2,012,887
Total deferred inflows of resources	1,033,595	282,457	696,835	2,012,887
Net position				
Net investment in capital assets	15,472,195	47,985,981	5,053,849	68,512,025
Restricted for:				
Capital projects	-	815,276	-	815,276
Unrestricted	928,883	10,534,676	582,562	12,046,121
Total net position	\$ 16,401,078	\$ 59,335,933	\$ 5,636,411	\$ 81,373,422

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 Year Ended June 30, 2015

	Transit Fund	Airport Fund	Environmental Services Fund	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 1,326,703	\$ 4,157,243	\$ 2,467,651	\$ 7,951,597
Other revenue from operations	23,174	159,473	177,605	360,252
Total operating revenues	<u>1,349,877</u>	<u>4,316,716</u>	<u>2,645,256</u>	<u>8,311,849</u>
Operating expenses				
Salaries and employee benefits	5,071,757	1,404,258	3,663,964	10,139,979
Other operating expenses	2,606,642	1,294,536	5,742,150	9,643,328
Depreciation	1,207,570	3,367,375	638,136	5,213,081
Total operating expenses	<u>8,885,969</u>	<u>6,066,169</u>	<u>10,044,250</u>	<u>24,996,388</u>
Operating income (loss)	<u>(7,536,092)</u>	<u>(1,749,453)</u>	<u>(7,398,994)</u>	<u>(16,684,539)</u>
Nonoperating revenue (expense)				
Interest earned on investments	3,878	43,139	7,084	54,101
Federal and State grants	2,725,732	110,580	135,815	2,972,127
Passenger facility charges	-	138,520	-	138,520
Customer facility charges	-	249,743	-	249,743
Miscellaneous revenues	-	212,125	118,299	330,424
Gain (loss) on disposal of capital assets	-	774	30,897	31,671
County revenue	-	-	304,245	304,245
Vehicle fee revenue	638,129	-	-	638,129
Interest expense	(191)	-	(175)	(366)
Miscellaneous expense	-	(444,665)	-	(444,665)
Total nonoperating revenue (expense)	<u>3,367,548</u>	<u>310,216</u>	<u>596,165</u>	<u>4,273,929</u>
Income (loss) before transfers and contributions	<u>(4,168,544)</u>	<u>(1,439,237)</u>	<u>(6,802,829)</u>	<u>(12,410,610)</u>
Transfers in	3,443,293	-	6,515,850	9,959,143
Transfers out	(1,001,875)	-	-	(1,001,875)
Capital contributions	2,278,449	5,529,927	-	7,808,376
Change in net position	<u>551,323</u>	<u>4,090,690</u>	<u>(286,979)</u>	<u>4,355,034</u>
Total net position - beginning, previously reported	16,429,984	55,403,806	6,314,572	78,148,362
Restatement	(580,229)	(158,563)	(391,182)	(1,129,974)
Total net position - beginning, restated	15,849,755	55,245,243	5,923,390	77,018,388
Total net position - ending	<u>\$ 16,401,078</u>	<u>\$ 59,335,933</u>	<u>\$ 5,636,411</u>	<u>\$ 81,373,422</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2015

	Transit Fund	Airport Fund	Environmental Services Fund	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers	\$ 729,594	\$ 4,216,495	\$ 2,919,236	\$ 7,865,325
Cash paid to or on behalf of employees for services	(5,161,429)	(1,421,134)	(3,738,754)	(10,321,317)
Cash paid for goods and services	(1,831,812)	(2,511,161)	(5,714,744)	(10,057,717)
Net cash provided by (used in) operating activities	<u>(6,263,647)</u>	<u>284,200</u>	<u>(6,534,262)</u>	<u>(12,513,709)</u>
Noncapital financing activities				
Transfers in	3,443,293	-	6,515,850	9,959,143
Federal and State grants	2,725,732	110,580	135,815	2,972,127
Transfers out	(1,001,875)	-	-	(1,001,875)
Net cash provided (used) by noncapital financing activities	<u>5,167,150</u>	<u>110,580</u>	<u>6,651,665</u>	<u>11,929,395</u>
Capital and related financing activities				
Proceeds from sale of assets	-	774	161,901	162,675
Proceeds from debt proceeds	-	-	575,942	575,942
Contributed capital received	2,278,449	5,529,927	-	7,808,376
Acquisition and construction of capital assets	(2,567,672)	(6,227,964)	(1,794,595)	(10,590,231)
Principal paid in debt maturities	(19,069)	-	-	(19,069)
Interest paid on debt maturities	(191)	-	(175)	(366)
Net cash provided (used) by capital and related financing activities	<u>(308,483)</u>	<u>(697,263)</u>	<u>(1,056,927)</u>	<u>(2,062,673)</u>
Investing activities				
Interest and dividends	3,878	43,139	7,084	54,101
Net cash provided (used) by investing activities	<u>3,878</u>	<u>43,139</u>	<u>7,084</u>	<u>54,101</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(1,401,102)</u>	<u>(259,344)</u>	<u>(932,440)</u>	<u>(2,592,886)</u>
Cash and cash equivalents/investments				
Beginning of year	<u>2,371,011</u>	<u>10,113,362</u>	<u>2,418,660</u>	<u>14,903,033</u>
End of year	<u>\$ 969,909</u>	<u>\$ 9,854,018</u>	<u>\$ 1,486,220</u>	<u>\$ 12,310,147</u>
Cash and cash equivalents	\$ 969,909	\$ 9,854,018	\$ 1,486,220	\$ 12,310,147
Total cash and cash equivalents/investments	<u>\$ 969,909</u>	<u>\$ 9,854,018</u>	<u>\$ 1,486,220</u>	<u>\$ 12,310,147</u>
Unrestricted cash and cash equivalents/investments	\$ 969,909	\$ 9,157,574	\$ 1,466,307	\$ 11,593,790
Restricted cash and equivalents/investments	-	696,444	19,913	716,357
Total cash and cash equivalents/investments	<u>\$ 969,909</u>	<u>\$ 9,854,018</u>	<u>\$ 1,486,220</u>	<u>\$ 12,310,147</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2015

	Transit Fund	Airport Fund	Environmental Services Fund	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss)				
to net cash provided by				
(used in) operating activities				
Operating income (loss)	\$ (7,536,092)	\$ (1,749,453)	\$ (7,398,994)	\$ (16,684,539)
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating				
activities:				
Depreciation	1,207,570	3,367,375	638,136	5,213,081
Nonoperating payments for goods and services	-	(444,665)	-	(444,665)
Nonoperating receipts from customers	638,129	600,388	422,544	1,661,061
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(1,256,852)	(702,313)	(148,564)	(2,107,729)
(Increase) decrease in inventory	25,352	2,543	5,254	33,149
(Increase) decrease in unearned deposits	(1,560)	1,704	-	144
Increase (decrease) in accounts payable				
and accrued liabilities	749,478	(774,503)	22,152	(2,873)
Increase (decrease) in accrued compensated				
absences	28,615	14,415	2,410	45,440
Increase (decrease) in LGERS expense	(243,833)	(66,633)	(164,388)	(474,854)
Increase (decrease) in Net OPEB Obligation	125,546	35,342	87,188	248,076
Total adjustments	<u>1,272,445</u>	<u>2,033,653</u>	<u>864,732</u>	<u>4,170,830</u>
Net cash provided by (used in) operating activities	<u>\$ (6,263,647)</u>	<u>\$ 284,200</u>	<u>\$ (6,534,262)</u>	<u>\$ (12,513,709)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
(With Comparative Actual Amounts for Year Ended June 30, 2014)

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Operating revenues				
Charges for services	\$ 1,283,645	\$ 43,058	\$ 1,326,703	\$ 1,228,162
Other revenues from operations	22,020	1,154	23,174	16,973
Total operating revenues	<u>1,305,665</u>	<u>44,212</u>	<u>1,349,877</u>	<u>1,245,135</u>
Operating expenditures				
Salaries and employee benefits	5,169,123	7,694	5,161,429	4,686,437
Other operating expenditures	2,529,173	252,163	2,277,010	2,096,154
Capital outlay	50,410	22,155	28,255	165,577
Total operating expenditures	<u>7,748,706</u>	<u>282,012</u>	<u>7,466,694</u>	<u>6,948,168</u>
Operating loss	<u>(6,443,041)</u>	<u>326,224</u>	<u>(6,116,817)</u>	<u>(5,703,033)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	3,878	3,878	9,811
Federal grants	2,030,124	(183,693)	1,846,431	1,678,500
State grants	716,474	(44,212)	672,262	716,474
Vehicle fee revenue	625,500	57,110	682,610	891,432
Interest expense	(224)	33	(191)	(615)
Debt service - principal payment	(19,069)	-	(19,069)	(20,396)
Total nonoperating revenues (expenditures)	<u>3,352,805</u>	<u>(166,884)</u>	<u>3,185,921</u>	<u>3,275,206</u>
Revenues under expenditures	<u>(3,090,236)</u>	<u>159,340</u>	<u>(2,930,896)</u>	<u>(2,427,827)</u>
Other financing sources (uses)				
Transfers in	3,690,994	(271,961)	3,419,033	2,435,089
Transfers out	(680,468)	224,069	(456,399)	-
Proceeds from sale of assets	10,000	(10,000)	-	62,447
Fund balance appropriation	69,710	(69,710)	-	-
Total other financing sources (uses)	<u>3,090,236</u>	<u>(127,602)</u>	<u>2,962,634</u>	<u>2,497,536</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 31,738</u>	<u>\$ 31,738</u>	<u>\$ 69,709</u>
Reconciliation of change in net position:				
Total revenues			\$ 7,974,091	\$ 7,038,888
Total expenditures			(7,942,353)	(6,969,179)
Subtotal			<u>31,738</u>	<u>69,709</u>
Depreciation			(1,207,570)	(1,192,675)
Net OPEB expense			(125,546)	(111,791)
LGERS expense			243,833	-
Change in inventory			(18,462)	1,212
Decrease (increase) in accrued vacation			(28,615)	(15,388)
Bad debt expense			(16,193)	(15,329)
Debt principal payments			19,069	20,396
Unearned revenue			(44,481)	(52,372)
Capital outlay			28,255	165,577
Proceeds from sale of assets			-	(62,447)
Gain (loss) on disposal of assets			-	62,447
Subtotal			<u>(1,149,710)</u>	<u>(1,200,370)</u>
Change in net position			<u>\$ (1,117,972)</u>	<u>\$ (1,130,661)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 20,621,087	\$ 9,511,064	\$ -	\$ 2,065,152	\$ 11,576,216
State grants	2,130,255	1,001,020	-	213,297	1,214,317
Miscellaneous	-	43,000	-	-	43,000
Total revenues	<u>22,751,342</u>	<u>10,555,084</u>	<u>-</u>	<u>2,278,449</u>	<u>12,833,533</u>
Expenditures					
Multi-Modal Center (no grant)	372,144	371,548	-	594	372,142
NCDOT Capital 09-AT-004	419,012	412,588	-	-	412,588
FTA Capital 0464	811,667	811,656	-	-	811,656
Improvements & Enhancements (no grant)	466,909	405,524	-	17,005	422,529
Transit Multimodal Center Land	1,662,307	1,662,307	-	-	1,662,307
FTA Capital 90.469	3,348,926	3,185,694	-	53,735	3,239,429
New Freedom Sidewalks FY12	145,426	145,342	-	-	145,342
FTA Capital 90.514	2,792,240	1,942,584	-	398,462	2,341,046
FTA 04.0055 Multimodal Transit Center	10,018,750	17,778	-	1,774,530	1,792,308
FTA 04.0054 Veterans Website	38,900	4,000	-	11,473	15,473
FTA 57.x017 Sidewalk New Freedom	119,520	74,518	-	45,002	119,520
FTA Capital 90.548	429,584	-	-	4,569	4,569
ARRA Capital 06.002	3,129,010	3,128,977	-	-	3,128,977
FTA 57.x022 Sidewalk New Freedom	121,300	-	-	-	-
FTA 90.567 MMTC Downtown	2,131,250	-	-	289,818	289,818
FTA 90.567 Other Capital	105,000	-	-	-	-
NCDOT 15-AT-004 Advanced Tech	80,050	-	-	5,232	5,232
Total expenditures	<u>26,191,995</u>	<u>12,162,516</u>	<u>-</u>	<u>2,600,420</u>	<u>14,762,936</u>
Revenues over (under) expenditures	<u>(3,440,653)</u>	<u>(1,607,432)</u>	<u>-</u>	<u>(321,971)</u>	<u>(1,929,403)</u>
Other financing sources (uses)					
Proceeds from the sale of assets	-	6,249	-	-	6,249
Transfers in	4,442,528	3,915,375	-	477,415	4,392,790
Transfers out	(1,001,875)	-	-	(1,001,875)	(1,001,875)
Total other financing sources (uses)	<u>3,440,653</u>	<u>3,921,624</u>	<u>-</u>	<u>(524,460)</u>	<u>3,397,164</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,314,192</u>	<u>\$ -</u>	<u>\$ (846,431)</u>	<u>\$ 1,467,761</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (846,431)	
Capital outlay				3,602,295	
Non-capitalizable items				(1,062,878)	
Change in net position				<u>\$ 1,692,986</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 1,342,266	\$ 682,697	\$ -	\$ 163,237	\$ 845,934
State grants	160,026	85,336	-	43,802	129,138
Total intergovernmental	<u>1,502,292</u>	<u>768,033</u>	<u>-</u>	<u>207,039</u>	<u>975,072</u>
Total revenues	<u>1,502,292</u>	<u>768,033</u>	<u>-</u>	<u>207,039</u>	<u>975,072</u>
Expenditures					
Current					
Transportation	1,706,375	853,376	-	233,974	1,087,350
Total expenditures	<u>1,706,375</u>	<u>853,376</u>	<u>-</u>	<u>233,974</u>	<u>1,087,350</u>
Revenues over (under) expenditures	<u>(204,083)</u>	<u>(85,343)</u>	<u>-</u>	<u>(26,935)</u>	<u>(112,278)</u>
Other financing sources (uses)					
Transfers in	204,083	200,839	-	3,244	204,083
Total other financing sources (uses)	<u>204,083</u>	<u>200,839</u>	<u>-</u>	<u>3,244</u>	<u>204,083</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 115,496</u>	<u>\$ -</u>	<u>\$ (23,691)</u>	<u>\$ 91,805</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (23,691)	
Change in net position				<u>\$ (23,691)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Transportation					
FTA 90.2453	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ 300,000
FTA 90.2464	273,236	273,236	-	-	273,236
FTA 90.2469	235,147	149,874	-	63,485	213,359
FTA 90.2514	500,000	130,266	-	116,894	247,160
FTA 26.0008	15,560	-	-	-	-
FTA 90.2548	350,000	-	-	23,666	23,666
NCDOT FY15 Apprentice Intern	32,432	-	-	29,929	29,929
Total transportation	<u>1,706,375</u>	<u>853,376</u>	<u>-</u>	<u>233,974</u>	<u>1,087,350</u>
Total expenditures by project	<u>\$ 1,706,375</u>	<u>\$ 853,376</u>	<u>\$ -</u>	<u>\$ 233,974</u>	<u>\$ 1,087,350</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
 (With Comparative Actual Amounts for Year Ended June 30, 2014)

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Operating revenues				
Charges for services	\$ 3,977,119	\$ 180,124	\$ 4,157,243	\$ 4,041,886
Other revenues from operations	155,229	4,244	159,473	154,558
Total operating revenues	<u>4,132,348</u>	<u>184,368</u>	<u>4,316,716</u>	<u>4,196,444</u>
Operating expenditures				
Salaries and employee benefits	1,534,048	112,913	1,421,135	1,335,466
Other operating expenditures	2,001,011	709,019	1,291,992	1,338,507
Capital outlay	198,304	2,777	195,527	439,550
Total operating expenditures	<u>3,733,363</u>	<u>824,709</u>	<u>2,908,654</u>	<u>3,113,523</u>
Operating income (loss)	<u>398,985</u>	<u>1,009,077</u>	<u>1,408,062</u>	<u>1,082,921</u>
Nonoperating revenues				
Interest earned on investments	29,149	189	29,338	34,879
Miscellaneous	209,116	3,009	212,125	209,115
Federal and State grants	109,500	1,080	110,580	108,430
Total nonoperating revenues	<u>347,765</u>	<u>4,278</u>	<u>352,043</u>	<u>352,424</u>
Nonoperating expenditures				
Public safety reimbursements	460,691	16,026	444,665	440,668
Total nonoperating expenditures	<u>460,691</u>	<u>16,026</u>	<u>444,665</u>	<u>440,668</u>
Revenues over (under) expenditures	<u>286,059</u>	<u>1,029,381</u>	<u>1,315,440</u>	<u>994,677</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	774	774	366
Transfers in	-	377,763	377,763	-
Transfers out	(1,286,059)	65	(1,285,994)	-
Appropriated fund balance	1,000,000	(1,000,000)	-	-
Total other financing sources (uses)	<u>(286,059)</u>	<u>(621,398)</u>	<u>(907,457)</u>	<u>366</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 407,983</u>	<u>\$ 407,983</u>	<u>\$ 995,043</u>
Reconciliation of change in net position				
Total revenues			\$ 5,047,296	\$ 4,549,234
Total expenditures			4,639,313	3,554,191
Subtotal			<u>407,983</u>	<u>995,043</u>
Depreciation			(3,367,375)	(3,160,151)
Change in accrued vacation			(14,415)	17,022
Net OPEB expense			(35,342)	(32,509)
LGERS expense			66,633	-
Change in inventory			(2,543)	820
Capital outlay			195,527	439,550
Proceeds from sale of assets			(774)	(366)
Gain (loss) on disposal of assets			774	366
Bad debt expense			-	13,569
Subtotal			<u>(3,157,515)</u>	<u>(2,721,699)</u>
Change in net position			<u>\$ (2,749,532)</u>	<u>\$ (1,726,656)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of
Airport Capital Project Fund

From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 29,457,130	\$ 17,071,315	\$ -	\$ 5,507,808	\$ 22,579,123
State grants	1,177,932	922,135	-	22,119	944,254
Miscellaneous income	-	-	-	-	-
Passenger facility charges	284,750	2,824,407	-	138,520	2,962,927
Customer facility charges	25,000	-	-	249,743	249,743
Investment income	197,606	313,360	-	13,801	327,161
Total revenues	<u>31,142,418</u>	<u>21,131,217</u>	<u>-</u>	<u>5,931,991</u>	<u>27,063,208</u>
Expenditures					
West GA Ramp Rehabilitation	746,378	720,983	-	-	720,983
AIP-35 ARFF Rehabilitation and AIP-36	1,693,090	1,509,298	-	-	1,509,298
Local Match/Future Projects	349,000	-	-	-	-
Tree Clearing Runways 10 & 4	282,619	273,535	-	-	273,535
Taxiway A, C, D, F Rehabilitation	7,173,777	6,410,588	-	-	6,410,588
AIP-38 Apron Rehab, Taxiway	5,241,623	4,806,040	-	23,203	4,829,243
AIP-39 Improve Runway Safety	4,519,583	4,001,078	-	29,018	4,030,096
AIP-41 Runway 4/22 Paved	4,223,819	1,429,523	-	2,275,025	3,704,548
AIP-42 Airline Terminal Air	6,344,705	-	-	3,365,630	3,365,630
Renovation of Airport Parking	1,542,969	1,531,261	-	-	1,531,261
Jetbridge 4 Replacement	489,500	470,334	-	-	470,334
Stormdrain Pipe Installation	115,000	2,600	-	-	2,600
GA Fence Replacement	175,000	-	-	-	-
North GA Parking	447,426	-	-	74,125	74,125
Runway 4 Safety Area FAA Reimbursement	71,779	71,779	-	-	71,779
Parking Control System	182,000	-	-	181,490	181,490
Rental Car Facility Improvements	25,000	-	-	6,993	6,993
Rehabilitation Runway 10/28	249,740	-	-	24,577	24,577
AIP 43 Terminal Improvements	3,930,603	-	-	52,376	52,376
Total expenditures	<u>37,803,611</u>	<u>21,227,019</u>	<u>-</u>	<u>6,032,437</u>	<u>27,259,456</u>
Revenues over (under) expenditures	<u>(6,661,193)</u>	<u>(95,802)</u>	<u>-</u>	<u>(100,446)</u>	<u>(196,248)</u>
Other financing sources (uses)					
Transfers in	7,109,568	4,437,628	-	1,285,994	5,723,622
Transfers out	(473,375)	(89,955)	-	(377,763)	(467,718)
Proceeds from sale of assets	25,000	25,000	-	-	25,000
Total other financing sources (uses)	<u>6,661,193</u>	<u>4,372,673</u>	<u>-</u>	<u>908,231</u>	<u>5,280,904</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 4,276,871</u>	<u>\$ -</u>	<u>\$ 807,785</u>	<u>\$ 5,084,656</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 807,785	
Capital outlay				6,410,200	
Non-capitalizable items				(377,763)	
Change in net position				<u>\$ 6,840,222</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
(With Comparative Actual Amounts for Year Ended June 30, 2014)

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Operating revenues				
Charges for services	\$ 2,468,182	\$ (6,235)	\$ 2,461,947	\$ 2,329,847
Other revenue from operations	144,491	33,114	177,605	189,668
Total operating revenues	<u>2,612,673</u>	<u>26,879</u>	<u>2,639,552</u>	<u>2,519,515</u>
Operating expenditures				
Personnel	3,809,895	71,140	3,738,755	3,656,246
Other operating expenditures	5,926,884	208,597	5,718,287	5,216,644
Capital outlay	2,285,396	758,717	1,526,679	171,906
Total operating expenditures	<u>12,022,175</u>	<u>1,038,454</u>	<u>10,983,721</u>	<u>9,044,796</u>
Operating income (loss)	<u>(9,409,502)</u>	<u>1,065,333</u>	<u>(8,344,169)</u>	<u>(6,525,281)</u>
Nonoperating revenues (expenditures)				
Federal and State grants	117,000	18,815	135,815	133,637
County revenue	305,635	(1,390)	304,245	302,635
Miscellaneous	111,847	6,452	118,299	108,900
Interest earned on investments	8,000	(1,826)	6,174	12,964
Interest expense	(10,362)	10,362	-	-
Debt service - principal payment	(4,641)	4,641	-	-
Nonoperating revenues (expenditures)	<u>527,479</u>	<u>37,054</u>	<u>564,533</u>	<u>558,136</u>
Revenues over (under) expenditures	<u>(8,882,023)</u>	<u>1,102,387</u>	<u>(7,779,636)</u>	<u>(5,967,145)</u>
Other financing sources (uses)				
Proceeds from sale of assets	29,000	132,901	161,901	111,559
Transfers in	6,900,730	(384,880)	6,515,850	6,806,861
Transfers out	(117,848)	-	(117,848)	(360,000)
Proceeds from loans	575,942	-	575,942	-
Appropriated fund balance	1,494,199	(1,494,199)	-	-
Total other financing sources (uses)	<u>8,882,023</u>	<u>(1,746,178)</u>	<u>7,135,845</u>	<u>6,558,420</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (643,791)</u>	<u>\$ (643,791)</u>	<u>\$ 591,275</u>
Reconciliation of change in net position				
Total revenues			\$ 10,457,778	\$ 9,996,071
Total expenditures			11,101,569	9,404,796
Subtotal			<u>(643,791)</u>	<u>591,275</u>
Depreciation			(638,136)	(559,576)
Decrease (increase) in accrued vacation			(2,410)	(265,123)
Net OPEB expense			(87,188)	(83,190)
LGERS expense			164,389	-
Change in inventory			(14,004)	(12,370)
Proceeds from sale of assets			(161,901)	(111,559)
Gain (loss) on disposal of assets			30,897	88,435
Unearned revenue			5,704	2,371
Capital outlay			1,526,679	171,906
Capital lease proceeds			(575,942)	-
Accrued interest			(175)	-
Transfer of assets (to)/from government-wide			-	4,810,281
Subtotal			<u>247,913</u>	<u>4,041,175</u>
Change in net position			<u>\$ (395,878)</u>	<u>\$ 4,632,450</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2015

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ -	\$ 1,232	\$ -	\$ 910	\$ 2,142
Total revenues	<u>-</u>	<u>1,232</u>	<u>-</u>	<u>910</u>	<u>2,142</u>
Expenditures					
On Board/On Route Systems	477,848	178,615	-	277,775	456,390
Total expenditures	<u>477,848</u>	<u>178,615</u>	<u>-</u>	<u>277,775</u>	<u>456,390</u>
Revenues over (under) expenditures	<u>(477,848)</u>	<u>(177,383)</u>	<u>-</u>	<u>(276,865)</u>	<u>(454,248)</u>
Other financing sources (uses)					
Transfers in	477,848	360,000	-	117,848	477,848
Total other financing sources (uses)	<u>477,848</u>	<u>360,000</u>	<u>-</u>	<u>117,848</u>	<u>477,848</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 182,617</u>	<u>\$ -</u>	<u>\$ (159,017)</u>	<u>\$ 23,600</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (159,017)	
Capital outlay				277,775	
Non-capitalizable items				(9,859)	
Change in net position				<u>\$ 108,899</u>	

2015

Internal Service Funds

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

The following comprise the City's Internal Service Funds:

- Insurance Fund
- PWC Fleet Maintenance Fund

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Net Position
Internal Service Funds
June 30, 2015

Assets	Insurance Fund	PWC Fleet Maintenance Fund	Total
Current assets			
Cash and investments	\$ 18,983,814	\$ -	\$ 18,983,814
Accounts receivable	231,520	898,682	1,130,202
Interfund receivable	-	1,676,326	1,676,326
Prepaid expenses	235,991	-	235,991
Other current assets	-	224	224
Total current assets	19,451,325	2,575,232	22,026,557
Noncurrent assets			
Other assets	-	76	76
Capital assets	-	2,260,198	2,260,198
Net pension asset	30,077	-	30,077
Total noncurrent assets	30,077	2,260,274	2,290,351
Total assets	19,481,402	4,835,506	24,316,908
Deferred Outflows of Resources			
Contributions to pension plan in current fiscal year	19,371	-	19,371
Total deferred outflows of resources	19,371	-	19,371
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	3,981,259	1,049,231	5,030,490
Current portion of long-term debt	5,569	115,833	121,402
Restricted accounts payable and accrued expenses	-	4,489	4,489
Total current liabilities	3,986,828	1,169,553	5,156,381
Noncurrent liabilities			
Net OPEB obligation	89,660	-	89,660
Unearned revenues	9,984	-	9,984
Long-term debt	-	583,149	583,149
Total noncurrent liabilities	99,644	583,149	682,793
Total liabilities	4,086,472	1,752,702	5,839,174
Deferred inflows of resources			
Pension deferrals	73,307	-	73,307
Total deferred inflows of resources	73,307	-	73,307
Net position			
Net investment in capital assets	-	2,260,198	2,260,198
Unrestricted net position	15,340,994	822,606	16,163,600
Total net position	\$ 15,340,994	\$ 3,082,804	\$ 18,423,798

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2015

	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating revenues			
Other revenue from operations	\$ 316,316	\$ 8,135,232	\$ 8,451,548
Interfund charges and employee contributions	17,029,315	-	17,029,315
Miscellaneous operating revenues	-	334	334
Total operating revenues	<u>17,345,631</u>	<u>8,135,566</u>	<u>25,481,197</u>
Operating expenses			
Salaries and employee benefits	352,141	-	352,141
Other operating expenses	16,621,488	7,947,859	24,569,347
Depreciation	-	187,534	187,534
Total operating expenses	<u>16,973,629</u>	<u>8,135,393</u>	<u>25,109,022</u>
Operating income (loss)	<u>372,002</u>	<u>173</u>	<u>372,175</u>
Nonoperating revenue (expense)			
Interest earned on investments	83,108	-	83,108
Miscellaneous revenue	16,328	-	16,328
Gain (loss) on disposal of capital assets	111	(173)	(62)
Total nonoperating revenue (expense)	<u>99,547</u>	<u>(173)</u>	<u>99,374</u>
Income (loss) before transfers and contributions	<u>471,549</u>	<u>-</u>	<u>471,549</u>
Transfers in	2,890,726	350,594	3,241,320
Transfers out	(3,500,000)	-	(3,500,000)
Capital contributions	-	-	-
Change in net position	<u>(137,725)</u>	<u>350,594</u>	<u>212,869</u>
Total net position - beginning, previously reported	15,519,871	2,732,210	18,252,081
Restatement	(41,152)	-	(41,152)
Total net position - beginning, restated	<u>15,478,719</u>	<u>2,732,210</u>	<u>18,210,929</u>
Total net position - ending	<u>\$ 15,340,994</u>	<u>\$ 3,082,804</u>	<u>\$ 18,423,798</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2015

	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating activities			
Cash received from customers	\$ 16,830,375	\$ 8,162,506	\$ 24,992,881
Cash received from insurance reimbursements	316,316	-	316,316
Cash paid to or on behalf of employees for services	(361,131)	(2,338,113)	(2,699,244)
Cash paid for goods and services	(16,295,199)	(5,824,393)	(22,119,592)
Net cash provided by (used in) operating activities	<u>490,361</u>	<u>-</u>	<u>490,361</u>
Noncapital financing activities			
Transfers in	2,890,726	350,594	3,241,320
Transfers out	(3,500,000)	-	(3,500,000)
Net cash provided (used) by noncapital financing activities	<u>(609,274)</u>	<u>350,594</u>	<u>(258,680)</u>
Capital and related financing activities			
Proceeds from sale of assets	111	-	111
Acquisition and construction of capital assets	-	(350,594)	(350,594)
Net cash provided (used) by capital and related financing activities	<u>111</u>	<u>(350,594)</u>	<u>(350,483)</u>
Investing activities			
Interest and dividends	83,108	-	83,108
Net cash provided (used) by investing activities	<u>83,108</u>	<u>-</u>	<u>83,108</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(35,694)</u>	<u>-</u>	<u>(35,694)</u>
Cash and cash equivalents/investments			
Beginning of year	<u>19,019,508</u>	<u>-</u>	<u>19,019,508</u>
End of year	<u>\$ 18,983,814</u>	<u>\$ -</u>	<u>\$ 18,983,814</u>
Cash and cash equivalents	\$ 18,983,814	\$ -	\$ 18,983,814
Total cash and cash equivalents/investments	<u>\$ 18,983,814</u>	<u>\$ -</u>	<u>\$ 18,983,814</u>
Unrestricted cash and cash equivalents/investments	\$ 18,983,814	\$ -	\$ 18,983,814
Total cash and cash equivalents/investments	<u>\$ 18,983,814</u>	<u>\$ -</u>	<u>\$ 18,983,814</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 372,002	\$ 173	\$ 372,175
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	187,534	187,534
Nonoperating receipts from customers	16,328	-	16,328
Gain (loss) on sale of capital assets	-	-	-
Change in assets and liabilities			
(Increase) decrease in accounts receivable	(217,809)	26,940	(190,869)
(Increase) decrease in prepaid items	88,916	-	88,916
(Increase) decrease in internal balances	-	(665,479)	(665,479)
(Increase) decrease in inventory	-	(225)	(225)
Increase (decrease) in accounts payable and accrued liabilities	237,373	353,041	590,414
Increase (decrease) in accrued compensated absences	(906)	98,016	97,110
Increase (decrease) in unearned revenues	2,541	-	2,541
Increase (decrease) in LGERS expense	(17,293)	-	(17,293)
Increase (decrease) in Net OPEB Obligation	9,209	-	9,209
Net cash provided by (used in) operating activities	<u>\$ 490,361</u>	<u>\$ -</u>	<u>\$ 490,361</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015
(With Comparative Actual Amounts for Year Ended June 30, 2014)

	Budget	Variance Positive (Negative)	2015 Actual	2014 Actual
Operating revenues				
Other revenues from operations	\$ 152,400	\$ 163,916	\$ 316,316	\$ 245,616
Interfund charges and employee contributions	17,048,542	(19,227)	17,029,315	16,597,475
Total operating revenues	<u>17,200,942</u>	<u>144,689</u>	<u>17,345,631</u>	<u>16,843,091</u>
Operating expenditures				
Salaries and employee benefits	437,903	76,772	361,131	323,318
Other operating expenditures	19,347,457	2,868,173	16,479,284	14,924,111
Total operating expenditures	<u>19,785,360</u>	<u>2,944,945</u>	<u>16,840,415</u>	<u>15,247,429</u>
Operating income (loss)	<u>(2,584,418)</u>	<u>3,089,634</u>	<u>505,216</u>	<u>1,595,662</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	92,900	(9,792)	83,108	140,911
Miscellaneous	-	16,328	16,328	2,701
Total nonoperating revenues (expenditures)	<u>92,900</u>	<u>6,536</u>	<u>99,436</u>	<u>143,612</u>
Revenues over (under) expenditures	<u>(2,491,518)</u>	<u>3,096,170</u>	<u>604,652</u>	<u>1,739,274</u>
Other financing sources (uses)				
Sale of capital assets	-	111	111	112
Transfers out	(3,625,958)	125,958	(3,500,000)	(3,730,637)
Transfers in	2,912,078	(21,352)	2,890,726	474,423
Appropriated fund balance	3,205,398	(3,205,398)	-	-
Total other financing sources (uses)	<u>2,491,518</u>	<u>(3,100,681)</u>	<u>(609,163)</u>	<u>(3,256,102)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (4,511)</u>	<u>\$ (4,511)</u>	<u>\$ (1,516,828)</u>
Reconciliation to change in net position:				
Total revenues			\$ 20,335,904	\$ 17,461,238
Total expenditures			20,340,415	18,978,066
Subtotal			<u>(4,511)</u>	<u>(1,516,828)</u>
Decrease (increase) in accrued vacation			906	(2,958)
Change in net OPEB expense			(9,209)	(7,957)
Decrease (increase) in insurance liability			(142,204)	(575,444)
LGERS expense			17,293	-
Subtotal			<u>(133,214)</u>	<u>(586,359)</u>
Change in net position			<u>\$ (137,725)</u>	<u>\$ (2,103,187)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2015
(with comparative actual amounts for the period ended June 30, 2014)**

	2015			2014 Actual
	Budget	Variance Positive (Negative)	2015 Actual	
Revenues				
Operating revenues				
City services	\$ 7,300,825	\$ (1,112,451)	\$ 6,188,374	\$ 6,324,708
PWC services	2,100,275	(153,417)	1,946,858	2,042,112
Other revenue	-	334	334	1,104
Total operating revenues	<u>9,401,100</u>	<u>(1,265,534)</u>	<u>8,135,566</u>	<u>8,367,924</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(173)	(173)	1,320
Total non-operating revenues	<u>-</u>	<u>(173)</u>	<u>(173)</u>	<u>1,320</u>
Transfers in				
Transfers from Electric Fund	207,600	(32,303)	175,297	128,687
Transfers from Water and Wastewater Fund	207,600	(32,303)	175,297	128,687
Total transfers-in	<u>415,200</u>	<u>(64,606)</u>	<u>350,594</u>	<u>257,374</u>
Total revenues	<u>\$ 9,816,300</u>	<u>\$ (1,330,313)</u>	<u>\$ 8,485,987</u>	<u>\$ 8,626,618</u>
Expenditures				
Operating expenditures				
Fleet maintenance	\$ 9,264,510	\$ (1,406,944)	\$ 7,857,566	\$ 8,162,661
Total operating expenditures	<u>9,264,510</u>	<u>(1,406,944)</u>	<u>7,857,566</u>	<u>8,162,661</u>
Budgetary appropriations				
Capital outlay	415,200	(64,778)	350,422	159,540
Appropriated net position	136,590	(136,590)	-	-
Total budgetary appropriations	<u>551,790</u>	<u>(201,368)</u>	<u>350,422</u>	<u>159,540</u>
Total expenditures	<u>\$ 9,816,300</u>	<u>\$ (1,608,312)</u>	<u>\$ 8,207,988</u>	<u>\$ 8,322,201</u>
Reconciliation of changes in net position				
Total revenues		\$ (1,330,313)	\$ 8,485,987	\$ 8,626,618
Total expenditures		(1,608,312)	8,207,988	8,322,201
Subtotal		<u>\$ 277,999</u>	<u>277,999</u>	<u>304,417</u>
Reconciling items:				
Budgetary appropriations			350,422	159,540
Depreciation			(187,534)	(183,765)
OPEB expense			(90,293)	(22,818)
Total reconciling items			<u>72,595</u>	<u>(47,043)</u>
Change in net position			<u>\$ 350,594</u>	<u>\$ 257,374</u>

2015

Fiduciary Funds

- Pension Trust Funds
- Private-Purpose Trust Funds

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



City of
Fayetteville
North Carolina

2015

Trust Funds

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

The following comprise the City's Trust Funds:

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Position
Pension Trust Fund
June 30, 2015

	Special Separation Allowance Pension Trust Fund
Assets	
Cash and investments	
Cash and cash equivalents	\$ 3,367,729
Total cash and investments	<u>3,367,729</u>
Accounts receivable	<u>1,386</u>
Total assets	<u>3,369,115</u>
Liabilities	
Accounts payable	<u>42,170</u>
Total liabilities	<u>42,170</u>
Net position	
Held in Trust for:	
Pension benefits	<u>3,326,945</u>
Total net position	<u>\$ 3,326,945</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position
Pension Trust Fund
Year Ended June 30, 2015

	Special Separation Allowance Pension Trust Fund
Additions	
Employer contributions	\$ 962,563
Investment earnings	13,483
Total additions	<u>976,046</u>
Deductions	
Benefit payments and premiums	<u>585,607</u>
Total deductions	<u>585,607</u>
Change in net position	390,439
Total net position - beginning	<u>2,936,506</u>
Total net position - ending	<u><u>\$ 3,326,945</u></u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Position
 Private-purpose Trust Funds
 June 30, 2015

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 430	\$ 1,373,616	\$ 1,374,046
Accounts receivable	-	-	-
Total assets	<u>430</u>	<u>1,373,616</u>	<u>1,374,046</u>
Net position			
Held in Trust for benefits and other purposes	430	1,373,616	1,374,046
Total net position	<u>\$ 430</u>	<u>\$ 1,373,616</u>	<u>\$ 1,374,046</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
Year Ended June 30, 2015**

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Additions			
Contributions	\$ -	\$ 97,514	\$ 97,514
Investment earnings	-	10,912	10,912
Total additions	-	108,426	108,426
Deductions			
Benefit payments and premiums	-	108,169	108,169
Total deductions	-	108,169	108,169
Change in net position	-	257	257
Total net position - beginning	430	1,373,359	1,373,789
Total net position - ending	\$ 430	\$ 1,373,616	\$ 1,374,046

2015

Other Supplemental Financial Data

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

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



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Current Tax Levy

Year Ended June 30, 2015

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
General Fund (Including VTS)	\$ 13,575,003,535	\$ 0.486	\$ 65,974,517	\$ 61,427,963	\$ 4,546,554
General Fund (VTS July - Sept 2014)	<u>334,325,250</u>	0.456	<u>1,524,523</u>		<u>1,524,523</u>
Subtotal	<u>13,909,328,785</u>		<u>67,499,040</u>	<u>61,427,963</u>	<u>6,071,077</u>
Late Listing Penalties:					
General Fund			29,886	29,886	-
Subtotal			<u>67,528,926</u>	<u>61,457,849</u>	<u>6,071,077</u>
Discoveries:					
General Fund	81,176,963	0.486	394,520	392,081	2,439
Late Listing Penalties:					
General Fund			120,038	120,038	-
Subtotal			<u>514,558</u>	<u>512,119</u>	<u>2,439</u>
Releases					
General Fund	(21,730,677)	0.486	(105,611)	(105,238)	(373)
Late Listing Penalties:					
General Fund			(39,745)	(39,745)	-
Subtotal			<u>(145,356)</u>	<u>(144,983)</u>	<u>(373)</u>
Adjusted Tax Levy			<u>67,898,128</u>	<u>61,824,985</u>	<u>6,073,143</u>
Uncollected Current Year Taxes at 6/30/2015			<u>(439,581)</u>	<u>(438,516)</u>	<u>(1,065)</u>
City-wide Current Year's Taxes Collected			<u>\$ 67,458,547</u>	<u>\$ 61,386,469</u>	<u>\$ 6,072,078</u>
City-wide Current Levy Collection Percentage			<u>99.35%</u>	<u>99.29%</u>	<u>99.98%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2015

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2015</u>
2015	\$ -	\$ 67,898,128	\$ 67,458,547	\$ 439,581
2014	850,078	(41,082)	516,426	292,570
2013	415,905	(11,674)	80,835	323,396
All Prior	<u>1,829,007</u>	<u>(167,922)</u>	<u>55,164</u>	<u>1,605,921</u>
	<u>3,094,990</u>	<u>\$ 67,677,450</u>	<u>\$ 68,110,972</u>	<u>2,661,468</u>
Less: Allowance for Uncollectible Taxes				
General Fund	<u>(782,030)</u>			<u>(802,960)</u>
	<u>\$ 2,312,960</u>			<u>\$ 1,858,508</u>
General Fund Taxes Receivable per the fund financial statements				\$ 2,088,931
Less: CBTD Taxes Receivable				(2,653)
Less: Vehicle License Fee Receivable				<u>(227,770)</u>
General Fund Ad Valorem Taxes Receivable				<u>\$ 1,858,508</u>

**Reconciliations of collections and credit
with revenues**

Ad Valorem Taxes per the fund financial statements	\$ 68,573,807
Less Penalties & Interest	(288,016)
Less Taxes - CBTD	(130,855)
Less Taxes - Lake Valley Dr MSD	<u>(43,964)</u>
General Fund Ad Valorem Taxes	<u>\$ 68,110,972</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Emergency Telephone System Unspent Fund
PSAP Reconciliation
June 30, 2015

Amounts reported on the Emergency Telephone System Fund budget to actual (J-3) are different from the PSAP Revenue Expenditure Report because of the capital lease proceeds.

Net Change in Fund Balance, reported on Budget to Actual	\$	499,192
Capital outlay associated with capital lease proceeds		462,027
Transfer in from FY14 for Ineligible for E-911		(27,998)
Transfers out of excess capital lease proceeds		24,842
Change of Fair Market Value on Investment		(419)
Beginning Balance, PSAP Revenue-Expenditure Report		<u>363,223</u>
Ending Balance, PSAP Revenue-Expenditure Report	\$	<u><u>1,320,867</u></u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2015

(With Comparative Actual Amounts For Year Ended June 30, 2014)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2015 Actual</u>	<u>2014 Actual</u>
Revenues				
Restricted intergovernmental	\$ 805,520	\$ 916,468	\$ 1,721,988	\$ 805,520
Interest earned on investments	650	2,326	2,976	2,969
Total revenues	<u>806,170</u>	<u>918,794</u>	<u>1,724,964</u>	<u>808,489</u>
Expenditures				
Current				
Public safety				
Implemental functions	152,597	-	152,597	153,150
Telephone	254,276	7,684	246,592	254,761
Software maintenance	111,284	-	111,284	56,953
Hardware maintenance	372,296	137,633	234,663	175,590
Training	21,765	-	21,765	16,749
Capital outlay	462,029	2	462,027	195,996
Total public safety	<u>1,374,247</u>	<u>145,319</u>	<u>1,228,928</u>	<u>853,199</u>
Total expenditures	<u>1,374,247</u>	<u>145,319</u>	<u>1,228,928</u>	<u>853,199</u>
Revenues over (under) expenditures	<u>(568,077)</u>	<u>1,064,113</u>	<u>496,036</u>	<u>(44,710)</u>
Other financing sources (uses)				
Appropriated fund balance	564,922	(564,922)	-	-
Transfers in	27,998	-	27,998	-
Transfer out	(24,843)	1	(24,842)	-
Capital lease proceeds	-	-	-	486,869
Total other financing sources (uses)	<u>568,077</u>	<u>(564,921)</u>	<u>3,156</u>	<u>486,869</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 499,192</u>	<u>499,192</u>	<u>442,159</u>
Fund balance				
Beginning of year - July 1			<u>821,621</u>	<u>379,462</u>
End of year - June 30			<u>\$ 1,320,813</u>	<u>\$ 821,621</u>

2015

Statistical Section



City of
Fayetteville
North Carolina

City of Fayetteville, North Carolina
STATISTICAL SECTION
(Unaudited)

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

CONTENTS

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

Schedule 1

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Investment in capital assets	\$ 351,170,168	\$ 353,407,779	\$ 354,482,766	\$ 351,059,848	\$ 349,628,675	\$ 358,665,197	\$ 346,265,466	\$ 348,741,323	\$ 338,558,257	\$ 330,625,569
Restricted for:										
Capital projects	-	-	1,047,622	-	-	-	-	-	-	-
Other purposes	2,702,713	3,525,148	-	-	3,225,781	35,832,753	26,200,123	27,136,010	29,025,780	43,756,156
Grant compliance	-	-	1,883,445	1,885,171	-	-	-	-	162,574	1,930,863
Unrestricted	69,869,779	73,912,222	70,335,914	72,912,216	69,873,837	37,909,246	43,633,514	40,944,759	39,561,009	26,744,127
Total governmental activities net position	\$ 423,242,660	\$ 430,845,149	\$ 427,749,747	\$ 425,857,235	\$ 422,728,293	\$ 432,407,196	\$ 416,099,103	\$ 416,822,092	\$ 407,307,620	\$ 403,056,715
Business-type activities										
Investment in capital assets	\$ 432,390,389	\$ 459,237,550	\$ 505,941,437	\$ 524,262,726	\$ 572,740,121	\$ 612,211,243	\$ 635,244,018	\$ 669,166,547	\$ 709,443,909	\$ 642,548,862
Restricted for:										
Capital projects	527,965	420,040	2,075,219	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334	63,903,304
Debt service	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080
Other purposes	-	-	-	-	-	-	-	-	1,020	1,020
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	97,657,374	121,366,653	122,199,894	148,697,773	162,197,819	186,407,794	259,366,012	248,376,752	231,097,540	256,367,823
Total business-type activities net position	\$ 531,384,248	\$ 581,840,313	\$ 630,228,012	\$ 673,906,606	\$ 735,786,180	\$ 800,421,798	\$ 896,609,379	\$ 919,428,268	\$ 941,731,817	\$ 964,741,089
Primary Government										
Investment in capital assets	\$ 783,560,557	\$ 812,645,329	\$ 860,424,203	\$ 875,322,574	\$ 922,368,796	\$ 970,876,440	\$ 981,509,484	\$ 1,017,907,870	\$ 1,048,002,166	\$ 973,174,431
Restricted for:										
Capital projects	527,965	420,040	3,122,841	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334	63,903,304
Debt service	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080
Other purposes	2,702,713	3,525,148	-	-	3,225,781	35,832,753	26,200,123	27,136,010	29,026,800	43,757,176
Grant compliance	-	-	1,883,445	1,885,171	-	-	-	-	162,574	1,930,863
Unrestricted	167,027,153	195,278,875	192,535,808	221,609,989	232,071,656	224,317,040	302,999,526	289,321,511	270,658,549	283,111,950
Total primary government net position	\$ 954,626,908	\$ 1,012,685,462	\$ 1,057,877,759	\$ 1,099,763,841	\$ 1,158,514,473	\$ 1,232,828,994	\$ 1,312,708,482	\$ 1,336,250,360	\$ 1,349,039,437	\$ 1,367,797,804

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

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

Schedule 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Administration	\$ 13,268,585	\$ 19,032,872	\$ 19,090,722	\$ 17,815,439	\$ 19,932,088	\$ 20,762,610	\$ 21,677,385	\$ 22,721,662	\$ 25,568,650	\$ 25,909,939
Public safety	52,752,676	56,609,521	63,458,091	64,355,111	72,106,589	70,903,587	72,118,645	72,692,847	77,282,295	76,505,137
Environmental protection	9,940,477	11,000,841	12,126,391	12,048,837	11,098,182	14,636,753	8,100,683	8,100,683	477,470	458,342
Transportation	17,115,971	18,702,014	20,386,537	18,965,600	20,291,431	19,233,330	19,948,019	20,294,164	20,447,440	20,620,224
Economic and physical development	5,132,048	1,229,375	4,558,635	4,532,166	5,371,176	9,323,817	5,668,559	6,300,683	4,714,803	5,541,090
Recreation and community facilities	10,501,677	14,020,434	12,113,646	12,880,611	13,117,175	12,992,237	13,490,480	13,502,165	13,974,381	13,905,171
Debt Service:										
Interest and fees	2,786,700	2,621,502	2,061,409	1,981,641	1,693,633	1,585,197	1,464,554	1,157,838	960,294	811,174
Total governmental activities	111,498,134	123,216,559	133,795,431	132,579,405	143,610,274	149,437,531	142,637,575	144,770,042	143,425,333	143,751,077
Business type activities										
Electric	137,856,324	130,839,305	137,561,749	144,714,714	142,995,626	149,700,921	146,116,831	197,553,706	212,158,021	203,441,960
Water and wastewater	45,859,650	49,623,073	52,767,113	65,163,237	69,063,071	60,743,759	65,169,196	68,876,623	70,015,544	75,205,401
Storm water management ¹	N/A	N/A	N/A	N/A	N/A	N/A	2,891,487	3,225,830	4,588,821	4,569,989
Transit	4,864,135	4,864,526	5,584,011	5,975,160	6,230,449	6,847,471	7,664,911	7,721,977	8,339,679	8,886,160
Airport	3,769,259	4,091,032	3,986,357	4,329,383	4,589,767	4,680,624	5,259,583	6,085,394	6,277,135	6,510,894
Solid waste recycling	-	-	1,945,629	1,919,318	1,944,210	1,926,760	2,145,150	2,189,613	9,793,149	10,044,425
Total business-type activities	192,349,368	189,417,936	201,844,859	222,101,812	224,823,123	223,899,535	229,247,158	285,653,143	311,172,349	308,658,779
Total primary government	\$ 303,847,502	\$ 312,634,495	\$ 335,640,290	\$ 354,681,217	\$ 368,433,397	\$ 373,337,066	\$ 371,884,733	\$ 430,423,185	\$ 454,597,682	\$ 452,409,856
Program Revenues										
Governmental Activities										
Administration	\$ 702,004	\$ 800,275	\$ 755,883	\$ 868,572	\$ 830,793	\$ 996,905	\$ 1,024,970	\$ 994,985	\$ 1,542,466	\$ 1,811,598
Charges for services	5,632	32,298	63,268	7,264	30,000	31,141	3,585	16,374	32,545	8,485
Operating grants and contributions										
Capital grants and contributions										
Public Safety										
Charges for services	4,446,932	3,708,443	3,213,741	3,512,402	3,648,358	3,906,523	4,473,761	4,837,983	4,095,850	3,423,674
Operating grants and contributions	480,476	673,108	309,869	1,111,218	2,764,654	3,889,426	3,078,134	2,422,030	1,707,551	3,781,759
Capital grants and contributions	367,540	95,967	45,154	33,802	5,408	580,157	27,563	62,112	79,929	302,007
Environmental Protection										
Charges for services	80,998	40,785	3,416,607	3,494,076	5,321,692	5,313,078	192,595	202,215	59,335	36,020
Operating grants and contributions	-	2,259,339	2,303,890	2,330,984	75,000	2,750,040	272,362	24,198	-	6,098
Capital grants and contributions	-	-	-	-	520,597	281,056	593,228	758,309	-	-
Transportation										
Charges for services	537,081	1,224,243	882,698	1,048,358	924,384	1,442,076	1,266,686	1,130,521	1,276,526	1,337,933
Operating grants and contributions	3,833,510	5,710,433	5,954,823	5,545,029	5,509,654	5,217,073	5,311,546	5,426,591	5,581,480	5,568,092
Capital grants and contributions	98,785	13,446	155,409	85,372	96,757	204,583	3,511,719	3,487,233	1,905,111	173,144

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

	Fiscal Year										Schedule 2
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
<i>Economic and physical development</i>											
Charges for services	\$ 57,172	\$ -	\$ -	\$ -	\$ 70,995	\$ 320,748	\$ 562,138	\$ 512,467	\$ 422,997	\$ 376,160	
Operating grants and contributions	1,742,466	1,778,840	2,364,282	1,826,540	2,396,648	3,067,922	3,061,017	2,990,716	1,911,277	2,702,616	
Capital grants and contributions	2,423,512	1,163,385	338,684	30,913	383,277	503,614	847,788	103	-	-	
<i>Recreation and community facilities</i>											
Charges for services	4,151,275	3,751,071	3,873,021	4,012,612	4,428,944	4,557,373	4,714,656	4,874,495	5,051,290	4,990,974	
Operating grants and contributions	60,386	45,213	56,292	35,844	105,460	123,063	140,384	188,446	149,587	218,258	
Capital grants and contributions	2,161,508	2,622,609	781,410	1,312,932	2,642,557	10,696,075	2,004,325	695,162	882,480	1,179,024	
<i>Interest and fees</i>											
Operating grants and contributions	-	-	-	-	-	318,310	185,825	111,724	104,110	88,737	
Total governmental activities programs	\$ 21,149,277	\$ 23,919,355	\$ 24,515,031	\$ 25,255,918	\$ 29,755,178	\$ 44,179,163	\$ 31,272,282	\$ 28,735,664	\$ 24,802,534	\$ 26,004,579	
<i>Business-type activities:</i>											
<i>Electric</i>											
Charges for services	155,773,020	159,647,302	166,899,655	169,451,426	173,192,801	194,811,519	197,656,327	211,789,791	217,863,786	223,663,832	
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-	
Capital grants and contributions	178,965	977,641	405,586	1,044,143	1,407,440	1,535,614	371,766	889,399	1,297,052	96,819	
<i>Water and wastewater</i>											
Charges for services	51,508,272	54,520,183	57,080,057	64,945,746	75,419,483	68,749,604	70,930,218	71,403,280	74,492,496	76,820,546	
Operating grants and contributions	14,125,818	16,730,748	14,452,981	11,598,860	22,835,906	10,618,542	10,780,807	2,914,570	8,143,723	7,708,126	
Capital grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	5,183,444	5,247,665	5,283,676	6,224,941	
<i>Storm water management¹</i>											
Charges for services	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-	
Operating grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-	
Capital grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-	
<i>Transit</i>											
Charges for services	828,623	801,186	774,345	801,967	839,490	891,454	1,025,180	1,118,149	1,245,135	1,349,877	
Operating grants and contributions	2,097,336	1,922,181	2,149,594	2,681,466	2,337,806	2,353,263	2,050,348	2,355,194	2,539,161	2,725,732	
Capital grants and contributions	63,915	157,361	2,101,418	681,884	1,733,733	3,933,065	3,592,128	1,802,682	2,102,218	2,278,449	
<i>Airport</i>											
Charges for services	2,849,936	3,035,265	3,224,170	3,942,522	3,735,652	4,157,463	4,346,702	4,294,042	4,196,444	4,316,716	
Operating grants and contributions	-	114,380	146,092	-	1,040,076	144,153	198,131	112,888	108,430	110,580	
Capital grants and contributions	1,145,829	3,565,784	822,403	6,293,746	3,752,977	3,827,485	7,275,532	6,578,773	2,000,263	5,918,190	
<i>Environmental Services</i>											
Charges for services	-	-	-	2,521,038	2,258,683	2,274,461	2,285,018	2,304,395	2,824,521	2,949,501	
Operating grants and contributions	-	-	-	263,070	296,121	298,005	299,525	301,250	133,637	135,815	
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-	
Total business-type activities program	\$ 228,571,714	\$ 241,472,031	\$ 248,056,301	\$ 264,285,868	\$ 288,850,168	\$ 293,594,628	\$ 305,935,126	\$ 311,112,078	\$ 322,220,542	\$ 334,299,124	
Total primary government program	\$ 249,720,991	\$ 265,391,386	\$ 272,571,332	\$ 289,481,786	\$ 318,605,346	\$ 337,773,791	\$ 337,207,408	\$ 339,847,742	\$ 347,023,076	\$ 360,303,703	
<i>Net (expense)/revenue</i>											
Governmental activities	\$ (90,348,857)	\$ (99,297,204)	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,096)	\$ (105,258,368)	\$ (111,365,293)	\$ (116,034,378)	\$ (118,622,978)	\$ (117,746,498)	
Business-type activities	36,222,346	52,054,095	46,211,442	42,124,056	64,027,045	69,695,093	76,687,968	25,458,935	11,048,193	25,640,345	
Total primary government net expense	\$ (64,126,511)	\$ (47,243,109)	\$ (63,068,958)	\$ (65,199,431)	\$ (49,828,051)	\$ (35,563,275)	\$ (34,677,325)	\$ (90,575,443)	\$ (107,574,606)	\$ (92,106,153)	

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

	Fiscal Year										Schedule 2
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
General Revenues and Other Changes in Net Position											
Governmental activities											
Ad valorem taxes	\$ 47,823,150	\$ 52,829,323	\$ 54,295,319	\$ 55,406,617	\$ 58,518,101	\$ 59,016,746	\$ 60,130,081	\$ 62,067,430	\$ 64,702,217	\$ 68,090,990	
Other taxes	35,863,026	41,307,138	43,193,017	42,524,787	44,482,890	45,850,043	47,167,974	48,752,661	48,709,791	53,005,270	
Unrestricted grants and contributions	578,491	788,290	801,099	814,901	295,870	-	902,467	839,798	914,579	1,003,800	
Interest earned on investments	2,327,165	4,050,088	3,704,974	2,212,641	1,157,788	769,192	565,944	8,522	818,792	468,468	
Miscellaneous	169,866	474,945	627,860	865,351	652,055	1,379,722	1,174,240	513,652	541,010	385,836	
Gain on sale of capital assets	162,992	199,853	254,875	240,465	210,072	343,836	385,076	1,063,285	142,765	178,557	
Transfers	8,601,682	7,150,056	3,307,854	3,366,213	5,409,378	7,577,732	6,082,634	3,917,602	(6,720,827)	(26,001)	
Special item	89,555,881	-	-	-	-	-	-	-	-	-	
Total governmental activities	185,082,203	106,899,693	106,184,998	105,430,975	110,726,154	114,937,271	116,408,416	117,163,150	109,108,327	123,106,920	
Business-type activities:											
Other taxes	-	5,173,628	5,392,197	4,810,234	3,133,521	-	649,471	660,193	839,060	638,129	
Interest earned on investments	3,137,307	366,079	90,271	88,058	87,444	2,196,769	2,089,310	1,445,865	3,070,459	1,600,725	
Miscellaneous	84,297	12,319	(3,307,854)	(3,366,213)	(5,409,378)	(7,577,732)	(6,082,634)	(3,917,602)	466,103	466,488	
Transfers	7,936	-	1,643	22,459	40,942	73,866	240,158	1,975,417	6,720,827	26,001	
Gain on sale of capital assets	-	(7,150,056)	-	-	-	-	-	-	158,907	38,470	
Extraordinary item	(8,601,682)	(1,598,030)	2,176,257	1,554,538	(2,147,471)	(5,059,475)	(1,851,603)	487,334	11,255,356	2,769,793	
Total business-type activities	(5,372,142)	(1,598,030)	108,361,255	106,985,513	108,578,683	109,877,796	114,556,813	117,650,484	120,363,683	125,876,713	
Total primary government	\$ 179,710,061	\$ 105,301,663	\$ 108,361,255	\$ 106,985,513	\$ 108,578,683	\$ 109,877,796	\$ 114,556,813	\$ 117,650,484	\$ 120,363,683	\$ 125,876,713	
Change in Net Position											
Governmental activities	\$ 94,733,346	\$ 7,602,489	\$ (3,095,402)	\$ (1,892,512)	\$ (3,128,942)	\$ 9,678,903	\$ 5,043,123	\$ 1,128,772	\$ (9,514,472)	\$ 5,360,422	
Business-type activities	30,850,204	50,456,065	48,387,699	43,678,594	61,879,574	64,635,618	74,836,365	25,946,269	22,303,549	28,410,138	
Total primary government	\$ 125,583,550	\$ 58,058,554	\$ 45,292,297	\$ 41,786,082	\$ 58,750,632	\$ 74,314,521	\$ 79,879,488	\$ 27,075,041	\$ 12,789,077	\$ 33,770,560	

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

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

	Fiscal Year										Schedule 3
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
General Fund											
Reserved	\$ 14,222,851	\$ 19,688,249	\$ 17,226,906	\$ 17,984,934	\$ 17,972,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	29,273,909	29,962,047	35,781,835	27,934,081	28,616,050	160,391	170,322	137,604	124,837	117,022	117,022
Nonspendable	-	-	-	-	-	18,160,858	18,018,110	19,370,822	20,994,163	24,408,566	24,408,566
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	13,578,711	13,545,829	14,004,183	11,560,730	14,381,101	14,381,101
Assigned	-	-	-	-	-	16,807,431	20,161,587	17,551,749	19,368,407	21,630,019	21,630,019
Unassigned	-	-	-	-	-	48,707,391	51,895,848	51,064,358	52,048,137	60,536,708	60,536,708
Total General Fund	\$ 43,496,760	\$ 49,650,296	\$ 53,008,741	\$ 45,919,015	\$ 46,588,578	\$ 48,707,391	\$ 51,895,848	\$ 51,064,358	\$ 52,048,137	\$ 60,536,708	\$ 60,536,708
Recreational and Cultural Fund¹											
Reserved	\$ -	\$ -	\$ -	\$ 1,328,058	\$ 633,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:											
Capital Projects	-	-	-	87,800	702,865	-	-	-	-	-	-
Total Recreational and Cultural Fund	\$ -	\$ -	\$ -	\$ 1,415,858	\$ 1,336,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All other governmental funds											
Reserved	\$ 8,445,918	\$ 5,285,867	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor:											
Special Revenue	2,402,644	3,569,224	3,384,703	2,893,694	3,526,252	-	-	-	-	-	-
Capital Projects	8,842,547	8,024,751	5,148,775	4,691,155	2,510,588	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	3,937,714	-	-
Restricted	-	-	-	-	-	17,671,895	8,182,013	7,765,188	8,697,672	22,959,252	22,959,252
Committed	-	-	-	-	-	9,788,921	5,524,169	6,012,520	7,506,621	7,307,120	7,307,120
Assigned	-	-	-	-	-	(1,411,539)	(1,055,147)	(595,034)	(876,336)	(1,598,518)	(1,598,518)
Unassigned	-	-	-	-	-	26,049,277	12,651,035	13,182,674	19,265,671	28,667,854	28,667,854
Total all other governmental funds	\$ 19,691,109	\$ 16,879,842	\$ 12,683,843	\$ 17,685,642	\$ 23,743,874	\$ 26,049,277	\$ 12,651,035	\$ 13,182,674	\$ 19,265,671	\$ 28,667,854	\$ 28,667,854

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

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

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

Schedule 4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Ad valorem taxes	\$ 41,590,985	\$ 58,574,670	\$ 54,765,677	\$ 55,553,012	\$ 58,699,957	\$ 58,987,439	\$ 60,089,099	\$ 61,873,098	\$ 65,328,949	\$ 68,573,807
Other taxes ¹	35,870,262	43,544,220	48,774,154	9,317,809	8,637,309	9,089,228	4,804,643	4,523,204	3,403,333	2,185,731
Intergovernmental	12,418,414	13,824,511	13,009,887	-	-	-	-	-	-	-
Unrestricted intergovernmental ¹	-	-	-	40,367,061	41,927,788	43,347,718	44,355,628	46,363,857	47,695,920	52,471,036
Restricted intergovernmental ¹	-	-	-	11,828,229	16,964,952	26,722,238	19,874,277	16,113,807	13,173,189	16,134,374
Other functional	6,015,649	5,475,181	4,693,419	-	-	-	-	-	-	-
Permits and fees ¹	-	-	-	1,889,966	1,880,274	2,824,584	2,757,155	2,933,818	2,347,930	2,324,735
Sales and services ¹	-	-	-	3,263,932	3,182,815	3,561,896	4,424,754	4,347,871	3,998,499	4,102,986
Miscellaneous	5,117,571	4,543,675	2,820,264	3,108,912	2,837,133	4,186,300	4,254,636	3,543,069	3,906,564	3,457,945
Interest earned on investments	1,892,615	3,695,228	3,030,672	1,748,164	929,799	538,984	307,465	(42,273)	494,849	531,400
Total revenues	102,905,496	129,657,485	127,094,073	127,077,085	135,060,027	149,258,387	140,867,657	139,656,451	140,349,233	149,782,014
Expenditures										
Administration	13,235,511	18,261,328	17,796,870	17,473,782	19,865,248	22,269,092	23,463,776	24,004,298	26,540,551	26,654,879
Public safety	50,841,673	56,216,348	57,479,621	60,041,364	65,840,294	65,409,952	66,478,556	68,000,401	72,254,636	73,986,004
Environmental protection	8,970,319	10,075,527	10,439,749	10,328,809	9,493,404	12,859,355	6,650,496	6,386,275	32,980	291,281
Transportation	4,532,369	7,559,579	7,697,136	6,111,323	7,437,390	6,213,150	6,853,125	6,986,927	10,595,114	7,314,779
Economic and physical development	5,676,733	1,079,198	4,668,228	4,362,581	4,685,441	9,521,505	5,933,527	5,555,167	633,411	4,579,644
Recreation and community facilities	9,868,885	13,491,872	10,918,848	11,858,912	12,025,817	11,863,297	12,027,831	11,892,121	12,225,457	12,194,892
Capital outlay	17,185,840	19,409,969	14,848,256	13,030,239	12,383,988	33,839,406	18,586,780	13,595,726	10,362,652	14,351,276
Debt Service										
Principal	8,478,146	9,159,387	8,681,196	8,521,585	9,255,316	6,145,096	6,971,981	6,638,587	5,349,379	5,471,456
Interest and fees	2,956,522	2,724,064	2,081,737	1,955,844	1,528,569	1,487,161	1,589,137	1,312,216	1,083,442	975,588
Issuance costs	-	-	-	-	131,014	-	-	-	-	-
Total expenditures	121,745,998	137,977,272	134,511,641	133,684,439	142,646,501	169,607,017	148,595,209	144,371,718	139,077,623	145,819,799
Excess (deficiency) of revenues over (under) expenditures	(18,840,502)	(8,319,787)	(7,417,568)	(6,607,354)	(7,586,474)	(20,348,630)	(7,727,552)	(4,715,267)	1,271,610	3,962,215
Other financing sources (uses)										
Refunding Bonds issued	-	-	-	-	7,896,115	-	-	-	-	-
Proceeds from capital leases, bonds and other debt	3,834,415	4,537,000	3,303,940	-	6,550,809	14,857,940	-	-	3,937,714	4,257,748
Transfers in	16,793,410	15,283,819	20,000,451	22,695,465	23,323,681	21,357,058	17,197,216	18,954,192	25,838,734	27,543,908
Transfers out	(8,391,728)	(8,158,763)	(16,724,377)	(17,007,152)	(17,259,353)	(13,106,802)	(11,614,765)	(15,566,151)	(24,095,295)	(26,960,636)
Sale of Capital Assets ¹	-	-	-	246,972	210,072	328,316	363,380	1,027,375	114,013	168,430
Payment to refund bond escrow agent	-	-	-	-	(8,600,308)	-	-	-	-	-
Proceeds from loans	-	-	-	-	1,250,598	-	-	-	-	-
Premium on bonds	-	-	-	-	863,131	-	-	-	-	-
Total other financing sources (uses)	12,236,097	11,662,056	6,580,014	5,935,285	14,234,745	23,436,512	5,945,831	4,415,416	5,795,166	5,009,450
Net change in fund balances	\$ (6,604,405)	\$ 3,342,269	\$ (837,554)	\$ (672,069)	\$ 6,648,271	\$ 3,087,882	\$ (1,781,721)	\$ (299,851)	\$ 7,066,776	\$ 8,971,665
Debt service as a percentage of noncapital expenditures	10.94%	10.02%	8.99%	8.68%	8.38%	5.62%	6.56%	6.08%	5.00%	4.90%

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

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

Schedule 5

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes ¹	Vehicle License Tax	Privilege License	Beer and Wine Tax	Cablevision and Other Franchise Tax ¹	Property Gross Receipts	Rental	Consolidated 911 Tax ²	Total
2015	\$ 68,573,807	\$ 37,214,408	\$ 13,674,457	\$ 669,877	\$ 914,705	\$ 1,003,800	\$ -	\$ 601,149	\$ -	\$ -	\$ 122,652,203
2014	65,328,949	34,581,531	11,609,581	873,233	1,121,164	914,579	-	603,416	-	-	115,032,453
2013	61,873,098	33,838,708	11,042,094	615,393	2,466,929	839,798	71,223	593,907	-	-	111,341,150
2012	60,089,099	33,283,642	9,568,985	617,271	2,557,864	902,467	419,653	572,634	-	-	108,011,615
2011	58,987,439	31,633,373	10,178,685	624,591	1,226,057	915,803	426,687	562,089	-	-	104,554,724
2010	58,699,957	30,789,881	10,035,192	630,853	983,146	295,870	372,226	477,886	-	-	102,285,011
2009	55,553,012	29,628,044	9,196,488	630,065	1,013,929	814,901	380,944	441,381	-	-	97,658,764
2008	54,765,677	31,659,262	8,072,068	635,993	984,727	801,099	491,902	416,176	361,922	361,922	98,188,826
2007	58,574,670	30,488,647	6,554,283	623,019	920,196	788,290	1,243,013	391,124	1,064,599	1,064,599	100,647,841
2006	41,590,985	23,457,449	5,602,548	533,750	815,156	578,491	1,918,758	373,114	950,499	950,499	75,820,750

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

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

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

Fiscal Year	Total Direct Rate						Usage Rate ^b ea kWh > 500
	Electric						
	Residential	Commercial	Industrial	Lighting	Other	Total	
2015	\$ 912,997,829	\$ 635,745,697	\$ 411,868,420	\$ 37,092,085	\$ 63,610,785	\$ 2,061,314,816	\$0.0990
2014	933,550,479	755,446,906	297,474,309	36,909,744	62,356,003	2,085,737,441	0.0964
2013	912,090,576	746,303,677	281,595,874	35,189,619	62,223,142	2,037,402,888	0.0946
2012	897,373,380	760,894,124	299,989,818	35,420,886	59,706,692	2,053,384,900	0.0946
2011	1,013,170,837	785,669,193	301,732,101	35,647,580	64,960,101	2,201,179,812	0.0900
2010	969,676,167	762,559,263	318,392,654	34,471,378	60,706,464	2,145,805,926	0.0825
2009	950,176,318	761,932,351	315,244,653	33,636,689	59,890,915	2,120,880,926	0.0750
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	0.0750
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	0.0719
2006	911,632,771	755,229,052	356,355,125	27,855,361	53,069,016	2,104,141,325	0.0719

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

^b Rate shown is for Residential Service-energy charge per kWh.

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

Schedule 7

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value		Sales Assessment Ratio ³
							Property Value	Value	
2015	\$ 12,156,853,512	\$ 1,867,670,393	\$ 153,629,753	\$ 209,378,587	13,968,775,071	0.486	13,461,954,100	104.43%	
2014	11,969,057,704	2,179,120,636	159,501,654	195,745,648	14,111,934,346	0.456	13,688,580,890	103.73%	
2013 ⁴	11,687,657,234	1,822,068,580	166,500,205	192,290,792	13,483,935,226	0.456	13,466,718,003	100.15%	
2012	11,453,552,799	1,705,019,913	167,761,204	187,231,303	13,139,102,613	0.456	13,131,221,705	100.07%	
2011	11,261,620,799	1,628,238,092	161,145,492	175,051,710	12,875,952,673	0.456	12,893,719,611	99.84%	
2010 ⁵	11,041,771,668	1,638,183,540	162,847,740	111,810,830	12,730,992,118	0.456	12,743,028,314	99.89%	
2009	8,663,471,270	1,699,962,644	144,941,408	76,918,867	10,431,456,455	0.530	12,384,609,990	81.72%	
2008	8,432,008,954	1,699,309,481	156,856,864	71,058,615	10,217,116,684	0.530	11,603,736,461	86.00%	
2007	8,166,720,922	1,634,081,615	172,573,842	74,375,245	9,899,001,134	0.530	10,853,177,565	89.65%	
2006	6,275,715,436	1,431,355,898	138,799,665	65,483,117	7,780,387,882	0.530	8,286,824,738	92.46%	

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

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

² Exempt real estate only.

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

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

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

Source: Cumberland County Tax Office

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

Schedule 8

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate ²	Overlapping Rates ¹	
				Cumberland County	County wide
2015	\$0.486	\$0.100	\$0.245		\$0.740
2014	0.456	0.100	0.345		0.740
2013	0.456	0.100	0.345		0.740
2012	0.456	0.100	0.345		0.740
2011	0.456	0.100	-		0.740
2010	0.456	0.100	-		0.766
2009	0.530	0.100	-		0.860
2008	0.530	0.100	-		0.880
2007	0.530	0.100	-		0.880
2006	0.530	0.100	-		0.880

Source: Cumberland County Tax Office

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

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

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

Schedule 9

Taxpayer	2015 ¹			2006 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	133,819,700	1	0.96%	72,650,500	1	0.93%
Carolina Telephone	45,121,868	2	0.32%	17,911,425	7	0.23%
Piedmont Natural Gas	44,078,078	3	0.32%	68,824,258	2	0.88%
Wal-Mart	39,981,345	4	0.29%			
Westlake at Morganton LLC	28,107,800	5	0.20%			
Independence Place West Fayetteville	26,605,101	6	0.19%			
Wespark Apartments	25,118,700	7	0.18%			
Hidden Creek Village	24,803,500	8	0.18%			
DDRM Fayetteville Pavilion LLC	23,862,500	9	0.17%			
Cape Fear Multifamily LLC	23,086,399	10	0.17%			
Centurian Aviation Service				43,787,500	3	0.56%
Piedmont Natural Gas				32,623,440	4	0.42%
UDRT of North Carolina				30,953,800	5	0.40%
Fayetteville Publishing Company				22,466,672	6	0.29%
Morganton Development LLC				16,929,398	8	0.22%
Edward Rose Bldg Company				14,538,147	9	0.19%
Inland Southeast Fayetteville				13,620,300	10	0.18%
	<u>\$ 414,584,991</u>		<u>2.97%</u>	<u>\$ 334,305,440</u>		<u>4.30%</u>

¹ Assessed valuations are as of January 1, 2014 and the associated tax levies were due in the fiscal year ended June 30, 2015.

² Assessed valuations are as of January 1, 2005 and the associated tax levies were due in the fiscal year ended June 30, 2006.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
Property Tax Levies and Collections ¹
Last Ten Fiscal Years
(Unaudited)

Schedule 10

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2015	\$ 67,898,129	\$ 67,458,548	99.35%	\$ -	99.35%
2014	64,477,068	63,626,991	98.68%	516,426	99.48%
2013	61,869,392	60,343,502	97.53%	1,073,696	99.27%
2012	59,990,898	58,593,009	97.67%	1,033,928	99.39%
2011	58,795,924	57,406,499	97.64%	1,031,651	99.39%
2010	58,418,406	57,126,777	97.79%	957,301	99.43%
2009	55,349,877	53,901,099	97.38%	1,087,264	99.35%
2008	54,216,530	52,738,807	97.27%	1,104,321	99.31%
2007	52,534,182	50,964,492	97.01%	1,208,009	99.31%
2006 ⁽²⁾	41,311,088	39,855,571	96.48%	1,127,524	99.21%

¹ Schedule reflects the general tax levy only.

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

Source: Cumberland County Tax Office

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

Schedule 11

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Bonded Debt	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Capitalized Leases				
2015 ²	\$ 8,577,821	\$ 20,606,769	\$ 375,000	\$ 2,741,682	\$ 242,101,959	\$ 34,167,522	\$ 575,942	\$ 309,146,695	N/A	1,484	
2014	11,346,847	19,165,621	450,000	3,411,254	136,627,576	26,275,105	19,070	197,295,473	N/A	937	
2013	14,110,875	17,927,431	525,000	4,270,372	150,206,030	22,650,444	39,465	209,729,617	2.210%	1,003	
2012	15,996,406	21,998,896	600,000	4,843,594	150,245,000	15,866,039	59,445	209,609,380	2.210%	1,008	
2011	19,111,260	25,781,023	1,150,568	5,648,740	150,480,000	16,683,349	79,018	218,933,958	2.348%	1,051	
2010	22,216,115	13,863,293	1,250,598	6,453,885	169,120,000	17,951,198	98,191	230,953,280	2.624%	1,112	
2009	28,937,825	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	2.981%	1,217	
2008	33,383,061	14,343,916	-	9,041,939	167,735,000	20,486,896	-	244,990,812	3.319%	1,350	
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136	-	290,487,079	4.371%	1,670	
2006	52,240,000	14,203,330	65,000	2,705,000	172,565,000	136,357,559	-	378,135,889	8.208%	2,894	
2005	57,485,000	13,551,475	125,000	3,640,000	184,320,000	18,303,144	-	277,424,619	6.297%	2,120	

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

¹ See schedule 17 for per capita personal income and population data.

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

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

Schedule 12

Fiscal Year	General Bonded Debt Outstanding			Total Primary Government	Percentage of Actual Total Assessed Value of	
	General Obligation Bonds	Revenue Bonds			Property 1	Per Capita 2
2015	\$ 8,635,000	\$ 227,025,000		\$ 235,660,000	1.69%	1,131
2014	11,199,999	128,965,000		140,164,999	0.99%	666
2013	13,955,000	141,965,000		155,920,000	1.16%	746
2012	16,720,000	154,365,000		171,085,000	1.30%	823
2011	19,500,000	155,740,000		175,240,000	1.36%	841
2010	22,290,000	175,500,000		197,790,000	1.55%	952
2009	26,620,000	164,775,000		191,395,000	1.83%	1,055
2008	31,140,000	179,020,000		210,160,000	2.06%	1,158
2007	35,600,000	175,495,000		211,095,000	2.13%	1,214
2006	40,005,000	188,505,000		228,510,000	2.94%	1,749
2005	44,450,000	200,995,000		245,445,000	3.32%	1,876

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

¹ See Schedule 7 for property value data.

² Population data can be found in Schedule 17.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2015
(Unaudited)

Schedule 13

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 161,611,222	67.35%	\$ 108,839,521
Subtotal, overlapping debt			108,839,521
City of Fayetteville direct debt			29,559,590
Total direct and overlapping debt			\$ 138,399,111

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

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

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

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

Schedule 14

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 622,431,031	\$ 791,920,091	\$ 817,369,335	\$ 834,516,516	\$ 1,018,479,369	\$ 1,030,076,213	\$ 1,051,128,209	\$ 1,083,524,525	\$ 1,128,954,748	\$ 1,117,502,006
Total net debt applicable to limit	91,755,888	85,462,079	77,255,812	65,836,614	61,833,280	68,453,958	59,364,380	58,617,340	60,667,897	66,244,784
Legal debt margin	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523	\$ 768,679,902	\$ 956,646,089	\$ 961,622,255	\$ 991,763,829	\$ 1,024,907,185	\$ 1,068,286,846	\$ 1,051,257,222

Total net debt applicable to the limit as a percentage of debt limit
14.74% 10.79% 9.45% 7.89% 6.07% 6.65% 5.65% 5.41% 5.37% 5.93%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value	\$ 13,968,775,071
Debt Limit (8% of total assessed value)	1,117,502,006
Debt applicable to limit:	
Bonded debt	10,895,000
Notes payable	34,167,073
Capitalized leases	21,182,711
Subtotal	66,244,784
Authorized and unissued debt	-
Total Gross [66,244,784
Less: Statutory deductions	-
Bonds issued and outstanding for water and sewer purposes	-
Authorized and unissued debt	-
	66,244,784
	\$ 1,051,257,222

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

Schedule 15

Fiscal Year Ended June 30	Utility Service Charges	Less:		Net Revenue Available	Debt Service Requirements ⁵		Coverage ⁴	
		Operating Expenses ¹	Other Adjustments ²		Principal	Interest ³		Total
2015	\$ 300,484,378	\$ 231,775,618	\$ -	\$ 68,708,760	\$ 13,892,288	\$ 8,875,916	22,768,204	3.02
2014	292,346,282	239,483,361	-	52,862,921	13,332,792	6,017,667	19,350,459	2.73
2013	283,193,071	221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,997,294	62,556,535	1.72
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,739,550	93,386,006	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,882,230	49,381,586	1.94

Notes:

¹ Operating expenses include operating expenses exclusive of depreciation and all other amortization.

² Other adjustments is the recognition of Prepaid Purchase Power Supply net of discount.

³ Interest represents accrual based interest excluding capitalized interest.

⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.

⁵ Debt service includes revenue bonds and notes and excludes G.O. bonds.

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

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

Schedule 16

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses ²	Net Available Revenue	Debt Service Requirements ³		Total	Coverage ⁴
				Principal	Interest		
2015	\$ 6,203,349	\$ 3,489,698	\$ 2,713,651	\$ 610,000	\$ 208,936	\$ 818,936	3.31
2014	5,268,914	3,546,480	1,722,434	595,000	223,380	818,380	2.10
2013	5,233,338	2,384,924	2,848,414	575,000	208,594	783,594	3.64
2012	5,164,229	2,287,316	2,876,913	265,000	38,950	303,950	9.47

Notes:

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

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

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

Schedule 17

Year	Population ¹	Personal Income	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2015	208,373	N/A	N/A	50,939		N/A (a)	\$3,693
2014	210,468	N/A	N/A	51,855	7.2%	N/A (a)	\$3,509
2013	209,080	9,490,977,520	45,394	52,729	6.6%	N/A (a)	3,559
2012	208,001	9,482,765,590	45,590	53,063	7.1%	N/A (a)	3,532
2011	208,291	9,322,896,869	44,759	53,361	7.5%	N/A (a)	3,376
2010	207,779	8,800,271,766	42,354	52,187	7.2%	N/A (a)	3,241
2009	181,481	7,409,687,749	40,829	53,162	6.7%	2,348	2,844
2008	181,453	7,380,419,322	40,674	52,912	5.1%	2,301	2,752
2007	173,898	6,646,207,662	38,219	53,912	4.3%	2,253	2,747
2006	130,646	4,606,708,606	35,261	53,403	4.3%	2,062 (b)	2,505 (b)

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates for July 1, 2006 through July 1, 2015.
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2014 and 2015 data not available.
3. Cumberland County Schools, District Profile and Communications & Public Relations Department
4. NC Employment Security Commission. Calendar year unemployment statistics for Fayetteville, NC. 2015 data is not yet available.
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics.
 (a) Municipal tax reporting not available after June 30, 2009.
 (b) Tax reporting changed to reflect only taxable sales effective July 2005.

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

Schedule 18

Employer	2015			2006			Percentage of Total County Employment
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	
U.S. Dept. of Defense (Civilian) ¹	8,757	1	6.19%	8,857	1	7.27%	
Cumberland County Board of Education	6,453	2	4.62%	6,447	2	5.29%	
Cape Fear Valley Health System	5,900	3	3.47%	4,100	3	3.37%	
Wal-Mart Associates Inc	2,860	4	2.02%				
Goodyear Tire & Rubber Company	2,500	5	1.77%	2,560	4	2.10%	
Cumberland County Government	2,362	6	1.66%	2,500	5	2.05%	
City of Fayetteville	2,120	7	1.45%	1,959	6	1.60%	
Fayetteville Technical Community College	1,057	8	0.98%	1,250	7	1.02%	
Veterans Administration	1,000	9	0.71%				
Fayetteville State University	900	10	0.77%				
US Postal Service				1,312	8	1.08%	
Purolator, Inc.				1,150	9	0.94%	
MJ Soffe				1,100	10	0.90%	
Total Employment (Ten Largest Civilian Employers)	33,909		23.64%	31,235		25.62%	

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

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

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

Schedule 19

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	76	92	97	91	91	93	96	105	108	117
Public Safety	806	834	827	827	829	875	851	898	911	930
Environmental Protection ^{1,2,3}	91	123	145	118	136	124	85	84	4	5
Transportation	57	77	52	79	79	72	77	78	78	75
Economic and physical development	14	18	15	15	19	24	20	20	20	22
Recreation and community facilities	115	126	125	125	133	114	121	121	117	117
Electric	254	254	237	244	255	240	249	257	269	266
Internal Service	45	30	44	44	52	48	45	46	45	48
Water	145	139	193	194	194	143	150	155	229	250
Wastewater	133	142	90	96	100	142	152	154	104	65
Transit	52	50	54	54	61	76	87	92	89	98
Airport	14	21	18	18	18	18	19	19	20	23
Stormwater ^{1,2}	-	-	-	-	-	-	26	26	36	37
Environmental Services ³ (solid waste & recycling)	-	-	-	-	-	-	-	1	70	67
Total	1,802	1,906	1,897	1,905	1,967	1,969	1,978	2,056	2,100	2,120

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

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

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

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

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

Schedule 20

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Fire ⁽²⁾										
Emergency responses	18,862	20,215	22,608	23,197	25,166	25,272	27,843	27,643	30,153 ⁽²⁾	29,987
Fires extinguished	1,065	1,495	1,092	930	1,118	869	977	721	671 ⁽²⁾	682
Fire inspections	4,584	4,824	6,052	4,159	5,670	6,900	6,335	2,761	3349 ⁽²⁾	4,582
Police ^{(1),(3)}										
Number of law violations:										
Physical arrests	7,807	8,522	9,372	7,968	8,865	10,336	8,968	7,168	7,406	5,402 ⁽³⁾
Traffic citations	19,225	28,339	39,240	35,484	45,982	48,162	31,054	21,058	22,523	19,564 ⁽³⁾
Warning citations	11,114	12,493	12,572	13,481	13,096	21,034	19,713	17,219	21,788	26,413 ⁽³⁾
Calls for service	199,314	204,549	215,797	215,127	219,428	222,136	230,389	251,891	307,679	216,777 ⁽³⁾
Development Services										
Number of permits issued:										
Residential:										
New single family	691	586	362	317	401	431	548	502	343	308
New multi-family										
Number of units	1,111	1,154	459	712	619	1,165	966	983	111	170
Renovations	1,095	1,222	1,303	1,364	1,297	1,390	1,350	2,098	1,557	1,461
Commercial:										
New	93	88	60	52	60	87	62	71	51	69
Renovations	281	301	299	259	294	461	611	541	559	509
Other:										
Miscellaneous	16,695	16,057	14,824	16,731	16,185	17,598	19,290	13,132	10,319	12,467
Yard sale	1,202	1,227	1,229	1,175	1,186	1,186	1,114	921	998	727

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

Schedule 20

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cultural and Recreational⁽⁴⁾										
Youth Sports participants	12,718	10,921	9,580	11,543	9,871	16,081	10,870	11,805	11,173	11,687
Adult Sports participants	1,768	1,676	1,648	2,100	5,348	6,772	1,036	1,172	1,087	761
Senior participants	54,172	68,718	85,564	89,461	62,818	92,894	102,170	109,503	89,416	90,311
Therapeutic participants	26,926	30,993	34,169	38,996	2,348	22,192	20,048	29,522	22,793	23,021
Aquatics participants	N/A	N/A	N/A	N/A	N/A	23,811	24,903	22,394	22,123	22,345
Park programs participants	25,209	29,161	29,359	27,584	16,810	24,182	24,074	21,712	28,086	28,367
Special events participants	5,415	3,698	2,745	2,841	2,979	6,567	11,161	11,983	20,727	20,642
Permitted events	44	35	61	66	82	81	64	66	89	81
Mobile stage/bleacher rentals	48	36	50	44	49	51	47	44	49	47
Recreation center participants	N/A	419,041	514,943	673,934	430,654	508,801	524,772	525,848	586,199	592,061
Historical properties participants	N/A	14,499	15,713	22,354	15,401	34,011	134,247	105,126	95,622	63,531
Picnic shelter rentals	N/A	28,597	30,041	29,211	31,772	38,381	50,218	46,839	40,761	38,484
Festival Park	N/A	107,148	323,028	267,794	na	na	na	na	na	na
Tier 1 Events (0 - 500 Attendees)	N/A	N/A	N/A	N/A	6	2	5	3	1	5
Tier 2 Events (501 - 2,500 Attendees)	N/A	N/A	N/A	N/A	12	7	11	13	6	15
Tier 3 Events (2,501+ Attendees)	N/A	N/A	N/A	N/A	15	13	14	13	6	16
Transportation										
Street Maintenance										
Streets maintained (miles)	688.65	704.48	721.19	722.38	724.39	726.51	730.79	734.13	735.69	740.00
Street resurfacing and cape sealing (miles)	8.82	13.29	14.68	20.42	31.77	25.05	19.52	17.80	14.30	17.50
Number of traffic signals maintained ⁽⁵⁾	175	178	178	205	225	225	225	226	214	214
Engineering										
Driveway permits (residential)	433	581	323	310	378	426	429	578	382	388
Driveway permits (commercial)	33	75	43	40	23	42	42	42	28	23
Public Utilities										
Water System:										
Water main breaks	119	128	146	130	180	182	165	104	137	113
Average daily consumption (Mgals) ⁽⁶⁾	21,850	21,675	22,879	22,450	22,423	25,446	26,724	24,648	24,815	25,011
Peaks (MGD) ^{(7), (8)}	32.6	37.0	38.4	34.9	37.2	39.4	37.9	35.6	33.7	34.2
Total sold (Mgals) ⁽⁶⁾	7,561,199	7,555,333	7,894,590	7,707,256	7,749,106	8,888,870	8,960,423	9,009,524	7,836,927	8,023,949

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

Schedule 20

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewer System:										
Main breaks	208	150	156	291	342	293	342	344	294	148
Average daily consumption (Mgals) ⁽⁶⁾	15,810	16,026	16,509	16,338	16,436	16,557	24,720	24,400	27,000	25,800
Peaks (MGD) ⁽⁶⁾	26.6	27.9	27.7	31.5	27.8	26.3	35.9	27.7	45.0	28.9
Total sold (Mgals) ⁽⁶⁾	5,754,784	5,837,838	6,014,627	5,953,806	5,999,105	6,043,126	5,972,764	5,933,990	6,027,916	6,039,262
Electric System:										
Electric outages (minutes)	3,450,039	2,079,483	3,016,526	2,210,508	2,296,534	2,340,931	2,807,700	3,821,940	4,677,182	8,143,105
Peaks (MW) ⁽⁹⁾	474.5	462.5	476.6	459.5	462.4	459.1	459.1	446.0	454.0	490.3
Total Kwh sold ⁽¹⁰⁾	2,060,681,493	1,993,810,584	2,073,630,914	2,074,038,439	2,139,521,914	2,194,905,986	2,053,384,900	2,037,402,888	2,079,806,749	2,055,323,594
Average daily consumption (Kwh) ⁽¹⁰⁾	5,764,771	5,585,720	5,811,055	5,810,633	5,878,920	6,030,630	5,917,385	5,581,926	5,698,101	5,631,024
Airport ⁽²⁾										
Number of enplaned passengers	153,164	175,432	199,438	229,480	259,454	254,134	253,330	244,345	237,282 ⁽²⁾	161,635
Number of deplaned passengers	154,877	174,967	197,092	229,993	254,891	258,719	253,575	243,876	236,635 ⁽²⁾	219,312

(1) Statistics for the police function is based on calendar year
(2) Statistics for the Fire Department and Airport reflect Fiscal year data starting with year ending June 30, 2014.
(3) Statistics for the Police Department for 2015 are reflected through October 31, 2015.
(4) Statistics for 2005 and beyond reflect the merger of Cumberland County and

City of Fayetteville Parks and Recreation Departments
(5) Reflects the number of traffic signals maintained by the City of Fayetteville
(6) Mgals = 1,000 gallons
(7) Reflects highest monthly average
(8) MGD = 1,000,000 gallons per day
(9) MW = megawatts
(10) Kwh = kilowatt hours
(11) Statistics for the Airport for 2015 are reflected through September 30, 2015.

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

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

Schedule 21

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Fire										
Number of stations	15	15	16	16	16	16	16	16	16	16
Police										
Number of stations	2	2	2	2	2	2	2	2	2	2
Cultural and Recreational										
Mini parks (.5 - 3 acres)	13	12	12	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	13	14	14	14	14	14	14	14	14	14
Community parks (30 - 50 acres)	7	6	6	6	6	6	7	7	7	7
Sports complexes (40 - 80 acres)	2	2	2	2	2	2	3	3	3	3
Green spaces	7	8	8	8	8	8	8	8	8	8
Neighborhood school-parks	32	34	34	34	34	34	34	34	34	34
Community school-parks	1	1	1	1	1	1	1	1	1	1
Linear parks	3	3	3	3	3	3	3	3	3	3
Special use parks	12	6	7	7	7	7	8	8	8	8
Program sites	8	8	8	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	4	3	3	3	3	3	3	3	3	3
Community center with gym	N/A	16	16	16	16	16	16	16	16	16

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Utilities										
Water System:										
Miles of water main	1,229.0	1,245.0	1,278.5	1,296.3	1,316.4	1,329.2	1,351.5	1,364.3	1,374.4	1,384.6
Number of new service connections	2,962	3,154	2,285	1,220	616	982	2,649	1,375	1,258	1,778
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) ⁽¹⁾	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Sewer System:										
Number of new service connections	3,142	3,006	2,260	1,752	317	1,140	1,612	1,375	1,358	2,635
Miles of sanitary sewer mains	1,092.0	1,103.0	1,132.5	1,149.7	1,165.8	1,181.5	1,203.7	1,219.0	1,281.0	1,293.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	41.0	41.0	41.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	2,245	1,744	1,151	471	650	533	1,359	64	432	1,456
Distribution line circuit miles	2,781.86	2,962.40	2,982.10	2,986.88	1,305.49 ⁽²⁾	1,313.79	1,316.73	1,316.48	1,326.60	1,323.97
Transportation										
Street Maintenance										
Streets maintained (miles)	688.65	704.48	721.19	722.38	724.39	726.51	730.79	734.13	735.69	740.00
Number of traffic signals ⁽³⁾	29	28	28	28	28	28	28	29	29	29

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

(2) Reflects correction of presentation of previous data

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

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

2015

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

- Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards



City of
Fayetteville
North Carolina

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fayetteville, North Carolina, (the “City”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Fayetteville, North Carolina
November 23, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fayetteville, North Carolina, (the “City”) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Fayetteville, North Carolina
November 23, 2015

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

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

Report on Compliance for Each Major State Program

We have audited the City of Fayetteville, North Carolina, (the “City”) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015. The City’s major State programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Fayetteville, North Carolina
November 23, 2015

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified _____ Yes X No

- Significant deficiency identified
that is not considered to be a
material weakness _____ Yes X None reported

- Noncompliance material to financial
statements noted _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified _____ Yes X No

- Significant deficiency identified
that is not considered to be a
material weakness _____ Yes X None reported

- Noncompliance material to federal
awards _____ Yes X No

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)
20.513	Transit Services Program Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 716,694

Auditee qualified as low-risk auditee? X Yes _____ No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name
Powell Bill
Maintenance Assistance

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

Corrective Action Plan

Year Ended June 30, 2015

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

Finding: No. 2014-001 – System Development Life Cycle Controls

Status: Cleared

Finding: No. 2014-002 – Segregation of Duties and System Based Logical Access Controls

Status: Cleared

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<u>US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>					
<u>Community Development Block Grant Cluster</u>					
CDBG Entitlement Grant FY2013-2014	14.218	B-13-MC-37-0005	\$ 1,300,757	\$ -	\$ 1,300,757
CDBG Entitlement Grant FY2014-2015	14.218	B-14-MC-37-0005	772,175	-	772,175
			<u>2,072,932</u>	<u>-</u>	<u>2,072,932</u>
<u>HOME Investment Partnership Program</u>					
FY2011-2012	14.239	M11-MC370203	139,274	-	139,274
FY2012-2013	14.239	M12-MC370203	215,732	-	215,732
			<u>355,006</u>	<u>-</u>	<u>355,006</u>
Pass through from NC Department of Administration Fair Housing Assistance Program Partnership Initiative	14.000	FF204K134006	39,997	-	39,997
			<u>39,997</u>	<u>-</u>	<u>39,997</u>
<u>US DEPARTMENT OF JUSTICE</u>					
<u>Justice Assistance Grant Cluster</u>					
Pass through from Cumberland County, NC Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-1137	74,207	-	74,207
Pass through from NC Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0640	49,465	-	49,465
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0941	108,261	-	108,261
2013 Byrne Justice Assistance Grant - CC STARS	16.738	2013-DJ-BX-0189	32,322	-	32,322
			<u>264,255</u>	<u>-</u>	<u>264,255</u>
ARRA - Violence Against Women - FY12- FINAL	16.588	2012-WF-AX-0058	3,579	-	3,579
			<u>3,579</u>	<u>-</u>	<u>3,579</u>
Office of Justice Programs FY14 Violent Gang and Gun Crime Reduction (PSN)	16.609	2014-GP-BX-0011	48,185	-	48,185
			<u>48,185</u>	<u>-</u>	<u>48,185</u>
Office of Community Oriented Policing Services COPS Hiring 2014	16.710	2014-UL-WX-0014	182,449	-	182,449
Office of Justice Programs Bulletproof Vest Partnership	16.607		216	-	216
Equitable Sharing Program	16.922		369,313	-	369,313
			<u>369,313</u>	<u>-</u>	<u>369,313</u>
<u>OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION</u>					
Pass through from Cal Ripken, Sr. Foundation 2014 Badges for Baseball Program	16.726	2014-ST-OAG-B4B-NC-16	6,098	-	6,098
			<u>6,098</u>	<u>-</u>	<u>6,098</u>
<u>US DEPARTMENT OF THE TREASURY</u>					
Treasury Forfeiture Fund Program	21.000	N/A	126,043	-	126,043
			<u>126,043</u>	<u>-</u>	<u>126,043</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Special Programs for the Aging Pass through NC Department of Health & Human Services Senior Citizens Service Center	93.044	N/A	28,155	-	28,155
			<u>28,155</u>	<u>-</u>	<u>28,155</u>
<u>US DEPARTMENT OF TRANSPORTATION</u>					
<u>Federal Aviation Administration</u>					
Airport Improvement Program Rehab Carrier Apron	20.106	FAA-3-37-0021-38	23,711	-	23,711
Runway 4 Safety Area	20.106	FAA-3-37-0021-39	31,206	-	31,206
Runway 4/22 Paved	20.106	FAA-3-37-0021-41	2,045,169	-	2,045,169
Airport Master Plan Update, Part 1 Airline Terminal Area, Air Carrier Apron Reh. Phase II, and Taxiway J&K Rehabilitation	20.106	FAA-3-37-0021-42	3,360,583	-	3,360,583
Airline Terminal Improvements EA	20.106	FAA-3-37-0021-43	47,138	-	47,138
			<u>5,507,807</u>	<u>-</u>	<u>5,507,807</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
Passed through NC Dept of Transportation					
Tranportation Improvement Program					
Cape Fear River Trail, Phase 2	20.205	E-4539B	144,300	-	144,300
			<u>144,300</u>	<u>-</u>	<u>144,300</u>
Big Cross Creek	20.205	WBS PE 45550.1.1	48,977	-	48,977
Clean Fuel Advanced Technology State Funds					
Clean Fuel Advanced Technology Grant	20.205		24,288	-	24,288
			<u>24,288</u>	<u>-</u>	<u>24,288</u>
Passed through NC Dept of Public Safety, NC Emergency Management					
HazMat Emergency Preparedness	20.703	HM-HMP-0389-13-01-00	7,650	-	7,650
			<u>7,650</u>	<u>-</u>	<u>7,650</u>
Federal Transportation Administration					
Federal Transit Grant Cluster					
Capital Investment Grants	20.500	MMTC Downtown (04.0055)	1,419,623	-	1,419,623
	20.500	Veterans Website (04.0054)	9,178	-	9,178
Preventative Maintenance & American with Disabilities Act	20.507	NC 90.X567	1,306,228	-	1,306,228
	20.507	NC 90.0548	(58,845)	-	(58,845)
Operating Assistance	20.507	NC 90.4552	4,805	-	4,805
	20.507	NC 90.X567	393,939	-	393,939
Capital Grants	20.507	NC 90.0469	42,988	-	42,988
	20.507	NC 90.0514	321,853	-	321,853
	20.507	NC 90.0548	3,655	-	3,655
	20.507	NC 90.X567	231,854	-	231,854
Planning Grants:	20.507	NC 90.2469	50,789	-	50,789
	20.507	NC 90.2514	93,516	-	93,516
	20.507	NC 90.2548	18,932	-	18,932
			<u>3,838,515</u>	<u>-</u>	<u>3,838,515</u>
Federal Transit Services Program Cluster					
JARC Projects	20.516	NC 37.X027	113,437	-	113,437
	20.516	NC 37.X032	86,867	-	86,867
New Freedom Program	20.521	New Freedom (57.0017)	36,001	-	36,001
			<u>236,305</u>	<u>-</u>	<u>236,305</u>
National Highway Traffic Safety Administration					
Pass through NC Department of Transportation					
Governor's Highway Safety Program	20.602	2000003159	198,963	-	198,963
			<u>198,963</u>	<u>-</u>	<u>198,963</u>
Federal Highway Administration					
Pass through NC Department of Transportation					
Winslow Street Streetscapes	20.205	Y-4806A	165,497	-	165,497
			<u>165,497</u>	<u>-</u>	<u>165,497</u>
US DEPARTMENT OF HOMELAND SECURITY					
Pass through NC Department of Public Safety					
Hazmat Response (Equipment Grant) 2011	97.067	2011-SS-00119-S1	7,500	-	7,500
Hazmat Response (Equipment Grant) 2014	97.067	EMW-2014-SS-00069-S01	23,810	-	23,810
HSGP Deployed Logix Shelter Project 2014	97.067	EMW-2014-SS-00069-S01	25,000	-	25,000
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR022	110,580	-	110,580
			<u>166,890</u>	<u>-</u>	<u>166,890</u>
US DEPARTMENT OF AGRICULTURE					
Pass through NC Forest Service Urban and Community Forestry Grant Program					
Tree Inventory	10.664	G40100297115FOR	10,846	-	10,846
			<u>10,846</u>	<u>-</u>	<u>10,846</u>
US ENVIRONMENTAL PROTECTION AGENCY					
Pass through NC Department of Environmental and Natural Resources					
Capitalization Grants for Drinking Water State Revolving Funds					
Planning and Design for P.O. Hoffer WTP Rehabilitation State Revolving Loan	66.468	CS370434-11	8,504,230	-	8,504,230
			<u>8,504,230</u>	<u>-</u>	<u>8,504,230</u>
Capitalization Grants for Clean Water State Revolving Funds					
Person St Sanitary Sewer Replacement State Revolving Loan Capital Project Fund	66.458	CS370434-13	1,539,329	-	1,539,329
			<u>1,539,329</u>	<u>-</u>	<u>1,539,329</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
STATE GRANTS:					
NC DEPARTMENT OF TRANSPORTATION					
Public Transportation Division					
Maintenance Assistance	N/A		-	672,262	672,262
Capital Grants		NC 90.0469	-	1,211	1,211
		NC 90.0514	-	28,591	28,591
		NC.04.0055	-	178,786	178,786
Planning		NC 90.2469	-	6,336	6,336
		NC 90.2514	-	10,910	10,910
Apprentice/Intern Program		15-DG-012	-	26,556	26,556
Advanced Technology		15-AT-004	-	4,708	4,708
			-	929,360	929,360
Powell Bill	N/A		-	3,766,590	3,766,590
Transportation Improvement Program					
Cape Fear River Trail, Section A	N/A	EB-4539B	-	138,018	138,018
Big Cross Creek	N/A	EB-5541	-	6,122	6,122
			-	144,140	144,140
Bicycle & Pedestrian Transportation Division					
Cape Fear River Trail, Phase 2	N/A	E-4539 B	-	(42,046)	(42,046)
			-	(42,046)	(42,046)
Division of Aviation					
State Aid for Airport Projects-Rehab Runway 10/28	N/A	Project No.36244.27.13.1	-	22,119	22,119
NC DEPARTMENT OF PUBLIC SAFETY					
Hazmat (RRT Grant)	N/A	RRT 3 2015	-	57,000	57,000
			-	57,000	57,000
Pass through from Cumberland County					
Juvenile Restitution FYE 2014		526-XXXX	-	51,219	51,219
			-	51,219	51,219
NC VETERANS AFFAIRS DIVISION					
NC Veterans Parks Phase #2	N/A	NCGA Senate Bill 1611*	-	673,796	673,796
			-	673,796	673,796
			<u>\$ 23,889,825</u>	<u>\$ 5,602,178</u>	<u>\$ 29,492,003</u>

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

- The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Fayetteville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. "Audits of States, Local Governments, and Non-Profit Organizations"
- 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 \$681,135.
- The total local contributions for the State Powell Bill assistance amounted to \$48,289 (*this represents assessments received and interest earned through 06/30/15*).
- The amount of HOME Investment Partnerships provided to CHDO's is \$261,471 as of June 30, 2015.
- Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2015. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within the transportation fund. The total unexpended balance on-hand at June 30, 2015 is \$1,930,862.79.

2015

Passenger Facility Charge Compliance Section

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



City of
Fayetteville
North Carolina

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

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the City of Fayetteville, North Carolina, (“the City”) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (“Guide”), for the City’s passenger facility charge program for the year ended June 30, 2015.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the City’s passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Passenger Facility Charge Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

Report on Internal Control over Compliance (Continued)

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

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

Purpose of this Report

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

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

Fayetteville, North Carolina
November 23, 2015

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

SECTION I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Passenger Facility Charge Program

Internal control over passenger facility charge program:

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

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

Any audit findings disclosed Yes No

Section II. Financial Statement Findings

None reported.

Section III. Passenger Facility Charge Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2015

Project	Impose Effective Date	Use Effective Date	Cumulative Expenditures Actual	Approved Expenditures for PFC's	Amount of Use Approval	PFC Revenue Used in Prior Years	PFC Revenue Used in Current Year	Total PFC Revenues Used
CLOSED APPLICATION 1 (00-01-C-04-FAY & 02-02-U-02-FAY)			\$ 22,054,891	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	\$ -	\$ 1,061,391
CLOSED APPLICATION 2 (#05-03-C-01-FAY)			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	\$ -	\$ 324,231
APPLICATION 3 (#09-04-C-00-FAY)								
AIP 26 - Terminal Phase II	7/1/2009	7/1/2009	\$ 2,050,851	\$ 1,674,340	\$ 83,717	\$ 83,717	\$ -	\$ 83,717
Employee Parking (non revenue)	7/1/2009	7/1/2009	33,645	60,000	60,000	33,645	-	33,645
West GA Ramp Rehabilitation	7/1/2009	7/1/2009	751,059	615,000	61,500	61,500	-	61,500
AIP 28 - Land Acquisition	7/1/2009	7/1/2009	1,605,424	60,823	60,823	60,823	-	60,823
Handicap Access to Narrow Body Jets	7/1/2009	7/1/2009	33,475	35,818	35,818	33,475	-	33,475
AIP 31 - Fire Training Facility Rehab.	7/1/2009	7/1/2009	757,990	1,186,740	59,337	37,900	-	37,900
AIP 32 - Runway 4/22 Rehab. Design	7/1/2009	7/1/2009	-	293,340	14,667	-	-	-
AIP 32 - ARFF Rehab. Design	7/1/2009	7/1/2009	-	136,260	6,813	-	-	-
AIP 32 - Snow Removal Equip Bldg Design and Construction	7/1/2009	7/1/2009	205,650	165,400	8,270	8,270	-	8,270
AIP 32 - Elec Vault Upgrades Design and Generator Install	7/1/2009	7/1/2009	-	113,920	5,696	-	-	-
State Grant Stormwater Improvement	7/1/2009	7/1/2009	227,920	330,000	33,000	22,792	-	22,792
ARFF Rehab (2/3 of amount allowed per FAA) (AIP35-36)	7/1/2009	7/1/2009	1,542,158	1,340,000	67,000	67,000	-	67,000
Vault Construction (AIP 33) (Airfield Lights)	7/1/2009	7/1/2009	2,090,066	5,003,800	250,190	104,503	-	104,503
Runway 4/22 Construction (AIP 34)	7/1/2009	7/1/2009	6,472,132	7,171,540	358,577	323,606	-	323,606
State Grant Security Fence Gates	7/1/2009	7/1/2009	53,456	200,000	20,000	5,346	-	5,346
Replace ARFF Truck	7/1/2009	7/1/2009	695,261	700,000	700,000	695,261	-	695,261
Air Carrier Asphalt Rehab Apron Design	7/1/2009	7/1/2009	70,000	70,000	3,500	3,500	-	3,500
Taxiway A Design, Shoulder, Overlay, Lights	7/1/2009	7/1/2009	195,000	195,000	9,750	9,750	-	9,750
Extend Taxiway A Design	7/1/2009	7/1/2009	-	85,000	4,250	-	-	-
Construction Taxiway A Shoulders, Overlay, Lights	7/1/2009	7/1/2009	3,000,000	3,000,000	150,000	150,000	-	150,000
TOTAL IMPOSE AND USE APPLICATION 3			\$ 19,784,087	\$ 22,436,981	\$ 1,992,908	\$ 1,701,088	\$ -	\$ 1,701,088
APPLICATION (#12-05-C-00-FAY)								
Replace B4 Jet Bridge 100%	3/1/2013	3/1/2013	\$ 470,334	\$ 485,577	485,577	\$ 470,334	\$ -	\$ 470,334
Taxiway A Rehab - Design 5%	3/1/2013	3/1/2013	572,819	771,720	38,586	\$ 28,641	-	28,641
Construct Taxiway A Rehab 5%	3/1/2013	3/1/2013	2,367,669	5,206,060	260,303	\$ 118,383	-	118,383
Rehab Air Carrier Apron Phase II - Design 5%	3/1/2013	3/1/2013	201,600	271,600	13,580	\$ 10,080	-	10,080
Air Carrier Apron Rehab Phase I Construction 5%	3/1/2013	3/1/2013	4,460,801	4,500,000	225,000	\$ 220,869	2,171	223,040
Runway 4 RSA Improvements - Design 5%	3/1/2013	3/1/2013	111,983	125,000	6,250	\$ 5,599	-	5,599
Taxiway A Extension - Design 5%	3/1/2013	3/1/2013	252,459	375,000	18,750	\$ 12,623	-	12,623
Runway 4 RSA Improvements - Construction 10%	3/1/2013	3/1/2013	965,474	1,109,592	110,959	\$ 91,654	4,893	96,547
Taxiway a Extension Construction 10%	3/1/2013	3/1/2013	2,896,422	3,177,397	317,740	\$ 274,965	14,677	289,642
Paved Shoulders - Design and Bidding 10%	3/1/2013	3/1/2013	168,200	168,200	16,820	\$ 16,820	-	16,820
FAA Reimbursable Agreement MALSR Modification 10%	3/1/2013	3/1/2013	71,779	71,779	7,179	\$ 7,179	-	7,179
Design and Construct Wildlife/Security Fencing 5%	3/1/2013	3/1/2013	-	1,500,000	75,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 5			\$ 12,539,540	\$ 17,761,925	\$ 1,575,744	\$ 1,257,147	\$ 21,741	\$ 1,278,888

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2015

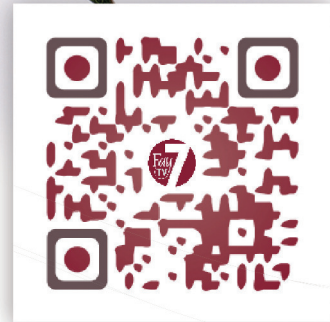
Project	Impose Effective Date	Use Effective Date	Cumulative Expenditures Actual	Approved Expenditures for PFC's	Amount of Use Approval	PFC Revenue Used in Prior Years	PFC Revenue Used in Current Year	Total PFC Revenues Used
APPLICATION 6 (#15-06-C-00-FAY)								
Airport Master Plan (AMP) Update, Part 1, Airline Term Area 10%	5/1/2015	5/1/2015	\$ 372,492	\$ 337,500	\$ 33,750	-	\$ 33,750	\$ 33,750
Air Carrier Apron Rehabilitation Phase II 10%	5/1/2015	5/1/2015	17,262	2,779,290	277,929	-	1,726	1,726
Taxiway J&K Rehabilitation 10%	5/1/2015	5/1/2015	3,201,195	3,596,270	359,627	-	320,120	320,120
Airport Master Plan (AMP) Update, Part 2, Incl 18B Mapping and NAVAIDs Planning	5/1/2015	5/1/2015	-	600,000	60,000	-	-	-
Design & Construct - Airline Terminal Improvements	5/1/2015	-	-	28,199,970	-	-	-	-
Design & Construct - Airport Fencing Replacement	5/1/2015	-	-	2,000,000	-	-	-	-
Design & Construct - Perimeter Road Improvements	5/1/2015	-	-	2,100,000	-	-	-	-
Lighting	5/1/2015	-	-	1,125,000	-	-	-	-
Design & Construct - Rehabilitate GA Apron	5/1/2015	-	-	4,300,000	-	-	-	-
Purchase Land and/or Aviation Easements - Runway 4 RPZ	5/1/2015	-	-	1,250,000	-	-	-	-
TOTAL IMPOSE AND USE APPLICATION 6			\$ 3,590,949	\$ 46,288,030	\$ 731,306	\$ -	\$ 355,596	\$ 355,596
GRAND TOTAL			\$ 62,439,777	\$ 115,973,641	\$ 5,976,035	\$ 4,343,857	\$ 377,337	\$ 4,721,194

NOTES TO THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES:

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

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

Office of the Chief Financial Officer
City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
(910) 433-1682



City of
Fayetteville
North Carolina

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