

Comprehensive Annual Financial Report

City of
Fayetteville
North Carolina

2016



City of Fayetteville, NC
Fiscal Year Ended
June 30, 2016

Comprehensive Annual Financial Report

2016

**City of Fayetteville, NC
Fiscal Year Ended
June 30, 2016**

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



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2016

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CITY MANAGER'S OFFICE

December 14, 2016

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, 2016. 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, 2016. 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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www.cityoffayetteville.org

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 208,158. Encompassing 149.69 square miles as of June 30, 2016, 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, 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 \$9.8 billion to the regional economy in federal fiscal year 2015.

In addition to Fort Bragg, substantial employment is also offered in the government sector through the public school system, community college and universities, county & city governments, and the Veterans Administration. 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, Wal-Mart through its distribution center and retail outlets, and Food Lion.

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 at fiscal year ended June 30 have ranged from a low of 6.1% to a high of 8.63%, according to the Labor and Economic Analysis Division of the North Carolina Department of Commerce. In August 2016, the unemployment rates for Fayetteville, North Carolina and the United States were 5.8%, 4.9% and 4.7%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the following table.

Unemployment Rates*			
Fiscal Year	Fayetteville	North Carolina	United States
2016	6.1	5.1	5.1
2015	7.1	6.1	5.5
2014	6.8	6.5	6.3
2013	8.3	8.6	7.8
2012	8.6	9.7	8.4

* 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 increased 4% percent between 2014 and 2015 to \$37,611, as compared to nation-wide (\$48,112, up 3.7%) and state-wide (\$40,759, up 3.5%) 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 2016, the City issued building permits for 601 new residential units valued at \$129.1 million, and 69 new commercial building permits valued at \$87.2 million, as compared to permits issued for 478 new residential units valued at \$62.7 million and 69 new commercial building permits valued at \$82.9 million in fiscal year 2015.

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 2016 totaled approximately \$3.8 billion, which represented a 4.2% increase over fiscal year 2015. Historical sales for Cumberland County are provided in the following table.

Taxable Sales		
Fiscal Year	Cumberland County	% Change
2016	\$3,848,839,911	4.2
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

Fayetteville's economy remains stable. In 2016, the Policom Corporation ranked the Fayetteville MSA as having the 133rd strongest economy of the 381 MSAs nationwide.

The City Council adopted a fiscal year 2016 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 2016 and will be used to develop the fiscal year 2018 operating budget. Fiscal year 2016 unassigned fund balance in the General Fund was \$23.1 million or 14.08 percent of the original fiscal year 2017 General Fund budget, excluding the county recreation programs; and therefore, exceeded the 10 percent minimum established by City Council.

Annually, the City adopts a five-year CIP for 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 2016 the City dedicated an amount equivalent to 5.15 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 community's investment in public safety continues to pay dividends. FY 2016 was the first full year with all 47 additional sworn positions planned for in FY 2015 authorized and available. Creative recruiting efforts have yielded stronger results than many peer organizations in a difficult national recruitment and retention environment for police personnel. New technologies, including vehicle locators and body cameras, have been implemented across the Police Department, supporting enhanced accountability and community credibility.
- In March 2016, voters passed a \$35 million general obligation bond referendum. This was the City's first successful general obligation bond referendum since 1994; thus will be the most significant capital investment in 20 years. The City plans to issue the bonds over a seven year period, and the fiscal 2017 budget includes revenues from a 1.35 cent dedicated tax rate increase to support the repayment of up to \$35 million in bond debt over 25 years. The funding will support the construction of a wide range of new facilities such as additional ball fields, splash pads, skate park, tennis courts, competition facilities, senior centers, and improvements to existing facilities.
- In pursuit of procuring a Minor League Baseball team the City completed an extensive Minor League Baseball Stadium Feasibility Study through which it was determined that the construction and implementation of a team would be financially feasible, as well as, desired and beneficial to the Fayetteville community. On August 17, 2016 the City signed a Memorandum of Understanding with the Houston Astros for the City to build a baseball stadium and the Astros to provide a Minor League team to play in the stadium for a

minimum of 30 years. The stadium and team are expected to be a catalyzing economic development tool for the City and surrounding community.

- The City continued to enhance its transit services with the addition of Route 32, which travels along Raeford Road, providing access to the new VA Health Care Center. The City continues to add accessible bus stops and update existing bus stop locations with shelters and benches.
- The City continued to enhance the Crime Information Center (CIC) and increase its ability to perform crime analytics. The staff assisted in the development of the Bradshaw Corporation's Marvli dashboards software. This software assists in providing analytics to not only the CIC but the Fayetteville Police Department as a whole. This software aids in forecasting trends, creating predictive analytics, and asset allocation to problem locations to reduce crime rates.
- The FayFixIT app tool, which allows residents to report issues in real time by smartphone, tablet or on the web, completed its first full fiscal year in operation. Since its inception there have been 12,726 FixIT requests reported, 3,068 app downloads, and 3,888 registered users. After issues are reported residents can receive email notifications as their issues progress and are resolved. The app is integrated with Environmental Services, Storm Water, Streets and Traffic.
- The City has implemented TRACStat, a performance management software tool that allows for performance and project data entry, performance data analysis and web enabled interactive performance reporting to citizens. The new system allows internal users to analyze data trends which enable them to better target performance for future reporting periods. The system also provides citizens the ability to see performance data and corresponding budget data presented in such a way as to allow for a more thorough understanding of return on investment for tax dollars.
- The City implemented a map-based, searchable database for free public access to inventory of commercial sites and buildings – now available on the Economic and Business Development website. Additionally, the City facilitated agreements with the US Small Business Administration and the Carolina Small Business Development Fund to develop small business access to non-traditional sources of financing assistance.

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

- \$7.2 million in the resurfacing of streets, construction of sidewalks, and other traffic system improvements.
- \$6.3 million on the downtown FAST Transit Center and other smaller transit projects - The new Transit Center will be a major public transportation hub and allows for the opportunity for additional transit oriented development. The center includes covered passenger waiting areas which can accommodate up to 16 buses at one time. The facility also includes a customer service information

center, retail space and transit administrative offices. The transit portion of the facility is approximately 27,000 square feet. The building is expected to open to the public April 2017.

- \$5.6 million Recreation and Cultural Projects - The Westover Family Aquatics Center, which was substantially complete in fiscal 2015, opened early fiscal 2016. The College Lakes Aquatic Center was constructed during fiscal 2016, \$2.7 million. The facility includes a wading pool with water slide and a competition pool. The facility opened in July 2016 and served over 11,000 visitors. Significant progress was made on Phase 2 of the Cape Fear River Trail, \$2.3 million. Two phases of walking trails were completed during 2016 including the 2-3 miles long Linear Park Trail, and Phase 2A of the Cape Fear River Trail which is over a mile long. The City also completed a mountain bike trail at Clark Park in the summer of 2016. This trail is 2.75 miles long and accents the existing Cape Fear River Trail.
- \$5.6 million of funding from federal grants, passenger facility fees and airport operating revenues invested in the Fayetteville Regional Airport projects. Over \$5 million was invested in Terminal projects and improvements. During fiscal year 2016, The Terminal Renovations Design Part I phases were completed.
- \$2.5 million General Government Projects - Approximately \$1.7 million was expended during fiscal year 2016 on general governmental building projects, the most significant being renovations to the third floor of City Hall. The third floor is occupied by the Mayor and City Council Offices, City Manager's Office, Budget and Evaluation, Internal Audit and the City Attorney's Office.
- \$2.8 million in various stormwater drainage system improvement projects throughout the City, which included \$1.5 million for Buckhead Kindgsford, and \$0.8 million for Yadkin Road. During fiscal year 2016, the City began construction on the Person Street Innovative Greenscape which will greatly improve the appearance of the street, as well as, improve the quality of water for Blounts Creek.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2015. 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.


The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the City of Fayetteville for its annual budget for Fiscal Year 2016 which began July 1, 2015. In order to receive this

award, a governmental unit must publish a budget document that meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device.

The International City/County Management Association (ICMA) awarded a Certificate of Excellence 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 53 communities in the nation and one of two in North Carolina recognized for this work.

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 and Internal Audit Director who assisted and contributed to the preparation of this report, as well as 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,



Douglas J. Hewett, ICM A-CM
City Manager



Cheryl J. Spivey, CPA
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, 2015



Executive Director/CEO



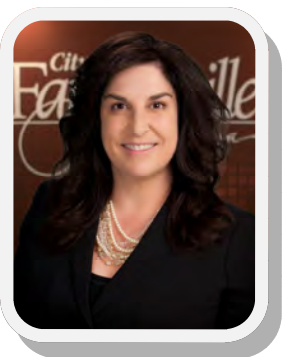
Mayor & City Council



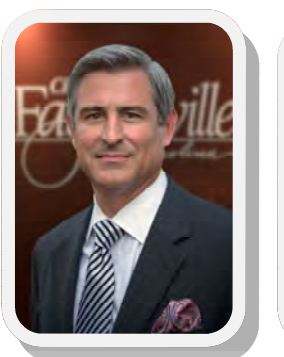
Nat Robertson
Mayor
mayor@ci.fay.nc.us



Mitch Colvin
Mayor Pro Tem
District 3
mcolvin@ci.fay.nc.us



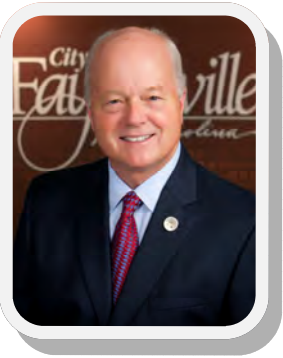
Kathy Jensen
District 1
kjensen@ci.fay.nc.us



Kirk deViere
District 2
kdeviere@ci.fay.nc.us



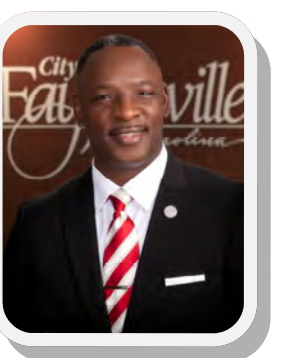
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District 4
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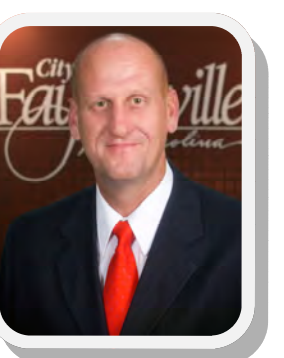
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City Manager

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Deputy City Manager

Rochelle Small-Toney
Deputy City Manager

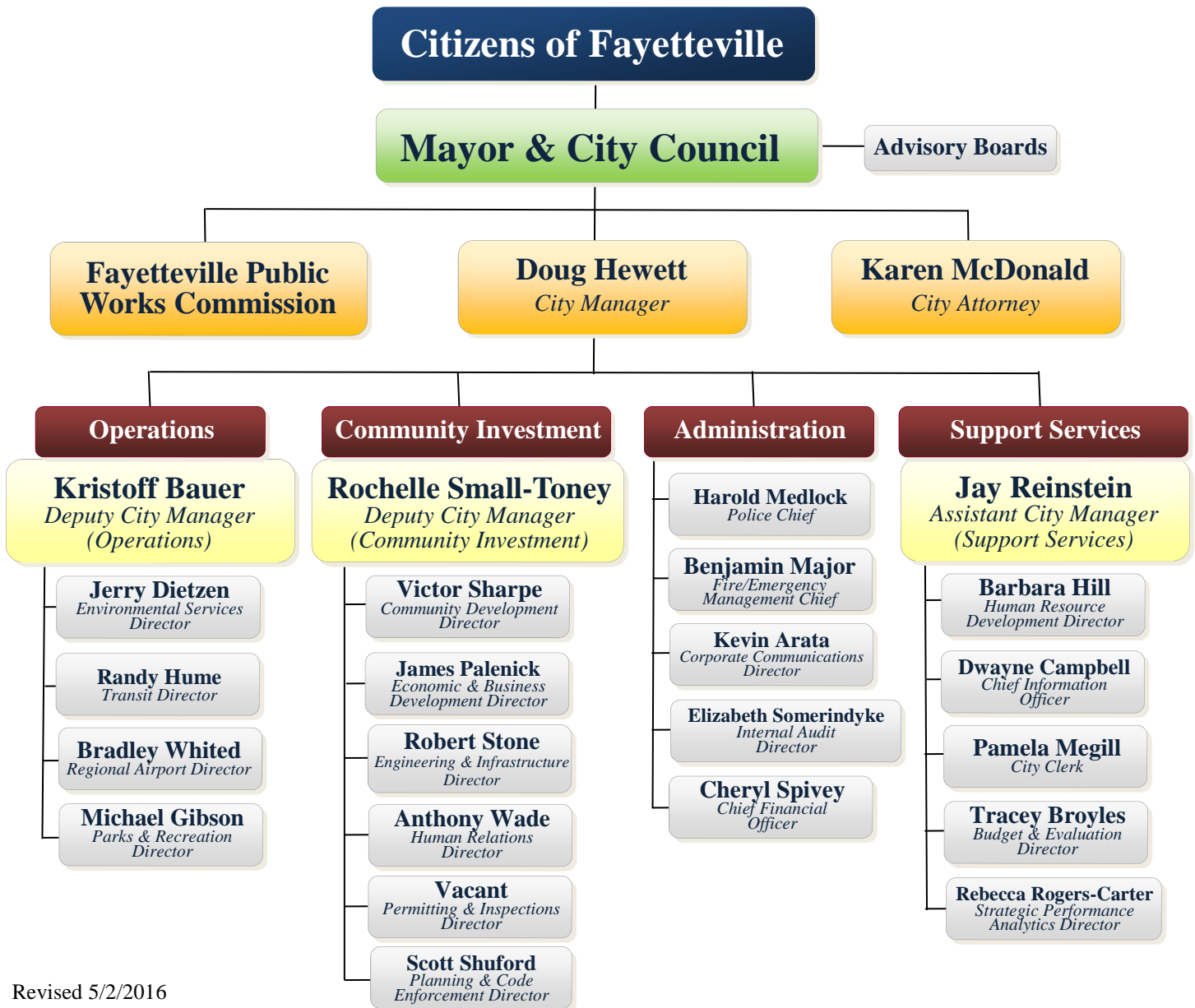
Jay Reinstein
Assistant City Manager

Cheryl Spivey
Chief Financial Officer

Pamela Megill
City Clerk



Organizational Chart



Revised 5/2/2016

Financial Section

2016

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



**Report of
Independent
Auditor**

2016



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, the discretely presented component unit, 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, 2016, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of June 30, 2016, 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 Notes 1, 10b, and 14 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68. As a result, as of June 30, 2015 net position of the governmental activities and fiduciary funds and fund balance of the general fund has been restated. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the PWC is reported as a discretely presented component unit beginning in the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

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, combining and individual fund statements and schedules, other supplemental financial data, the statistical section, the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 combining and individual fund statements and schedules, other supplemental financial data, 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 combining and individual fund statements and schedules, other supplemental financial data, 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 December 14, 2016, 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
December 14, 2016

**Management's
Discussion &
Analysis**

2016



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, 2016. 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 – Primary Government

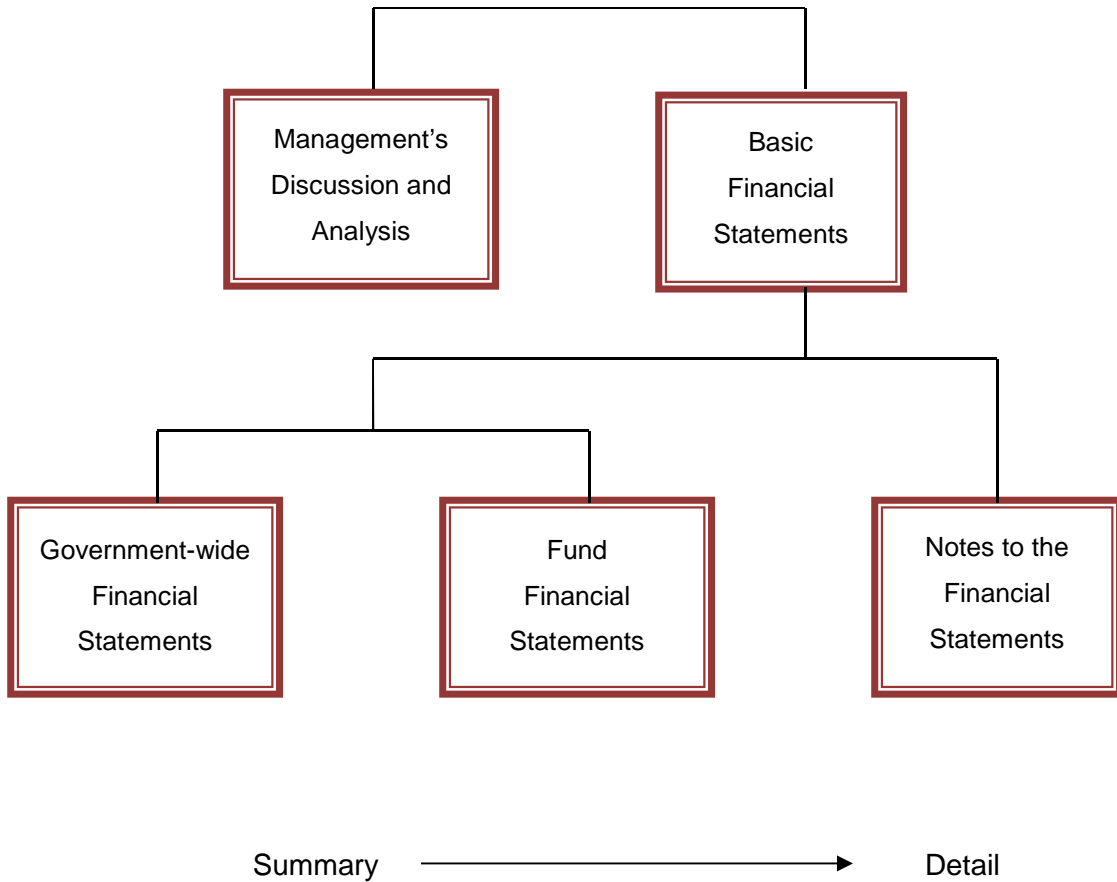
- The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$528.9 million (*net position*). Of this amount, \$54.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$15.8 million.
- Net position increased \$4.6 million to \$407.6 million in fiscal year 2016, up from \$403.1 million in fiscal year 2015 in the Governmental activities. By far, the largest portion of net position, \$335.6 million or 82.3 percent, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire those assets.
- Net position increased \$11.2 million to \$121.3 million in fiscal year 2016, up from \$110.0 million in fiscal year 2015 in the Business type activities. The largest portion of net position, \$96.0 million or 79.2 percent, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Storm Water Management, Transit, Airport and Environmental Services activities.
- As of the close of fiscal year 2016, the City's governmental funds reported an ending fund balance of \$85.3 million, an decrease of \$3.9 million in comparison to the prior year. Approximately 49.1 percent of total fund balance, or \$41.9 million is nonspendable or restricted.
- At the end of fiscal year 2016, unassigned fund balance for the General Fund was \$23.1 million or 14.3 percent of total General Fund expenditures and transfers out for the fiscal year.
- The City's total debt decreased by \$8.6 million during fiscal year 2016.
- During fiscal year 2016, the City maintained its Aa1 and AA+ credit rating for its outstanding general obligation bonds from Moody's and Standard & Poor's, respectively.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide statements include activities for the primary government and its component unit. The primary government function is 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 storm water, airport, transit and environmental services offered by the City of Fayetteville.

In prior years the Public Works Commission (PWC) was presented as a blended component unit or as a fund of the City included with business type activities. In May 2016, a declaratory judgement was issued interpreting certain portions of the PWC charter and on June 30, 2016 the charter was amended by the North Carolina General Assembly. As a result of these actions the PWC is now presented as a discretely presented component unit because it is a legally separate authority, but it would be misleading to exclude it from the City's financial statements. The City maintains ownership of the PWC capital assets, must approve certain contracts, issues the debt for PWC and appoints its Board of Commissioners.

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 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 risk management activities. All of these services predominantly benefit governmental functions. These services have been included within their respective predominant activities in the government-wide financial statements.

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

Agency Funds – Agency funds are used to account for assets the City holds on behalf of others. The City maintains one agency fund which accounts for collections of “Red Light Camera Program” fines and expenses by an agreement with the Cumberland County School Board.

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-56 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, 2016 with comparative data for June 30, 2015. The City’s combined net position increased \$15.8 million, or 3.1% from fiscal year 2015 to 2016. 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	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 130,697	\$ 123,948	\$ 34,783	\$ 35,285	\$ 165,480	\$ 159,233
Capital assets	357,049	359,701	93,307	103,167	450,356	462,868
Deferred outflows of resources	4,664	4,553	639	641	5,303	5,194
Total assets and deferred outflows of resources	492,410	488,202	128,729	139,093	621,139	627,295
Long-term liabilities outstanding	56,002	58,602	12,005	12,248	68,007	70,850
Other liabilities	16,223	18,891	4,279	5,146	20,502	24,037
Deferred inflows of resources	17,128	3,068	2,420	448	19,548	3,516
Total liabilities and deferred inflows of resources	89,353	80,561	18,704	17,842	108,057	98,403
Net position:						
Net investment in capital assets	330,626	338,293	86,236	96,012	416,862	434,305
Restricted	45,687	41,803	816	1,338	46,503	43,141
Unrestricted	26,744	27,544	22,973	23,900	49,717	51,444
Total net position	\$ 403,057	\$ 407,640	\$ 110,025	\$ 121,250	\$ 513,082	\$ 528,890

Note – 2015 has been restated to exclude PWC for comparability purposes.

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$528.9 million as of June 30, 2016. Net position is reported in three categories: net investment in capital assets of \$434.3 million; restricted net position of \$43.1 million; and unrestricted net position of \$51.4 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, 2016, \$51.4 million, or 9.7% of the reported total net position of \$528.9 million, is unrestricted.

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

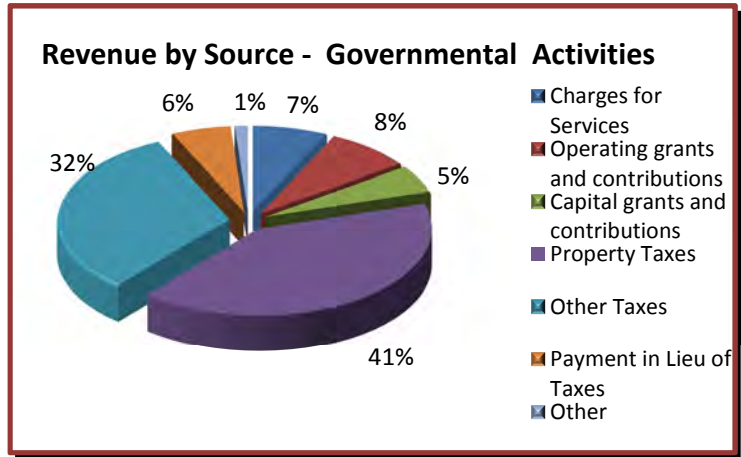
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program revenues:						
Charges for services	\$ 11,977	\$ 11,897	\$ 14,841	\$ 15,778	\$ 26,818	\$ 27,675
Operating grants and contributions	12,374	13,593	2,972	3,379	15,346	16,972
Capital grants and contributions	1,654	8,684	8,197	11,755	9,851	20,439
General revenues:						
Property taxes	68,091	68,908	-	-	68,091	68,908
Other taxes	53,005	53,902	638	632	53,643	54,534
Payment in lieu of taxes	8,931	9,488	-	-	8,931	9,488
Grants and contributions not restricted to specific programs	1,003	917	-	-	1,003	917
Other	1,033	1,160	615	582	1,648	1,742
Total revenues	158,068	168,549	27,263	32,126	185,331	200,675
Expenses:						
Administration	25,910	28,126	-	-	25,910	28,126
Public safety	76,505	84,191	-	-	76,505	84,191
Environmental protection	458	536	-	-	458	536
Transportation	20,621	21,400	-	-	20,621	21,400
Economic and physical development	5,541	6,574	-	-	5,541	6,574
Recreation and community facilities	13,905	14,998	-	-	13,905	14,998
Interest and fees	811	709	-	-	811	709
Storm water management	-	-	4,570	4,756	4,570	4,756
Transit	-	-	8,886	9,402	8,886	9,402
Airport	-	-	6,511	7,235	6,511	7,235
Environmental services	-	-	10,044	10,267	10,044	10,267
Total expenses	143,751	156,534	30,011	31,660	173,762	188,194
Increase in net position before transfers and special items	14,317	12,015	(2,748)	466	11,569	12,481
Transfers	(8,957)	(10,759)	8,957	10,759	-	-
Increase in net position	5,360	1,256	6,209	11,225	11,569	12,481
Net position, July 1	407,308	403,057	105,175	110,025	512,483	513,082
Restatement	-	3,327	-	-	-	3,327
Net position, beginning, restated	397,697	406,384	103,816	110,025	501,513	516,409
Net position, June 30	\$ 403,057	\$ 407,640	\$ 110,025	\$ 121,250	\$ 513,082	\$ 528,890

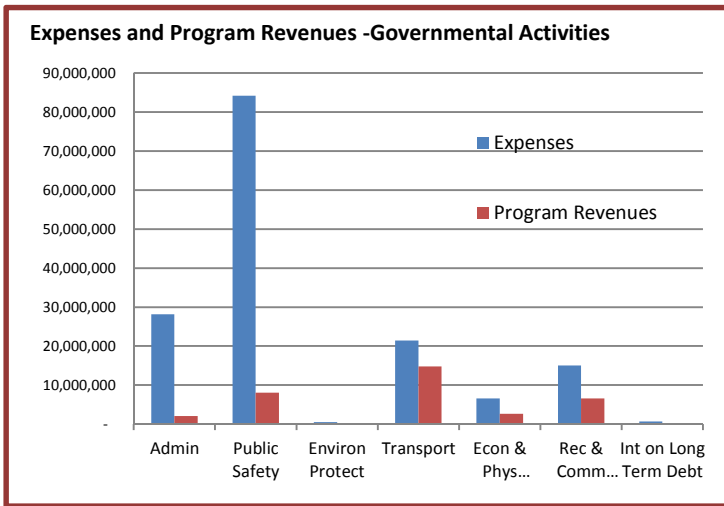
Note – PWC has been excluded from 2015 for comparability purposes.

Governmental activities: Revenues for the City's governmental activities were \$168.5 million, while total expenses were \$156.5 million in fiscal year 2016. The increase in net position for governmental activities, after transfers out, was \$1.3 million. Key elements of this increase are as follows:

- Ad valorem property tax revenues increased \$800,000 to \$68.9 million. Property taxes represent 40.9 percent of total governmental revenues.
- Other taxes, which accounted for \$53.9 million or 32.0 percent of total governmental revenues, increased \$900,000 over 2015. This is primarily due to a \$1.5 million increase in sales tax revenue, in addition to a \$600,000 increase in utility taxes. These increases are offset by a \$900,000 decrease due to the elimination of privilege license taxes, a \$200,000 decrease in telecommunications sales tax, and a \$100,000 decrease in video franchise tax.



- Those who directly benefited from service-fee based programs paid \$11.9 million in charges for services which represented an \$80,000 decrease from 2015. This decrease can be primarily attributed to a \$430,000 decrease in transportation fees, and a \$260,000 decrease in recreation and community facilities. These decreases are offset by a \$230,000 increase in public safety fees, \$100,000 increase in economic development charges, and \$280,000 increase in administrative charges.
- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$13.6 million, representing an increase of 9.9 percent or \$1.2 million in 2016.



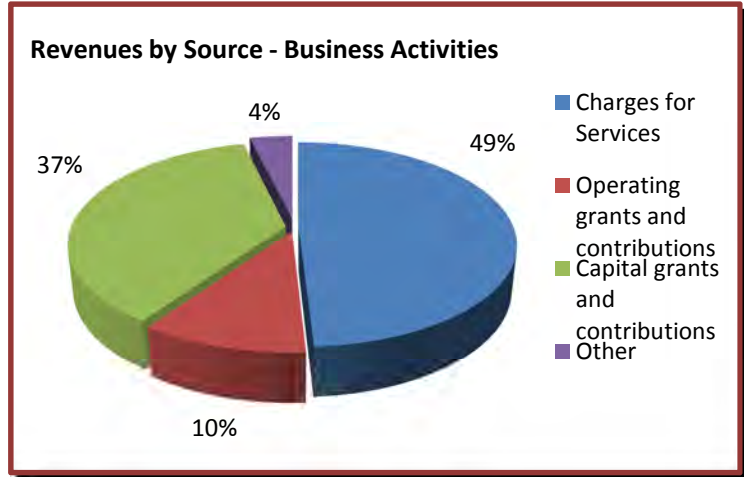
- The governmental activities received \$10.8 million in other revenues such as capital grants and contributions, interest, sale of capital assets and unrestricted grants which represented an increase of 191.6 percent or \$7.1 million. This increase is primarily due to a increase in transportation capital grants and contributions of \$6.4 million offset by an decrease in gain on sale of capital assets of \$30,000 million.

- The cost of all governmental activities this year was \$156.5 million as compared to \$143.7 million in fiscal year 2015. 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 City’s four largest governmental programs – public safety (53.8 percent), administration (18.0 percent), transportation (13.7 percent), and recreation and community facilities (9.6 percent), represent 95.1 percent of the total governmental activities.

Business-type activities: Revenues for the City’s business-type activities were \$32.1 million, while total expenses were \$31.7 million in fiscal year 2016. The increase in net position for business-type activities, after transfers in of \$10.8 million, was \$11.2 million, resulting in net position of \$121.3 million.

Specifically, net position increased in the storm water management activities by \$2.4 million, resulting in net position of \$31.0 million in fiscal year 2016. By far, the largest portion of net position, \$19.5 million or 62.9 percent reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets. The increase in storm water revenues is due primarily to an increase in the storm water utility fee which generated an additional \$600,000 in operating revenue. Net position of the airport fund at the end of the year amounted to \$62.9 million, an increase of \$3.6 million. The increase is primarily due to \$6.1 million in federal contributions for airport facility enhancements, \$1.8 million in passenger and customer facility charges, offset by \$2.4 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 \$4.9 million in fiscal year 2016 to \$21.3 million. This increase is primarily due to \$6.6 million in federal and state grants for capital projects. Net position for the environmental services function increased \$400,000 in fiscal year 2016 to \$6.1 million.



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 2016, unassigned fund balance of the General Fund was \$23.1 million, while total fund balance reached \$61.9 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 14.3 percent of total General Fund expenditures and transfers out, while total fund balance represents 38.4 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 \$1.3 million during the current fiscal year. This increase can be primarily attributed to:

- Overall revenues increased \$12.5 million in fiscal year 2016. Specifically, ad valorem taxes increased \$600,000, sales tax increased \$1.5 million, and utility taxes increased \$600,000. These increases were offset by a \$900,000 decrease due to the elimination of privilege license taxes and a \$200,000 decrease in telecommunications sales tax.
- Overall expenditures increased \$11.9 million in fiscal year 2016, primarily due to the following:
 - \$1.0 million increase in transportation services expenditures due to the Red Light Traffic program, offset by revenues of the same amount from Cumberland County Schools.
 - \$1.2 million increase in recreation and community facilities due mainly to increases in personnel costs of \$450,000 and the purchase of equipment, motor vehicles and other improvements to parks & recreation facilities.
 - \$5.3 million increase in Public Safety due to a full year of the additional 47 sworn positions planned in FY15, \$1.5 million in replacement vehicles and \$1.1 million for the purchase and replacement of self-contained breathing apparatus for the Fire Department.
 - \$4.0 million increase in administration due primarily to the addition of internal audit, budget and purchasing departments and the personnel costs associated with the added positions, as well as, an increase in rent payments to the City of Fayetteville Finance Corporation due to the payoff of municipal buildings series 2005 bond and the settlement of claims.
- Net other financing uses increased \$11.1 million in fiscal year 2016, primarily due to the receipt of capital lease proceeds of \$1.8 million in the current year, offset by a net increase in transfers out to other funds to cover operational costs and provide funds for capital projects, and a decrease in transfers in can be attributed to the change in reporting of the PWC. Those revenues are now reported as payment in lieu of taxes.

At June 30, 2016, the governmental funds of the City reported a combined fund balance of \$85.3 million, reflecting a net decrease in fund balance of \$3.9 million. The decrease is primarily due to the decrease in fund balance in the other governmental funds.

General Fund Budgetary Highlights

The City Council approved a \$160.4 million general fund budget for fiscal year 2016, which represented a \$4.4 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 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 utility 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.

During the fiscal year, the City Council approved budget increases of \$9.6 million or 6.0%, bringing the general fund budget for fiscal year 2016 to \$170.1 million. The budget increases related to appropriations of: \$5.1 million for expenditures for which funds were restricted or assigned at June 30, 2015; \$2.1 million for capital improvements and major renovation projects; \$1.6 million to fund the early retirement of a 2005 revenue bond issued through the City of Fayetteville Finance Corporation; and \$831,000 to fund a variety of other items across multiple departments. The increased budget

appropriations were primarily funded by additional fund balance appropriations of \$7.0 million, \$2.5 million in transfers of remaining available funding from multi-year special revenue and capital project funds, and \$45,000 in additional intergovernmental revenues.

Actual revenues and other financing sources for the general fund totaled \$159.2 million, or \$10.9 million or 6.4% less than the final amended budget. The shortfall largely related to a budgeted fund balance appropriation of \$14.0 million, which is an other financing source that is not reflected as current year revenue. In addition, transfers in to the General Fund are recorded at \$9.5 million below budget due to a restatement of funding received from the Fayetteville Public Works Commission as intergovernmental revenues. Significant variances in other revenues which offset these shortfalls included: ad valorem taxes that exceeded the budget by \$610,000; unrestricted intergovernmental revenues that exceeded the budget by \$10.2 million, primarily reflecting the reclassification of the \$9.5 million payment in lieu of taxes from the Fayetteville Public Works Commission, and an additional \$1.0 million in combined utility taxes, offset by sales tax distributions which fell short of budget by \$194,000; restricted intergovernmental revenues that exceeded the budget by \$828,000 largely due to higher than expected funding from the County for operations of the Parks and Recreation District; and miscellaneous revenues that exceeded budget by \$783,000 primarily due to \$261,000 in increased indirect cost allocations, \$336,000 in special use assessments and \$186,000 in refunds and sundry.

Actual expenditures and other financing uses totaled \$161.2 million, or \$8.9 million or 5.2% less than the final amended budget. The final budget retained appropriations of approximately \$2.3 million or 1.4% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year. In addition, there were approximately \$1.7 million in expenditures budgeted for fiscal year 2016 for which fund balance was restricted for encumbrances and \$2.6 million budgeted for fiscal year 2016 for which funding was assigned for special purposes at June 30, 2016 to be reappropriated in fiscal year 2017 or later fiscal years. Other significant variances include: personnel expenditures which were \$702,000 less than anticipated in year-end expenditure projections; total vehicle maintenance expenditures were \$499,000 less than anticipated; and transfers to support Transit and Environmental Services enterprise funds were \$396,000 less than anticipated.

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, 2016, totals \$431.7 million (net of accumulated depreciation and related debt). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and storm water drainage systems.

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

- \$6.6 million for street resurfacing and infrastructure
- \$5.7 million for Transit Multi-Modal Center
- \$5.6 million for Airport terminal, runway and parking lot improvements
- \$3.1 million for new outdoor aquatics facilities
- \$3.0 million for public safety vehicles
- \$2.8 million for storm water drainage improvements
- \$2.3 million for Cape Fear River Trail Expansion
- \$2.2 million for streetscape projects
- \$2.1 million for storm water infrastructure
- \$1.7 million for sidewalk infrastructure projects
- \$1.2 million for City Hall renovations

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land and land rights	\$ 39,909	\$ 39,548	\$ 5,496	\$ 5,511	\$ 45,405	\$ 45,059
Infrastructure	231,768	229,506	21,883	21,682	253,651	251,188
Buildings and improvements	60,682	59,317	37,732	43,484	98,414	102,801
Equipment, furniture and fixture	7,247	6,118	2,594	2,263	9,841	8,381
Computer Software	1,443	1,196	66	59	1,509	1,255
Vehicles	9,798	11,573	12,498	12,653	22,296	24,226
Construction in progress	3,943	12,443	13,038	17,515	16,981	29,958
Total	\$ 354,790	\$ 359,701	\$ 93,307	\$ 103,167	\$ 448,097	\$ 462,868

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, 2016, the City had total bonded debt outstanding of \$12.3 million before loss on defeasance and reacquired debt, premiums, and discounts (see Note 5 in the financial statements), of which \$7.9 million is debt backed by the full faith and credit of the City. In addition, the City has a number of capital leases and several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Bonded debt	\$ 8,282	\$ 4,337	\$ 8,550	\$ 7,925	\$ 16,832	\$ 12,262
Obligations under capital leases	20,607	19,420	576	435	21,183	19,855
Installment note payable	375	300	375	350	750	650
Total long-term debt	\$ 29,264	\$ 24,057	\$ 9,501	\$ 8,710	\$ 38,765	\$ 32,767

The City's total long-term debt decreased by \$6.0 million, or 15.5 percent, during the past fiscal year. This decrease is due to regularly scheduled principal payments on outstanding debt of \$6.3 million, and early defeasance of debt of \$1.6 million. These decreases are offset by the receipt of capital lease proceeds of \$1.9 million.

The City's other long-term obligations include a liability for the estimated amount of vacation, holiday and compensatory leave to ultimately be paid (compensated absences) of \$8.0 million, and a \$23.9 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 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 \$1.1 billion. The City has \$1.7 million refunding bonds and \$35 million parks and recreation bonds authorized but unissued at June 30, 2016.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-33 – F-37 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2017

The City Council approved a \$167.5 million general fund budget for fiscal year 2017, which represented an \$7.1 million or 4.4% increase from the original budget for fiscal year 2016. The general ad valorem tax rate increased 1.35 cents to 49.95 cents per \$100 value. The tax rate increase is dedicated to supporting Parks and Recreation Bond Projects as approved on a March, 2016 bond referendum. Significant appropriation increases in the fiscal year 2017 budget included: \$1.9 million to fund employee pay enhancements, including step pay plans for police, fire and emergency communications personnel and merit increases for other employees; \$930,000 in increased employer medical contributions; \$458,000 in increased pension costs; \$219,000 in increased costs to fund a full-year of 401(k) contributions for non-sworn employees that commenced in January, 2016; \$120,000 to fund an increase in total separation allowance payments to retired law enforcement personnel; \$222,000 to fund a two position additions and identified position reclassifications; \$3.2 million to fund sewer and extension projects to be undertaken by the Fayetteville Public Works Commission in annexation areas; \$1.0 million in increased transfers for capital projects, which includes \$1.9 million to support Parks and Recreation bond projects offset by other project funding reductions; \$784,000 in increased capital expenditures, primarily reflecting increased fleet replacement costs; \$1.7 million to be set aside for future capital funding plan expenditures, including project funding and debt service; an increase of \$402,000 in miscellaneous expenditures, primarily reflecting expenditures projected to balance expenditures to revenues for the County Parks and Recreation District; and, a \$98,000 projected increase for sales tax and annexation agreement reimbursement payments. These appropriation increases were offset by appropriation reductions including: a \$1.8 million net reduction in operating expenditures, primarily reflecting \$1.3 million of one-time expenditures in the prior fiscal year for fire self-contained breathing apparatus and a \$784,000 reduction in rent payments to the City of Fayetteville Finance Corporation due to the retirement of facility revenue bonds; a \$1.1 million net reduction in contract services, primarily reflecting reductions of \$387,000 budgeted in the prior fiscal year for purchasing services provided by the Fayetteville Public Works Commission, \$435,000 for election and bond referendum costs, \$300,000 budgeted for development of a strategic plan for economic development activities and for a feasibility and redevelopment plan for Catalyst Site 1, and a \$325,000 reduction of funding for code enforcement lot cleanings and demolitions, offset by a \$458,000 increase in costs for the administration of the Red Light Camera program initiated during the prior fiscal year; a \$663,000 reduction in transfers to support enterprise activities, primarily reflecting vehicle financing loan proceeds of \$1.0 million budgeted for the Environmental Services Department, offset by increases of \$129,000 for debt service expenditures and \$211,000 in other operational expenditures; and a \$409,000 reduction in budgeted debt service expenditures.

The original fiscal year 2017 budget anticipated an additional \$2.8 million in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2016 budget. The increase principally reflected \$1.9 million from the 1.35 cent tax increase to support future Parks and Recreation bond projects, and \$900,000 from the impact of natural growth in taxable values. Other significant revenue increases anticipated in the original fiscal year 2017 budget as compared to fiscal year 2016 original budget included: intergovernmental revenue increases including \$1.6 million in increased utility tax distributions, \$1.6 million in funding from Cumberland County for the operations of the joint parks and recreation program, \$850,000 in increased sales tax distributions, and an increase of \$458,000 in reimbursements from Cumberland County Schools for administration of the red light camera program; a \$309,000 increase in permit and fee revenues primarily due to anticipated building permit and inspection activity; a \$122,000 increase in functional revenues for parks and recreation programs; a \$170,000 increase in indirect cost allocations; a \$477,000 increase in anticipated loan proceeds from vehicle and equipment financings; and a \$3.1 million increase in funding from the Fayetteville Public Works Commission. Revenue decreases anticipated in the original fiscal year 2017

budget include: a \$99,000 projected decrease in intergovernmental revenues from Powell Bill funding; and, a \$167,000 decline in property lease revenues primarily reflecting decreased revenues from the Festival Plaza building. The \$2.9 million fund balance appropriation for one-time expenditures for fiscal year 2017 represented a \$4.0 million increase compared to the original \$7.0 million fund balance appropriation originally budgeted in fiscal year 2016.

The City Council has since approved budget increases of \$8.5 million, or 5.1%, bringing the general fund budget for fiscal year 2017 to \$176.0 million. The vast majority of the increases (\$6.9 million) related to appropriations for expenditures for which funds were restricted or assigned at June 30, 2016. Additional appropriations included \$1.3 million for expenditures related to Hurricane Matthew recovery and \$250,000 for other items. The increases were primarily funded by an additional appropriation of \$7.4 million from fund balance and \$900,000 in anticipated intergovernmental revenues from Federal Emergency Management Administration reimbursements.

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 cspivey@ci.fay.nc.us for more information.

**Basic Financial
Statements**

2016



CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Net Position
June 30, 2016**

	Primary Government			Public Works Commission
	Governmental Activities	Business Type Activities	Total Primary Government	
Assets				
Cash and investments	\$ 81,806,982	\$ 25,506,778	\$ 107,313,760	\$ 109,565,944
Taxes receivable	1,873,520	-	1,873,520	-
Accounts receivable	2,099,434	5,358,675	7,458,109	45,185,808
Assessment receivable	1,465,172	-	1,465,172	-
Due from other governments	17,287,378	-	17,287,378	-
Inventories	49,027	312,352	361,379	14,213,589
Prepaid expenses	915,131	-	915,131	-
Noncurrent portion of note receivable	8,412,486	-	8,412,486	-
Restricted asset - cash and investments	9,707,533	4,047,004	13,754,537	232,590,876
Restricted asset - accounts receivable	303,204	60,056	363,260	3,375,487
Collateral pledged in lieu of deposits	-	-	-	359,800
Property held for resale	27,871	-	27,871	-
Other assets	-	-	-	2,857,181
Capital assets:				
Land and construction in progress	51,990,996	23,025,589	75,016,585	93,524,606
Other capital assets, net of depreciation	307,710,202	80,141,470	387,851,672	769,216,096
Total assets	483,648,937	138,451,924	622,100,861	1,270,889,387
Deferred Outflows of Resources				
Charge on refunding	17,519	-	17,519	6,035,311
Contribution to pension plan in current fiscal year	4,535,264	640,966	5,176,230	6,430,008
Total deferred outflow of resources	4,552,783	640,966	5,193,749	12,465,319
Liabilities				
Accounts payable and accrued expenses	17,329,255	3,896,461	21,225,716	27,036,845
Restricted liabilities - accounts payable	773,252	668	773,920	29,725,618
Restricted unearned deposits	396,601	-	396,601	-
Restricted unearned deposits	-	1,213,393	1,213,393	-
Unearned deposits	-	-	-	1,192,427
Unearned revenues	392,244	35,611	427,855	-
Long-term liabilities:				
Due within one year	9,339,795	1,547,200	10,886,995	20,960,843
Due in more than one year	49,262,253	10,701,092	59,963,345	325,807,622
Other liabilities	-	-	-	307,631
Total liabilities	77,493,400	17,394,425	94,887,825	405,030,986
Deferred Inflows of Resources				
Prepaid taxes	6,874	-	6,874	-
Pension deferrals	3,060,962	448,054	3,509,016	1,310,328
Total deferred inflow of resources	3,067,836	448,054	3,515,890	1,310,328
Net position				
Net investment in capital assets	338,293,438	96,012,428	434,305,866	536,552,740
Restricted for:				
Capital projects	-	1,336,609	1,336,609	7,050
Debt service	-	-	-	2,642,117
Operating projects	-	1,020	1,020	-
Stabilization by State Statute	33,349,681	-	33,349,681	-
Downtown	64,296	-	64,296	-
Recreational and cultural	5,913,530	-	5,913,530	-
Donations	14,581	-	14,581	-
Lake Valley Drive MSD	3,667	-	3,667	-
Public safety	1,643,532	-	1,643,532	-
Economic and physical development	12,277	-	12,277	-
Powell bill	801,855	-	801,855	-
Unrestricted	27,543,627	23,900,354	51,443,981	337,811,485
Total net position	\$ 407,640,484	\$ 121,250,411	\$ 528,890,895	\$ 877,013,392

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Public Works Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
Administration	\$ 28,126,514	\$ 2,087,923	\$ 4,610	\$ -	\$ (26,033,981)	\$ -	\$ (26,033,981)	\$ -
Public safety	84,190,564	3,652,223	3,755,940	649,569	(76,132,832)	-	(76,132,832)	-
Environmental protection	536,121	45,075	-	-	(491,046)	-	(491,046)	-
Transportation	21,400,512	907,196	7,227,243	6,622,200	(6,643,873)	-	(6,643,873)	-
Economic and physical development	6,573,922	479,286	2,186,935	3,114	(3,904,587)	-	(3,904,587)	-
Recreation and community facilities	14,997,725	4,725,666	418,295	1,409,404	(8,444,360)	-	(8,444,360)	-
Interest and fees	708,588	-	-	-	(708,588)	-	(708,588)	-
Total governmental activities	156,533,946	11,897,369	13,593,023	8,684,287	(122,359,267)	-	(122,359,267)	-
Business-type activities:								
Storm water management	4,755,537	6,792,851	131,991	-	-	2,169,305	2,169,305	-
Transit	9,401,907	1,394,009	3,004,558	5,698,273	-	694,933	694,933	-
Airport	7,235,478	4,380,202	107,080	6,057,017	-	3,308,821	3,308,821	-
Environmental services	10,266,780	3,211,073	135,056	-	-	(6,920,651)	(6,920,651)	-
Total business-type activities	31,659,702	15,778,135	3,378,685	11,755,290	-	(747,592)	(747,592)	-
Total primary government	\$ 188,193,648	\$ 27,675,504	\$ 16,971,708	\$ 20,439,577	(122,359,267)	(747,592)	(123,106,859)	
Component Unit								
Public Works Commission	\$ 292,578,362	\$ 322,050,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,472,495
Total component unit	\$ 292,578,362	\$ 322,050,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,472,495
General revenues:								
Ad valorem taxes					68,907,943	-	68,907,943	-
Other taxes								
Sales tax					38,764,144	-	38,764,144	-
Utilities sales tax					9,969,227	-	9,969,227	-
Telecommunications sales tax					1,332,117	-	1,332,117	-
Piped natural gas sales tax					319,945	-	319,945	-
Video franchise tax					2,243,219	-	2,243,219	-
Vehicle license tax					598,962	632,073	1,231,035	-
Privilege license					17,118	-	17,118	-
Vehicle gross receipts tax					657,643	-	657,643	-
Payment in lieu of taxes					9,487,800	-	9,487,800	-
Unrestricted grants and contributions					916,625	-	916,625	-
Interest earned on investments					514,449	141,069	655,518	1,711,083
Miscellaneous					501,294	439,571	940,865	-
Gain (loss) on sale of capital assets					144,204	1,694	145,898	(8,877,903)
Total general revenues not including transfers					134,374,690	1,214,407	135,589,097	(7,166,820)
Transfers					(10,758,599)	10,758,599	-	-
Total general revenues and transfers					123,616,091	11,973,006	135,589,097	(7,166,820)
Change in net position					1,256,824	11,225,414	12,482,238	22,305,675
Net position - beginning					403,056,715	110,024,997	513,081,712	854,707,717
Restatement					3,326,945	-	3,326,945	-
Net position - beginning restated					406,383,660	110,024,997	516,408,657	854,707,717
Net position - ending					\$ 407,640,484	\$ 121,250,411	\$ 528,890,895	\$ 877,013,392

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2016**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 50,371,188	\$ 12,120,778	\$ 62,491,966
Taxes receivable	1,854,147	-	1,854,147
Accounts receivable	17,358,628	10,338,774	27,697,402
Assessments receivable	1,088,335	-	1,088,335
Prepaid items	23,610	-	23,610
Inventories	49,027	-	49,027
Restricted cash and investments	6,535,280	3,172,253	9,707,533
Restricted accounts receivable	301,943	1,261	303,204
Property held for resale	-	27,871	27,871
Total assets	\$ 77,582,158	\$ 25,660,937	\$ 103,243,095
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 12,049,135	\$ 1,098,959	\$ 13,148,094
Restricted unearned deposits	396,601	-	396,601
Unearned revenue	23,786	356,678	380,464
Restricted accounts payable and accrued expenses	-	773,252	773,252
Total liabilities	<u>12,469,522</u>	<u>2,228,889</u>	<u>14,698,411</u>
Deferred inflows of resources:			
Taxes receivable	1,740,614	-	1,740,614
Accounts receivable	177,318	-	177,318
Assessment receivable	1,319,413	-	1,319,413
Prepaid taxes	6,874	-	6,874
Total deferred inflows of resources	<u>3,244,219</u>	<u>-</u>	<u>3,244,219</u>
Fund balances:			
Nonspendable			
For inventories	49,027	-	49,027
For prepaids	23,610	-	23,610
Restricted			
Stabilization by State Statute	19,050,127	14,299,554	33,349,681
For streets - Powell Bill	-	801,855	801,855
For downtown	64,296	-	64,296
For county recreation	5,172,248	-	5,172,248
For donations	14,581	-	14,581
For Lake Valley Drive MSD	3,667	-	3,667
Public safety	-	1,643,532	1,643,532
Economic and physical development	-	12,277	12,277
Recreation and community facilities	-	741,282	741,282
Committed			
Administration	-	1,174,660	1,174,660
Transportation	-	3,086,077	3,086,077
Economic and physical development	-	1,563,945	1,563,945
Recreation and community facilities	-	813,387	813,387
Law Enforcement Officers' Special Separation Allowance	3,774,601	-	3,774,601
Assigned			
For subsequent year's expenditures	2,933,364	-	2,933,364
For special purpose	7,073,344	-	7,073,344
For capital projects	639,066	-	639,066
Unassigned	23,070,485	(704,521)	22,365,964
Total fund balances	<u>61,868,417</u>	<u>23,432,048</u>	<u>85,300,465</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 77,582,158	\$ 25,660,937	\$ 103,243,095

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2016**

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

Ending fund balance - governmental funds		\$ 85,300,465
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		359,701,199
Land	\$ 23,095,095	
Right of Way	16,313,363	
Construction in progress	12,443,138	
Infrastructure	469,197,995	
Buildings and improvements	105,739,749	
Furniture and equipment	36,528,014	
Vehicles	37,240,934	
Accumulated depreciation	<u>(340,857,089)</u>	
	<u>\$ 359,701,199</u>	
Contributions to the pension plan in the current fiscal year year are deferred outflows of resources on the Statements of Net Position		4,515,848
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		3,267,137
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.		17,519
Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.		674,116
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		132,906
Internal service funds are used by management to charge insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		15,726,338
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(204,131)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		31,344
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:		(58,477,683)
General obligation bonds	\$ (4,396,268)	
Revenue bonds	-	
Notes payable	(300,000)	
Obligations under capital leases	(19,419,617)	
Compensated absences	(7,252,481)	
Net pension liability (LRS)	(5,391,396)	
Net OPEB obligation	<u>(21,717,921)</u>	
	<u>\$ (58,477,683)</u>	
Pension related deferrals		<u>(3,044,574)</u>
Net position of governmental activities		<u>\$ 407,640,484</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 69,176,547	\$ -	\$ 69,176,547
Other taxes and fees	1,310,019	-	1,310,019
Unrestricted intergovernmental	63,665,595	-	63,665,595
Restricted intergovernmental	10,223,258	7,154,286	17,377,544
Local	-	2,102	2,102
Permits and fees	2,377,031	-	2,377,031
Sales and services	4,449,582	-	4,449,582
Miscellaneous	3,079,174	2,688,684	5,767,858
Interest earned on investments	378,688	129,170	507,858
Total revenues	<u>154,659,895</u>	<u>9,974,242</u>	<u>164,634,137</u>
Expenditures			
Current:			
Administration	29,292,537	2,489,286	31,781,823
Public safety	80,288,696	2,416,388	82,705,084
Environmental protection	335,188	-	335,188
Transportation	8,271,545	7,175,409	15,446,954
Economic and physical development	2,709,156	2,638,344	5,347,500
Recreation and community facilities	13,449,363	5,936,882	19,386,245
Debt service:			
Principal	4,509,917	2,425,766	6,935,683
Interest	716,588	158,452	875,040
Total expenditures	<u>139,572,989</u>	<u>23,240,527</u>	<u>162,813,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,086,906</u>	<u>(13,266,285)</u>	<u>1,820,621</u>
Other financing sources (uses)			
Sale of capital assets	140,302	-	140,302
Transfers in	2,544,257	11,264,668	13,808,925
Transfers out	(21,645,378)	(3,234,189)	(24,879,567)
Capital lease proceeds	1,878,677	-	1,878,677
Total other financing sources (uses)	<u>(17,082,142)</u>	<u>8,030,479</u>	<u>(9,051,663)</u>
Net change in fund balances	(1,995,236)	(5,235,806)	(7,231,042)
Fund balance - beginning, previously reported	60,536,708	28,667,854	89,204,562
Restatement	3,326,945	-	3,326,945
Fund balance - beginning restated	<u>63,863,653</u>	<u>28,667,854</u>	<u>92,531,507</u>
Fund balance - ending	<u>\$ 61,868,417</u>	<u>\$ 23,432,048</u>	<u>\$ 85,300,465</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, 2016**

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

Net change in fund balances - total governmental funds	\$	(7,231,042)
<p>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 (\$21,184,631) exceeded capital outlay (\$19,966,233) in the current period.</p>		
		(1,218,398)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.</p>		
		6,205,786
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(565,038)
<p>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.</p>		
		2,103,757
New issuance - capital lease	\$	(1,878,677)
Principal repayments		7,085,683
Change in net OPEB obligation		(2,327,977)
Change in compensated absences		(994,703)
Other miscellaneous		219,431
	<u>\$</u>	<u>2,103,757</u>
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		4,494,544
<p>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.</p>		
		(2,918,129)
<p>The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		385,344
Change in net position of governmental activities	\$	<u>1,256,824</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 68,575,262	\$ 68,575,262	\$ 69,176,547	\$ 601,285
Other taxes	1,246,820	1,246,820	1,310,019	63,199
Unrestricted intergovernmental	53,390,060	53,435,060	63,665,595	10,230,535
Restricted intergovernmental	9,394,519	9,394,519	10,223,258	828,739
Permits and fees	2,418,200	2,418,200	2,377,031	(41,169)
Sales and services	4,367,060	4,367,060	4,449,582	82,522
Miscellaneous	2,296,404	2,296,404	3,079,174	782,770
Interest earned on investments	284,020	284,020	378,688	94,668
Total revenues	<u>141,972,345</u>	<u>142,017,345</u>	<u>154,659,895</u>	<u>12,642,550</u>
Expenditures				
Current:				
Administration	27,255,110	31,125,874	29,292,537	1,833,337
Public safety	80,243,045	83,695,599	80,288,696	3,406,903
Environmental protection	351,501	392,025	335,188	56,837
Transportation	8,858,810	8,942,684	8,271,545	671,139
Economic and physical development	3,291,699	3,507,076	2,709,156	797,920
Recreation and community facilities	13,708,404	14,338,289	13,449,363	888,926
Debt Service:				
Principal	5,194,064	4,509,917	4,509,917	-
Interest	768,527	768,527	716,588	51,939
Total expenditures	<u>139,671,160</u>	<u>147,279,991</u>	<u>139,572,989</u>	<u>7,707,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,301,185</u>	<u>(5,262,646)</u>	<u>15,086,906</u>	<u>20,349,552</u>
Other Financing Sources (Uses)				
Sale of capital assets	125,000	125,000	140,302	15,302
Appropriated fund balance	6,977,528	14,023,563	-	(14,023,563)
Transfers in	9,487,724	12,031,981	2,544,257	(9,487,724)
Transfers out	(20,770,114)	(22,796,575)	(21,645,378)	1,151,197
Proceeds from loans	1,878,677	1,878,677	1,878,677	-
Total other financing sources (uses)	<u>(2,301,185)</u>	<u>5,262,646</u>	<u>(17,082,142)</u>	<u>(22,344,788)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,995,236)</u>	<u>\$ (1,995,236)</u>
Fund balance - beginning, previously reported			60,536,708	
Restatement			3,326,945	
Fund balance - beginning restated			<u>63,863,653</u>	
Fund Balance - Ending			<u>\$ 61,868,417</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Assets						
Current assets						
Cash and investments	\$ -	\$ 12,035,027	\$ 12,434,588	\$ 1,037,163	\$ 25,506,778	\$ 19,315,016
Accounts receivable	4,096,154	411,716	464,591	386,214	5,358,675	304,063
Inventories	239,077	3,594	-	69,681	312,352	-
Prepaid expenses	-	-	-	-	-	217,406
Interfund receivable	-	-	-	55,309	55,309	-
Total unrestricted current assets	4,335,231	12,450,337	12,899,179	1,548,367	31,233,114	19,836,485
Restricted current assets						
Restricted cash and investments	-	1,278,721	2,768,283	-	4,047,004	-
Restricted accounts receivable	-	60,056	-	-	60,056	-
Total restricted current assets	-	1,338,777	2,768,283	-	4,107,060	-
Total current assets	4,335,231	13,789,114	15,667,462	1,548,367	35,340,174	19,836,485
Noncurrent assets						
Capital assets	20,515,275	49,828,867	26,216,389	6,606,528	103,167,059	-
Total noncurrent assets	20,515,275	49,828,867	26,216,389	6,606,528	103,167,059	-
Total assets	24,850,506	63,617,981	41,883,851	8,154,895	138,507,233	19,836,485
Deferred outflows of resources						
Contributions to pension plan in current fiscal year	273,781	74,818	107,783	184,584	640,966	19,416
Total deferred outflows of resources	273,781	74,818	107,783	184,584	640,966	19,416
Liabilities and net position						
Current liabilities to be paid from unrestricted assets						
Accounts payable and accrued expenses	2,066,644	145,830	767,045	916,937	3,896,456	3,977,031
Current portion of long term debt	230,871	119,552	754,030	442,747	1,547,200	4,737
Interfund payables	55,309	-	-	-	55,309	-
Total current liabilities to be paid from unrestricted assets	2,352,824	265,382	1,521,075	1,359,684	5,498,965	3,981,768
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	-	668	-	-	668	-
Unearned deposits	-	1,500	1,211,893	-	1,213,393	-
Total current liabilities to be paid from restricted assets	-	2,168	1,211,893	-	1,214,061	-
Total current liabilities	2,352,824	267,550	2,732,968	1,359,684	6,713,026	3,981,768
Noncurrent liabilities						
Net OPEB obligation	1,006,736	338,957	438,676	268,683	2,053,052	99,358
Net pension liability	316,178	87,299	127,326	220,388	751,191	20,269
Unearned revenues	660	34,951	-	-	35,611	11,780
Long-term debt	-	-	7,605,389	291,460	7,896,849	-
Total noncurrent liabilities	1,323,574	461,207	8,171,391	780,531	10,736,703	131,407
Total liabilities	3,676,398	728,757	10,904,359	2,140,215	17,449,729	4,113,175
Deferred inflows of resources						
Pension deferrals	196,684	52,737	74,202	124,431	448,054	16,388
Total deferred inflows of resources	196,684	52,737	74,202	124,431	448,054	16,388
Net position						
Net investment in capital assets	20,515,275	49,828,867	19,496,321	6,171,965	96,012,428	-
Restricted net position	-	-	-	-	-	-
Capital projects	-	1,336,609	-	-	1,336,609	-
Operating projects	-	-	1,020	-	1,020	-
Unrestricted	735,930	11,745,829	11,515,732	(97,132)	23,900,359	15,726,338
Total net position	\$ 21,251,205	\$ 62,911,305	\$ 31,013,073	\$ 6,074,833	\$ 121,250,416	\$ 15,726,338

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2016

	Enterprise Funds					Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds	Total	
Operating revenues						
Charges for services	\$ 1,322,587	\$ 4,223,429	\$ 6,769,910	\$ 2,713,588	\$ 15,029,514	\$ -
Other revenue from operations	71,422	156,773	22,941	192,950	444,086	153,160
Interfund charges and employee contributions	-	-	-	-	-	18,183,154
Total operating revenues	<u>1,394,009</u>	<u>4,380,202</u>	<u>6,792,851</u>	<u>2,906,538</u>	<u>15,473,600</u>	<u>18,336,314</u>
Operating expenses						
Salaries and employee benefits	5,559,814	1,538,076	2,154,670	3,967,180	13,219,740	362,725
Other operating expenses	2,669,819	1,413,808	1,559,329	5,450,950	11,093,906	18,000,469
Depreciation	1,172,272	3,865,160	847,371	842,501	6,727,304	-
Total operating expenses	<u>9,401,905</u>	<u>6,817,044</u>	<u>4,561,370</u>	<u>10,260,631</u>	<u>31,040,950</u>	<u>18,363,194</u>
Operating income (loss)	<u>(8,007,896)</u>	<u>(2,436,842)</u>	<u>2,231,481</u>	<u>(7,354,093)</u>	<u>(15,567,350)</u>	<u>(26,880)</u>
Nonoperating revenue (expense)						
Interest earned on investments	875	57,446	71,543	11,205	141,069	93,273
Federal and State grants	3,004,558	107,080	131,991	135,056	3,378,685	-
Passenger Facility Charges	-	775,333	-	-	775,333	-
Customer Facility Charge	-	1,070,331	-	-	1,070,331	-
Miscellaneous revenue	-	209,106	120,650	109,826	439,582	6,906
Gain (loss) on disposal of capital assets	81	-	-	1,613	1,694	-
County revenue	-	-	-	304,535	304,535	-
Vehicle fee revenue	632,073	-	-	-	632,073	-
Interest expense	-	-	(194,167)	(6,156)	(200,323)	-
Miscellaneous expense	-	(418,435)	-	-	(418,435)	-
Total nonoperating revenue (expense)	<u>3,637,587</u>	<u>1,800,861</u>	<u>130,017</u>	<u>556,079</u>	<u>6,124,544</u>	<u>100,179</u>
Income (loss) before transfers	<u>(4,370,309)</u>	<u>(635,981)</u>	<u>2,361,498</u>	<u>(6,798,014)</u>	<u>(9,442,806)</u>	<u>73,299</u>
Transfers in	3,522,163	-	-	7,236,436	10,758,599	807,045
Transfers out	-	-	-	-	-	(495,000)
Capital contributions	<u>5,698,273</u>	<u>4,211,353</u>	<u>-</u>	<u>-</u>	<u>9,909,626</u>	<u>-</u>
Change in net position	<u>4,850,127</u>	<u>3,575,372</u>	<u>2,361,498</u>	<u>438,422</u>	<u>11,225,419</u>	<u>385,344</u>
Total net position - beginning	<u>16,401,078</u>	<u>59,335,933</u>	<u>28,651,575</u>	<u>5,636,411</u>	<u>110,024,997</u>	<u>15,340,994</u>
Total net position - ending	<u>\$ 21,251,205</u>	<u>\$ 62,911,305</u>	<u>\$ 31,013,073</u>	<u>\$ 6,074,833</u>	<u>\$ 121,250,416</u>	<u>\$ 15,726,338</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Operating activities						
Cash received from customers	\$ 289,917	\$ 8,637,792	\$ 6,267,968	\$ 3,305,893	\$ 18,501,570	\$ 18,119,313
Cash received for insurance reimbursements	-	-	-	-	-	153,160
Cash paid to or on behalf of employees for services	(5,495,751)	(1,500,935)	(2,140,491)	(3,905,318)	(13,042,495)	(360,477)
Cash paid for goods and services	(1,774,673)	(2,360,572)	(1,084,114)	(5,267,168)	(10,486,527)	(17,986,112)
Net cash provided by (used in) operating activities	<u>(6,980,507)</u>	<u>4,776,285</u>	<u>3,043,363</u>	<u>(5,866,593)</u>	<u>(5,027,452)</u>	<u>(74,116)</u>
Noncapital financing activities						
Transfers in	3,522,163	15,612	-	7,236,436	10,774,211	807,045
Federal and State grants	3,004,558	107,080	131,991	135,056	3,378,685	-
Transfers out	-	-	-	-	-	(495,000)
Net cash provided (used) by noncapital financing activities	<u>6,526,721</u>	<u>122,692</u>	<u>131,991</u>	<u>7,371,492</u>	<u>14,152,896</u>	<u>312,045</u>
Capital and related financing activities						
Proceeds from sale of capital assets	81	-	-	1,613	1,694	-
Contributed capital received	5,698,273	4,211,353	-	-	9,909,626	-
Acquisition and construction of capital assets	(6,215,352)	(5,708,046)	(2,783,937)	(1,819,238)	(16,526,573)	-
Principal paid in debt maturities	-	-	(650,030)	(141,380)	(791,410)	-
Interest paid on debt maturities	-	-	(255,022)	(6,156)	(261,178)	-
Net cash provided (used) by capital and related financing activities	<u>(516,998)</u>	<u>(1,496,693)</u>	<u>(3,688,989)</u>	<u>(1,965,161)</u>	<u>(7,667,841)</u>	<u>-</u>
Investing activities						
Interest and dividends	875	57,446	71,543	11,205	141,069	93,273
Net cash provided (used) by investing activities	<u>875</u>	<u>57,446</u>	<u>71,543</u>	<u>11,205</u>	<u>141,069</u>	<u>93,273</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(969,909)</u>	<u>3,459,730</u>	<u>(442,092)</u>	<u>(449,057)</u>	<u>1,598,672</u>	<u>331,202</u>
Cash and cash equivalents/investments						
Beginning of year	<u>969,909</u>	<u>9,854,018</u>	<u>15,644,963</u>	<u>1,486,220</u>	<u>27,955,110</u>	<u>18,983,814</u>
End of year	<u>\$ -</u>	<u>\$ 13,313,748</u>	<u>\$ 15,202,871</u>	<u>\$ 1,037,163</u>	<u>\$ 29,553,782</u>	<u>\$ 19,315,016</u>
Unrestricted cash and cash equivalents/investments	\$ -	\$ 12,035,027	\$ 12,434,588	\$ 1,037,163	\$ 25,506,778	\$ 19,315,016
Restricted cash and equivalents/investments	-	1,278,721	2,768,283	-	4,047,004	-
Total cash and cash equivalents/investments	<u>\$ -</u>	<u>\$ 13,313,748</u>	<u>\$ 15,202,871</u>	<u>\$ 1,037,163</u>	<u>\$ 29,553,782</u>	<u>\$ 19,315,016</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (8,007,896)	\$ (2,436,842)	\$ 2,231,481	\$ (7,354,093)	\$ (15,567,350)	\$ (26,880)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,172,272	3,865,160	847,371	842,501	6,727,304	-
Nonoperating payments for goods and services	-	(418,435)	-	-	(418,435)	-
Nonoperating receipts from customers	632,073	2,054,770	120,650	414,361	3,221,854	6,906
Change in assets and liabilities						
(Increase) decrease in accounts receivable	(1,736,827)	2,209,064	(314,531)	(15,006)	142,700	(72,543)
(Increase) decrease in inventory	(62,602)	763	-	(32,819)	(94,658)	-
(Increase) decrease in prepaid items	-	-	-	-	-	18,585
Increase (decrease) in unearned revenues	660	(6,243)	(331,002)	-	(336,585)	1,796
Increase (decrease) in accounts payable and accrued liabilities	957,750	(529,093)	475,215	216,601	1,120,473	(4,228)
Increase (decrease) in accrued compensated absences	22,679	24,935	(3,424)	31,476	75,666	(832)
Increase (decrease) in LGERS expense	(97,315)	(26,712)	(38,686)	(66,558)	(229,271)	(6,618)
Increase (decrease) in Net OPEB Obligation	138,699	38,918	56,289	96,944	330,850	9,698
Total adjustments	<u>1,027,389</u>	<u>7,213,127</u>	<u>811,882</u>	<u>1,487,500</u>	<u>10,539,898</u>	<u>(47,236)</u>
Net cash provided by (used in) operating activities	<u>\$ (6,980,507)</u>	<u>\$ 4,776,285</u>	<u>\$ 3,043,363</u>	<u>\$ (5,866,593)</u>	<u>\$ (5,027,452)</u>	<u>\$ (74,116)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	<u>Private-purpose Trusts</u>	<u>Agency Fund</u>
Assets		
Cash and investments		
Cash and cash equivalents	\$ 1,380,787	\$ 129,779
Accounts receivable	1,661	-
Total assets	<u>1,382,448</u>	<u>\$ 129,779</u>
Liabilities		
Intergovernmental payable	-	\$ 129,779
Total liabilities	<u>-</u>	<u>\$ 129,779</u>
Net position		
Held in Trust for pension benefits and other purposes	<u>1,382,448</u>	
Total net position	<u>\$ 1,382,448</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	<u>Private-purpose Trusts</u>
Additions	
Other contributions	\$ 110,501
Investment earnings	37,013
Total additions	<u>147,514</u>
Deductions	
Benefit payments and premiums	<u>139,112</u>
Total deductions	<u>139,112</u>
Change in net position	8,402
Total net position - beginning	<u>1,374,046</u>
Total net position - ending	<u><u>\$ 1,382,448</u></u>

**Notes to Financial
Statements**

2016



City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 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:

Fayetteville Public Works Commission

The Fayetteville Public Works Commission (PWC) was chartered by the North Carolina General Assembly in 1905. The charter has been amended by the General Assembly since then. Over the years, PWC has been presented as a blended component unit or as a fund of the City. In May 2016, a declaratory judgment was issued interpreting certain portions of that charter and on June 30, 2016, the General Assembly amended the charter again. As a result of these actions, PWC is now presented as a discretely presented component unit because it is a legally separate authority, but it would be misleading to exclude it from the City's financial statements, the City owns the PWC capital assets, approves certain contracts, issues debt for PWC and appoints the Board of Commissioners. In the prior year, PWC was presented as a proprietary fund of the City.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Complete financial statements for the Fayetteville Public Works Commission can be obtained by contacting the Fayetteville Public Works Commission's Chief Financial Officer, P.O. Box 1089, Fayetteville, NC 28302.

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 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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:

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 Transit Fund. This fund accounts for operation of the municipal transit system, capital asset acquisition, construction of transit facilities, and related improvements.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

The Airport Fund. This fund accounts for the operation and capital asset acquisition and construction of the Fayetteville Regional Airport.

The Environmental Services Fund. This 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.

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.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the Red Light Camera Program agency fund which accounts for collections of "red light camera" fines in excess of City expenses for the program by agreement with the Cumberland County School Board on a monthly basis.

In the prior year the City reported Pension Trust Fund; this fund accumulated contributions in order to pay retirement benefits to eligible participants. The Special Separation Allowance Pension Trust Fund accounted for the Law Enforcement Officers' Special Separation Allowance (LEOSSA), a single-employer, and public employee retirement system. In accordance with GASB 73, the resources and activity of the LEOSSA are reported in the general fund this year. (See Note 14)

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, 2016

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 proprietary funds are charges to customers for sales and services. Operating expenses for the City's proprietary 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, 2016

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.

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 fund is an intra-governmental service fund, which operates under a financial plan that was 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 and PWC are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City and PWC may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and PWC 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 and PWC 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).

The City's and PWC'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) external investment pool, is measured at amortized cost, 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

In accordance with State law, the City and PWC have 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 and PWC pool 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. For the purposes of the Statement of Cash Flows, the City and PWC consider all highly liquid investments with an original maturity date of three months or less to be 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, 2015.

Receivables

The receivables in the general fund consist primarily of sales taxes and utility taxes due from the State, which total \$10,334,053 and \$2,980,111, respectively. In addition, motor vehicle ad valorem taxes totaling \$1,284,574 were also due from the State.

Allowance for Uncollectible Receivables

The City and PWC provide 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

The receivables shown on the Statement of Net Position are presented net of the following allowances for doubtful accounts as of June 30, 2016:

General Fund	
Taxes receivable	\$ 970,262
Accounts receivable	301,375
Assessments receivable	355,296
Special Revenue Fund	
Notes receivable	1,482,606
Transit Fund	
Accounts receivable	74,831
Airport Fund	
Accounts receivable	4,419
Solid Waste Recycling Fund	
Accounts receivable	1,995
Storm Water Management Fund	
Accounts receivable	6,566
Total	\$ 3,197,350
Component Unit:	
Electric Fund	
Accounts receivable	\$ 347,191
Water and Wastewater Fund	
Accounts receivable	60,320
Total	\$ 407,511

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, 2016

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 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, 2016 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, pensions, 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.

The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-15 and F-16. 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

<u>Governmental Activities</u>	<u>Externally Restricted</u>
Restricted Cash and Investments	
General Fund	
For downtown	\$ 64,296
For county recreation	5,172,248
Unexpended capital lease proceeds	1,295,069
For Lake Valley Drive MSD	3,667
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	492,313
Unexpended donations	10,390
Transportation Fund	
For downtown	767,266
For Powell Bill	801,855
Economic and Physical Development Fund	
Unexpended debt proceeds	1,887
Recreational and Cultural Fund	
Unexpended grant proceeds	1,098,542
Total governmental activities - restricted cash and investments	<u>\$ 9,707,533</u>
 Restricted Receivables	
General Fund	
For county recreation	\$ 301,943
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	404
Recreational and Cultural Fund	
Unexpended grant proceeds	857
Total governmental activities - restricted accounts receivable	<u>\$ 303,204</u>
 Restricted Net Pension Liability	
	<u>\$ 5,411,665</u>
 Restricted Unearned Deposits (general fund)	
	<u>\$ 396,601</u>
 Restricted Accounts Payable	
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	\$ 5,987
Transportation Fund	
For Powell Bill	767,265
Total governmental activities - restricted accounts payable	<u>\$ 773,252</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

	Externally Restricted
<u>Business Type Activities</u>	
Restricted Cash and Investments	
Storm Water Fund	
Unexpended bond proceeds	\$ 1,555,351
Unearned bond deposits	1,212,932
Total Storm Water restricted cash and investments	2,768,283
Airport Fund	
Rental deposits	1,500
Unexpended grant proceeds	1,277,221
Total business type activities - restricted cash and investments	1,278,721
Total business type activities - restricted cash and investments	\$ 4,047,004
Restricted Accounts Receivable - unexpended grant proceeds (Airport Fund)	\$ 60,056
Restricted Accounts Payable - unearned grant proceeds (Airport Fund)	\$ 668
Restricted unearned deposits	
Airport Fund	\$ 1,500
Storm Water Fund	1,211,893
Total business type activities - restricted unearned deposits	\$ 1,213,393
Restricted Net Pension Liability	
Storm Water Fund	\$ 127,326
Airport Fund	87,299
Environmental Services Fund	220,388
Transit Fund	316,178
Total business type activities - restricted net pension liability	\$ 751,191

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

PWC's 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.

<u>Component Unit (PWC)</u>	<u>Externally Restricted</u>	<u>Internally Restricted Restricted</u>
Restricted Cash and cash equivalents		
Electric Fund	\$ 40,558,148	\$ 17,197,273
Water Fund	42,226,193	74,184,017
Total restricted cash and cash equivalents	<u>\$ 82,784,341</u>	<u>\$ 91,381,290</u>
Restricted Investments		
Electric Fund	\$ 43,580,429	\$ -
Water Fund	14,187,394	657,422
Total restricted investments	<u>\$ 57,767,823</u>	<u>\$ 657,422</u>
Collateral pledges in lieu of deposits (electric fund)	<u>\$ 359,800</u>	<u>\$ -</u>
Restricted Accounts receivable		
Electric Fund	\$ 96,259	\$ -
Water Fund	3,275,159	4,069
Total restricted accounts receivable	<u>\$ 3,371,418</u>	<u>\$ 4,069</u>
Restricted Accounts payable		
Electric Fund	\$ 7,706,467	\$ -
Water Fund	22,019,151	-
Total restricted accounts payable	<u>\$ 29,725,618</u>	<u>\$ -</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

The City and PWC define 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. 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.

The City holds title to certain PWC capital assets in accordance with PWC's charter. These assets have been reported separately in Note 3. PWC has full use of the assets, and full responsibility for maintenance thereof. The assets are reflected as capital assets in PWC's financial statements.

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

Asset Class	Estimated Useful Lives (Years)
Infrastructure	15 - 60
Buildings	40
Improvements	5 - 15
Vehicles	5 - 20
Furniture and equipment	5 - 10
Computer software	3
Computer equipment	3

Depreciation includes amortization of intangible assets.

PWC's 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 Utility Plant Systems are depreciated using the straight-line method over the estimated useful lives of 20 to 45 years. Other property and equipment are depreciated over estimated useful lives ranging from 5 to 15 years. All capital assets are depreciated using the straight-line method.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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. 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.

Compensated Absences

The vacation policy of the City and PWC 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.

The PWC’s sick leave policy for its 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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 2016 - 2017 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

G - Upcoming Pronouncements

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. 79, "Certain External Investment Pools and Pool Participants." The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for fiscal years beginning after December 15, 2015. However there was no material impact during fiscal year 2016.

GASB Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14." The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. However there was no material impact during fiscal year 2016.

GASB Statement No. 81, "Irrevocable Split-Interest Agreements." The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2016. However there was no material impact during fiscal year 2016.

GASB Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73." The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

H - Pronouncements Implemented

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.

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.

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.

Note 2 - Cash, Cash Equivalents, and Investments

A - Deposits (City and PWC)

All of the City and PWC'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 and PWC's agents in the City and PWC'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 and PWC'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, PWC, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and PWC 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

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

The City and PWC place 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 and PWC from time to time may have amounts on deposit in excess of the insured amounts.

At June 30, 2016, the City's demand deposits had a carrying amount of \$39,483,557 and a bank balance of \$40,826,602. Of the bank balance, Federal Deposit Insurance covered \$250,000, and \$40,576,602 was covered by collateral under the Pooling Method.

At June 30, 2016, the City had certificates of deposit totaling \$3,079,997 all covered by collateral under the Pooling Method.

The City had \$12,344 in the petty cash and change funds.

At June 30, 2016, PWC's demand deposits had a carrying amount of \$59,460,010 and a bank balance of \$56,339,680. Of the bank balance, Federal Deposit Insurance covered \$502,488, and \$55,837,192 was covered by collateral under the Pooling Method.

At June 30, 2016, PWC had certificates of deposit totaling \$10,092,840. PWC had \$4,800 in the petty cash and change funds.

B - Investments (City)

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, 2016, the City investment balances were as follows:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6	6 Mos - 1 Yr	1-5 Years
			Months		
U. S. Government Agencies	Fair Value - Level 1	\$ 25,010,505	\$ -	\$ -	\$25,010,505
Commercial Paper	Fair Value - Level 2	3,998,162	3,998,162	-	-
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	16,102,564	16,102,564	-	-
NC Capital Management Trust - Cash Portfolio	Amortized Cost	33,515,345	39,900,525	-	-
Total Primary Government		\$ 78,626,576	\$ 60,001,251	\$ -	\$25,010,505

Because the NC Capital Management Trust – Term Portfolio has a weighted average of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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, 2016, 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, 2016. The City's investments in U.S. 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, 2016.

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%

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Reconciliation to cash and investments (primary government):

Totals per footnote:

Total investments (including escrow)	\$ 78,626,576
Cash (demand deposits)	39,483,557
Certificates of Deposit	3,079,997
Firemen's Relief Fund Annuities	1,376,390
Petty Cash	12,344
Total cash and investments	<u>\$ 122,578,865</u>

Totals per Statement of Net Position

Cash and investments - unrestricted	\$ 107,313,762
Cash and investments - restricted	13,754,537
Private-purpose trust cash and investments	1,380,787
Agency	129,779
Total cash and investments	<u>\$ 122,578,865</u>

C - Investments (PWC)

At June 30, 2016, PWC had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	Maturities		
				6 Mos - 1 Yr	1-5 Years	6-10 Years
U. S. Government Agencies	Fair Value - Level 1	\$ 64,869,362	\$ -	\$ -	\$46,936,739	\$ 17,932,623
Commercial Paper	Fair Value - Level 2	78,636,059	49,812,696	28,823,363	-	-
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	6,725,353	6,725,353	-	-	-
NC Capital Management Trust - Cash Portfolio	Amortized Cost	122,368,396	122,368,396	-	-	-
Total PWC		<u>\$ 272,599,170</u>	<u>\$ 178,906,445</u>	<u>\$ 28,823,363</u>	<u>\$46,936,739</u>	<u>\$ 17,932,623</u>

Because the NC Capital Management Trust – Term Portfolio has a weighted average of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, PWC's investment policy limits at least half of PWC's investment portfolio to maturities of less than 12 months. Also, PWC's internal management policy requires that only purchases of treasuries and agency securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. PWC limits investments to the provisions of the G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. PWC's investment in the NC Capital Management Trust – Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2016. PWC's investment in the NC Capital Management Trust – Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, PWC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. PWC has no policy on custodial credit risk but management procedures are that PWC shall utilize a third party custodial agent for book entry transactions, all of which shall be held in PWC's name.

Concentration of Credit Risk. PWC limits investments to avoid over-concentration in securities from a specific issuer or business sector. More than 5% of PWC's investments are in JP Morgan securities, Toyota securities, Freddie Mac and Federal Home Loan commercial paper. These investments are 32%, 28%, 28% and 26%, respectively, of PWC's total investments.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government

	Restated * Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
Governmental activities					
Capital assets not being depreciated					
Land and land rights	\$ 39,908,809	\$ 264,047	\$ (625,000)	\$ -	\$ 39,547,856
Construction in progress	3,943,135	10,513,556	-	(2,013,551)	12,443,140
Total capital assets not being depreciated	<u>43,851,944</u>	<u>10,777,603</u>	<u>(625,000)</u>	<u>(2,013,551)</u>	<u>51,990,996</u>
Capital assets being depreciated:					
Infrastructure	458,701,234	10,123,290	-	373,469	469,197,993
Buildings and improvements	103,394,724	739,235	(34,291)	1,640,082	105,739,750
Equipment, furniture and fixtures	29,756,819	655,074	(46,400)	-	30,365,493
Computer software	6,013,303	150,313	-	-	6,163,616
Vehicles	33,859,741	4,290,161	(910,067)	-	37,239,835
Total capital assets being depreciated	<u>631,725,821</u>	<u>15,958,073</u>	<u>(990,758)</u>	<u>2,013,551</u>	<u>648,706,687</u>
Less accumulated depreciation for:					
Infrastructure	(226,933,570)	(12,758,919)	-	-	(239,692,489)
Buildings and improvements	(42,713,078)	(3,743,824)	34,292	-	(46,422,610)
Equipment, furniture and fixtures	(22,510,094)	(1,783,608)	46,400	-	(24,247,302)
Computer software	(4,570,469)	(396,825)	-	-	(4,967,294)
Vehicles	(24,061,743)	(2,501,455)	896,408	-	(25,666,790)
Total accumulated depreciation	<u>(320,788,954)</u>	<u>\$ (21,184,631)</u>	<u>\$ 977,100</u>	<u>\$ -</u>	<u>(340,996,485)</u>
Total capital assets being depreciated, net	<u>310,936,867</u>				<u>307,710,202</u>
General Governmental activity capital assets, net	<u>\$ 354,788,811</u>				<u>\$ 359,701,198</u>

Administration	\$ 614,946
Public Safety	4,134,015
Environment protection	194,853
Transportation	13,232,343
Economic and physical development	1,000,981
Recreation and community facilities	2,007,493
Total depreciation expense	<u>\$ 21,184,631</u>

*Restated beginning balance is related to the change in how PWC is reported in these financial statements. See Note 1.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3 - Capital Assets (continued)

	Restated * Balance July 1, 2015	Increases	Decreases	Transfers	Reclassification	Balance June 30, 2016
Business-type activities:						
Capital assets not being depreciated:						
Land and land rights	\$ 5,495,569	\$ 15,335	\$ -	\$ -	\$ -	\$ 5,510,904
Construction in progress	13,038,493	14,103,915	-	(9,536,955)	(90,768)	17,514,685
Total capital assets not being depreciated	<u>18,534,062</u>	<u>14,119,250</u>	<u>-</u>	<u>(9,536,955)</u>	<u>(90,768)</u>	<u>23,025,589</u>
Capital assets being depreciated:						
Buildings and improvements	80,787,390	33,788	-	9,311,897	90,768	90,223,843
Equipment, furniture and fixtures	8,203,149	331,516	(22,224)	-	-	8,512,441
Computer software	374,807	-	-	-	-	374,807
Vehicles	24,091,256	1,954,611	(65,816)	-	-	25,980,051
Infrastructure	38,734,092	148,276	-	225,058	-	39,107,426
Total capital assets being depreciated	<u>152,190,694</u>	<u>2,468,191</u>	<u>(88,040)</u>	<u>9,536,955</u>	<u>90,768</u>	<u>164,198,568</u>
Less accumulated depreciation for:						
Buildings and improvements	(43,055,114)	(3,684,852)	-	-	-	(46,739,966)
Equipment, furniture and fixtures	(5,608,763)	(662,492)	22,224	-	-	(6,249,031)
Computer software	(309,318)	(6,499)	-	-	-	(315,817)
Vehicles	(11,593,169)	(1,799,964)	65,816	-	-	(13,327,317)
Infrastructure	(16,851,470)	(573,497)	-	-	-	(17,424,967)
Total accumulated depreciation	<u>(77,417,834)</u>	<u>\$ (6,727,304)</u>	<u>\$ 88,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(84,057,098)</u>
Total capital assets being depreciated, net	<u>74,772,860</u>					<u>80,141,470</u>
Business-type activity capital assets, net	<u>\$ 93,306,922</u>					<u>\$ 103,167,059</u>
Storm Water Management	\$ 847,371					
Transportation	1,172,272					
Airport	3,865,160					
Environmental Services	842,501					
Total depreciation expense	<u>\$ 6,727,304</u>					

*Restated beginning balance is related to the change in how PWC is reported in these financial statements. See Note 1.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3 - Capital Assets (continued)

PWC (discretely presented component unit)

	Balance June 30, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
PWC					
Capital assets not being depreciated:					
Land and land rights	\$ 16,346,434	\$ 414,650	\$ -	\$ -	\$ 16,761,084
Construction in progress	<u>81,325,754</u>	<u>83,495,508</u>	<u>(2,080,444)</u>	<u>(85,977,296)</u>	<u>76,763,522</u>
Total Capital assets not being depreciated	<u>97,672,188</u>	<u>83,910,158</u>	<u>(2,080,444)</u>	<u>(85,977,296)</u>	<u>93,524,606</u>
Capital assets being depreciated:					
Electric utility system	419,392,463	277,760	(7,570,846)	26,052,949	438,152,326
Water sytem	316,444,594	90,985	(12,320,479)	43,571,289	347,786,389
Sewer system	467,325,876	101,794	-	13,692,176	481,119,846
Buildings	53,492,968	224,098	(5,366)	1,640,364	55,352,064
Equipment and machinery	29,940,297	1,212,660	(435,544)	-	30,717,413
Intangibles	36,576,389	1,336,519	-	521,286	38,434,194
Computer equipment	8,919,403	644,693	(293,193)	499,232	9,770,135
Vehicles	15,725,681	1,127,833	(414,070)	-	16,439,444
Office equipment	1,809,410	-	(14,236)	-	1,795,174
Total Capital assets being depreciated	<u>1,349,627,081</u>	<u>5,016,342</u>	<u>(21,053,734)</u>	<u>85,977,296</u>	<u>1,419,566,985</u>
Less accumulated depreciation for:					
Electric utility system	(243,527,941)	(11,570,907)	6,040,463	-	(249,058,385)
Water sytem	(125,529,364)	(8,219,813)	5,202,532	-	(128,546,645)
Sewer system	(175,332,455)	(9,949,863)	-	-	(185,282,318)
Buildings	(24,922,921)	(1,376,922)	4,118	-	(26,295,725)
Equipment and machinery	(19,044,728)	(1,354,172)	332,862	-	(20,066,038)
Intangibles	(20,740,749)	(2,287,932)	-	-	(23,028,681)
Computer equipment	(6,841,067)	(1,032,713)	292,916	-	(7,580,864)
Vehicles	(8,068,327)	(1,249,878)	382,957	-	(8,935,248)
Office equipment	(1,521,526)	(49,695)	14,236	-	(1,556,985)
Total accumulated depreciation:	<u>(625,529,078)</u>	<u>\$ (37,091,895)</u>	<u>\$ 12,270,084</u>	<u>\$ -</u>	<u>(650,350,889)</u>
Total capital assets being depreciated, net	<u>724,098,003</u>				<u>769,216,096</u>
PWC Capital assets, net	<u>\$ 821,770,191</u>				<u>\$ 862,740,702</u>

As disclosed in Note 1, the City holds title to certain PWC capital assets in accordance with PWC's charter. PWC has full use of the assets, and full responsibility for maintenance thereof. The assets are reflected as capital assets in PWC's financial statements.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4 - Accounts Payable

The City's unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2016:

	General	Nonmajor Governmental	Internal Service	Subtotal	Transportation	Airport	Storm Water Management	Environmental Services
Accounts payable	\$ 6,705,400	\$ 942,229	\$ 359,359	\$ 8,006,988	\$ 656,705	\$ 34,509	\$ 187,574	\$ 733,808
Incurring but not reported	-	-	3,617,672	3,617,672	-	-	-	-
Contracts payable	-	673,566	-	673,566	795,641	30,061	240,312	-
Interest payable	-	-	-	-	-	-	103,519	133
Retainage payable	7,129	256,416	-	263,545	333,918	11,642	130,219	-
Salaries and benefits payable	5,336,606	-	-	5,336,606	280,380	70,286	105,426	182,996
Total	<u>\$ 12,049,135</u>	<u>\$ 1,872,211</u>	<u>\$ 3,977,031</u>	<u>17,898,377</u>	<u>\$ 2,066,644</u>	<u>\$ 146,498</u>	<u>\$ 767,050</u>	<u>\$ 916,937</u>
Adjustment for interest payable				204,131				
				<u>\$ 18,102,508</u>				
Reconciliation to accounts payable on the financial statements:								
Unrestricted	\$ 12,049,135	\$ 1,098,959	\$ 3,977,031	\$ 17,125,125	\$ 2,066,644	\$ 145,830	\$ 767,050	\$ 916,937
Restricted	-	773,252	-	773,252	-	668	-	-
	<u>\$ 12,049,135</u>	<u>\$ 1,872,211</u>	<u>\$ 3,977,031</u>	<u>17,898,377</u>	<u>\$ 2,066,644</u>	<u>\$ 146,498</u>	<u>\$ 767,050</u>	<u>\$ 916,937</u>
Adjustment for interest payable				204,131				
				<u>\$ 18,102,508</u>				

At June 30, 2016, PWC's unrestricted accounts payable and accrued expenses balances were as follows:

	PWC
Trade Accounts payable	\$ 18,560,123
Payroll related	1,907,404
Interest payable	2,420,794
Incurring but not reported claims	1,951,600
Other	2,196,924
Total	<u>\$ 27,036,845</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations

A - General Obligation Indebtedness (City)

The City has issued general obligation bonds 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. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2016 are as follows:

Governmental activities

\$8,450,000 Public Improvement Bonds, Series 2005 due in various semi-annual installments through June 1, 2025; interest at various rates between 3.7% and 4.25%.	\$ 3,775,000
\$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>561,988</u> 4,336,988
Add: Unamortized Premium	<u>59,279</u>
Total governmental general obligation bonds	<u>\$ 4,396,267</u>

B - Revenue Bonds (City)

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, 2016 are as follows:

Business-type activities

\$10,595,000 Storm Water Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>\$ 7,925,000</u>
Total revenue bonds	<u>\$ 7,925,000</u>

Interest expense related to the revenue and general obligation bonds totaled \$516,143 for the year ended June 30, 2016 and of that amount, \$56,555 was capitalized during the year.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

Note 5 - Long-Term Obligations (continued)

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

Purpose	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2016
Series 2011 Storm water System	3.135%	8/11/2011	8/1/2026	\$ 10,595,000	\$ 7,925,000

Revenue bond debt service requirements to maturity are as follows:

Storm water revenue bonds

Year Ended	Principal	Interest	Totals
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	735,000	157,612	892,612
2022-2026	4,035,000	424,807	4,459,807
2027-2031	440,000	6,897	446,897
	<u>\$ 7,925,000</u>	<u>\$ 1,438,039</u>	<u>\$ 9,363,039</u>

As of June 30, 2016, 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 of Fayetteville	\$ 13,667,034
Trustee – NCCMT	<u>1,555,351</u>
Total	<u>\$ 15,222,385</u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$9,363,039 as of June 30, 2016. 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, 2016) 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, 2016

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service		
Stormwater fee revenues	\$ 6,769,910	
Other operating revenues	18,291	
Nonoperating revenue (expense)	197,360	
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest	-	
Unrealized gain/loss on investments	(5,452)	
Total revenues		6,980,109
Operating expenses	4,561,370	
Less adjustments for:		
Depreciation	(952,341)	
Change in OPEB accrual	(56,289)	
Total current expenses		3,552,740
Income Available for Debt Service		3,427,369
Unrestricted Cash, 6/30/15 (prior year)	11,671,004	
15% of unrestricted cash		1,750,651
Total resources available for debt service		\$ 5,178,019
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds – Principal	\$ 625,000	
Series 2011 Revenue Bonds – Interest	263,183	
		\$ 888,183
Total Available Resources Debt Service Coverage – Parity Indebtedness		5.83
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	625,000	
Series 2011 Revenue Bonds – Interest	263,183	
		\$ 913,213
Income Available for Debt Service Debt Service Coverage – All Indebtedness		3.75
Revenue Bond Covenant Requirement		1.00

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations (continued)

C - Notes Payable (City)

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 semi-annual 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 fixed rates, between 0.31% to 2.05%. The purpose of the note is for the financing of a community development project.

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 semi-annually.	\$ <u>300,000</u>
--	-------------------

Business-type activities

\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	167,577
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	<u>187,842</u>
Total business-type notes payable	<u>350,419</u>
Total notes payable	<u>\$ 650,419</u>

Interest expense related to the notes payable obligations totaled \$5,284 for the year ended June 30, 2016.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations (continued)

D - Lease Agreements (City)

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

Capital lease obligations are comprised of the following:

Governmental activities

Capital lease obligations payable in various semi-annual installments of approximately \$190,695 in 2017 including interest at rates ranging from 4.19%.	\$ 2,253,311
Capital lease obligations payable in various monthly installments of approximately \$90,916 in 2017 including interest at 1.2123%.	3,272,971
Capital lease obligations payable in annual installments of approximately \$829,887 in 2017 including interest at 1.772%.	2,489,660
Capital lease obligations payable in various semi-annual installments of approximately \$291,897 in 2017 including interest at 5.1%. The City receives a subsidy of 45% of interest cost from the Federal Government reducing the effective interest rate to 3.07%.	4,729,258
Capital lease obligations payable in various semi-annual installments of approximately \$218,875 in 2017 including interest at estimated 1.2940%.	4,723,746
Capital lease obligations payable in various semi-annual installments of approximately \$241,875 in 2017 including interest at estimated 1.3220%.	1,934,996
Capital lease obligations payable in various semi-annual installments of approximately \$97,366 in 2017 including interest at estimated 0.99221%.	<u>1,872,234</u>
	21,276,176
Less: amount representing interest	<u>(1,856,559)</u>
Present value of the minimum lease payments	<u>\$ 19,419,617</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations (continued)

Business-type activities

Capital lease obligations payable in various monthly installments of approximately \$12,298 in 2017 including interest at 1.2123%	\$ 442,732
Less: amount representing interest	(8,169)
Present value of the minimum lease payments	434,563
Total capital lease obligations	\$ 19,854,180

The following is an analysis of leased property under capital leases as of June 30, 2016:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 5,347,551	\$ 1,145,409	\$ 4,202,142
Vehicles	3,398,887	869,597	2,529,290
Buildings and improvement	21,011,255	2,215,446	18,795,809
Total	\$ 29,757,693	\$ 4,230,452	\$ 25,527,241

Interest expense related to the capital lease obligations totaled \$468,415 for the year ended June 30, 2016.

E - Changes in Long-Term Obligations (City)

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2016.

	Restated Balance * June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Governmental activities					
General obligation debt	\$ 6,021,842	\$ -	\$ 1,684,854	\$ 4,336,988	\$ 839,855
Revenue bonds	2,260,000	-	2,260,000	-	-
Notes payable	375,000	-	75,000	300,000	75,000
Capitalized leases	20,606,769	1,865,740	3,052,892	19,419,617	3,564,430
Compensated absences	6,263,347	7,085,828	6,091,957	7,257,218	4,860,510
Net pension liability (LGERS)	-	5,411,668	-	5,411,668	-
Net OPEB Obligation	19,479,602	2,337,676	-	21,817,278	-
	55,006,560	\$ 16,700,912	\$ 13,164,703	58,542,769	9,339,795
Add: Unamortized premium	295,979			59,279	-
Total governmental activities	\$ 55,302,539			\$ 58,602,048	\$ 9,339,795

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations (continued)

	Restated Balance *			Balance	Current
	June 30, 2015	Increases	Decreases	June 30, 2016	Portion
Business-type activities					
General obligation debt	\$ 2,613,161	\$ -	\$ 2,613,161	\$ -	\$ -
Revenue bonds	8,550,000	-	625,000	7,925,000	645,000
Notes payable	375,449	-	25,030	350,419	25,030
Capitalized leases	575,942	-	141,379	434,563	143,103
Compensated absences	658,399	936,386	860,718	734,067	734,067
Net pension liability (LGERS)	-	751,191	-	751,191	-
Net OPEB Obligation	1,722,201	330,851	-	2,053,052	-
	<u>\$ 14,495,152</u>	<u>\$ 2,018,428</u>	<u>\$ 4,265,288</u>	<u>\$ 12,248,292</u>	<u>\$ 1,547,200</u>

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

*Restated beginning balance is related to the change in how PWC is reported in these financial statements. See Note 1 for further information.

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations (continued)

F - Maturities of Long-Term Obligations (City)

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		Construction and Improvement Leases		Vehicle and Equipment Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 839,855	\$ 176,542	\$ 1,258,793	\$ 338,871	\$ 2,305,637	\$ 98,989
2018	529,474	143,798	1,270,896	299,304	2,338,587	66,038
2019	439,473	123,044	1,283,383	259,577	2,372,024	32,601
2020	439,093	105,465	1,296,267	219,685	478,999	4,755
2021	439,093	87,901	1,309,559	179,622	-	-
2022-2026	1,650,000	171,912	5,505,472	357,116	-	-
	4,336,988	808,662	11,924,370	1,654,175	7,495,247	202,383
Add: Unamortized premium	59,279	-	-	-	-	-
	<u>\$ 4,396,267</u>	<u>\$ 808,662</u>	<u>\$11,924,370</u>	<u>\$1,654,175</u>	<u>\$ 7,495,247</u>	<u>\$ 202,383</u>

Year Ended	Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest
2017	\$ 75,000	\$ 4,478	\$ 4,479,285	\$ 618,880
2018	75,000	3,443	4,213,957	512,583
2019	75,000	2,201	4,169,880	417,423
2020	75,000	768	2,289,359	330,673
2021	-	-	1,748,652	267,523
2022-2026	-	-	7,155,472	529,028
	300,000	10,890	24,056,605	2,676,110
Add: Unamortized premium	-	-	59,279	-
	<u>\$ 300,000</u>	<u>\$ 10,890</u>	<u>\$24,115,884</u>	<u>\$2,676,110</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

Note 5 - Long-Term Obligations (continued)

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).

Business-type activities

Year Ended	Revenue Bonds		Notes Payable		Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 645,000	\$ 243,433	\$ 25,030	\$ -	\$143,103	\$ 4,475	\$ 813,133	\$ 247,908
2018	665,000	223,055	25,030	-	144,847	2,730	834,877	225,785
2019	690,000	202,051	25,030	-	146,613	965	861,643	203,016
2020	715,000	180,184	25,030	-	-	-	740,030	180,184
2021	735,000	157,612	25,030	-	-	-	760,030	157,612
2022-2026	4,035,000	424,807	125,150	-	-	-	4,160,150	424,807
2027-2031	440,000	6,897	100,119	-	-	-	540,119	6,897
	<u>\$7,925,000</u>	<u>\$1,438,039</u>	<u>\$350,419</u>	<u>\$ -</u>	<u>\$434,563</u>	<u>\$ 8,170</u>	<u>\$8,709,982</u>	<u>\$1,446,209</u>

G - Legal Debt Margin (City)

The legal debt margin of the City at June 30, 2016 approximated \$1,105,267,496.

H - Authorized but Un-issued Debt (City)

At June 30, 2016, the City had \$35,000,000 Parks and Recreation bonds authorized but un-issued.

At June 30, 2016, the City had \$1,700,000 refunding bonds authorized but un-issued.

I - Changes in Long-Term Obligations (PWC)

The following is a summary of changes in the PWC's long-term obligations for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Business-type activities					
General obligation debt	\$ 2,613,158	\$ -	\$ 1,545,145	\$ 1,068,013	\$ 375,145
Revenue bonds	216,215,000	115,485,683	51,360,683	280,340,000	17,220,000
Notes payable	33,792,073	3,663,704	12,214,427	25,241,350	1,369,645
Compensated absences	3,564,813	7,202,610	7,133,298	3,634,125	1,996,053
Net pension liability (LRS)	-	2,229,045	-	2,229,045	-
Net OPEB Obligation	7,304,993	8,552,147	7,304,993	8,552,147	-
	<u>263,490,037</u>	<u>\$ 137,133,189</u>	<u>\$ 79,558,546</u>	<u>321,064,680</u>	<u>20,960,843</u>
Add: Unamortized premium	17,485,261			25,706,846	-
Less: Unamortized discount	(19,778)			(3,061)	-
Total business-type activities	<u>\$ 280,955,520</u>			<u>\$ 346,768,465</u>	<u>\$ 20,960,843</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Long-Term Obligations (continued)

PWC has pledged future utility revenues, net of specified operating expenses to repay \$393,750,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2016. 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 2041. The total principal and interest remaining to be paid on the bonds is \$397,321,436. Principal and interest paid for the current year and total customer revenues were \$27,270,461 and \$302,408,510, 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 PWC through funding a reserve fund account with an investment in the full amount of the bond requirement. PWC is in compliance with all such significant covenants at June 30, 2016.

J - Net Investment in Capital Assets (City and PWC)

	City		PWC
	Government Activities	Business-Type Activities	
Capital Assets, Net	\$ 359,701,197	\$ 103,167,059	\$ 862,870,577
Less: Long term debt related to capital assets	(22,662,955)	(8,709,982)	(306,649,363)
Less: Unamortized bond premium	(59,279)	-	(25,706,846)
Add: Unamortized bond discount	-	-	3,061
Add: Unspent bond/lease proceeds	1,296,956	1,555,351	-
Add: Unamortized bond refunding charges	17,519	-	6,035,311
	\$ 338,293,438	\$ 96,012,428	\$ 536,552,740

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 statements were as follows:

	<u>Unavailable Revenue</u>
Amounts arising from cash:	
Unearned revenue (General)	\$ 23,786
Unearned grant receipts (Special Revenue)	2,199
Unearned grant receipts (Capital Projects)	354,479
Prepaid retiree insurance premiums (Internal Service)	11,780
Unearned revenue (Enterprise)	<u>35,611</u>
 Total	 <u>\$ 427,855</u>

In addition, the City had \$396,601 of Restricted unearned revenue in the general fund.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016.

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.

For the City, refunding and defeasance losses of \$17,519 (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. For the PWC, carrying values of the certain Revenue Bonds have been adjusted for the loss from defeasance (net of amortization) of \$6,035,311.

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, 2016. For the City, the amounts reported totaled \$4,535,264 and \$640,966 for governmental activities and business-type activities, respectively. For the PWC, the amount reported totaled \$6,430,008.

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

	Unavailable Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ -	\$ 6,874
Taxes receivable, net (General)	1,740,614	-
Accounts and notes receivable (General)	177,318	-
Special assessments receivable, net (General)	1,319,413	-
	\$ 3,237,345	\$ 6,874

In the government-wide financial statements, deferred inflows of resources consists of prepaid taxes (\$6,874 for the City) and pension deferrals at June 30, 2016. For the City, pension deferrals reported as a deferred inflow of resources totaled \$3,060,962 and \$448,054 for governmental activities and business-type activities, respectively. For the PWC, the amount reported totaled \$1,310,328.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 - Risk Management

The City is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$150,000 per individual and approximately \$16,604,161 for all employees for the policy period ending June 30, 2016), general liability (up to \$500,000 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 \$500,000 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.

At June 30, 2016, a liability for incurred but not reported claims of \$3,897,947 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City is presented below.

	2016	2015
Liability at June 30, 2015	\$ 3,501,067	\$ 3,440,684
Current year claims and changes in estimates	15,701,171	14,431,903
Actual claim payments	(15,304,291)	(14,371,520)
 Liability at June 30, 2016	 \$ 3,897,947	 \$ 3,501,067

The City 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.

In accordance with G.S. 159-29, City employees 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9 - Commitments and Contingent Liabilities

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

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

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

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

The City has authorized expenditures totaling approximately \$172.6 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, environmental protection, Linear Park, storm water, transit, and airport projects. At June 30, 2016, cumulative expenditures to date totaled approximately \$131.1 million leaving an unexpended balance of \$41.5 million for projects that are expected to be completed at various dates in future fiscal years.

Note 10 - Employee Retirement Systems

A - Local Governmental Employees' Retirement System (City and PWC)

Plan Description. The City and PWC are participating employers 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 serve 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Employee Retirement Systems (continued)

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 City and PWC'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, 2016 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, is expected to finance the costs of benefits earned by employees during the year. The Commission's contractually required contribution rate for the year ended June 30, 2016 was 11.90% for general employees. Contributions to the pension plan from the City and PWC were \$5,145,699 and \$4,374,094, respectively, for the year ended June 30, 2016.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

Note 10 - Employee Retirement Systems (continued)

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

At June 30, 2016, the City and PWC reported a liability of \$6,162,859 and \$2,521,055 (\$292,010 of amount was reported in other liabilities), respectively, for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City and PWC's proportion of the net pension liability 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, 2015, the City's proportion was 1.373%, which was an increase of 0.013% from its proportion measured as of June 30, 2014. At June 30, 2015, PWC's proportion was 0.561%, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City and PWC recognized pension expense of \$2,743,866 and \$1,696,282, respectively. At June 30, 2016, the City and PWC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>City:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,448,641
Net Difference between projected and actual earnings on pension plans investments	-	1,754,551
Changes in proportion and differences between City contributions and proportionate share of contributions	30,531	305,824
City contributions subsequent to the measurement date	5,145,699	-
	<u>\$ 5,176,230</u>	<u>\$ 3,509,016</u>
<u>PWC:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 592,592
Net Difference between projected and actual earnings on pension plans investments	-	717,736
Changes in proportion and differences between City contributions and proportionate share of contributions	2,055,913	-
City contributions subsequent to the measurement date	4,374,095	-
	<u>\$ 6,430,008</u>	<u>\$ 1,310,328</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Employee Retirement Systems (continued)

\$5,145,699 (City) and \$4,374,095 (PWC) reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	City	PWC
2017	\$ (2,114,195)	\$ (291,023)
2018	(2,114,195)	(291,023)
2019	(2,112,079)	(291,108)
2020	2,861,984	1,618,739
2021	-	-
Thereafter	-	-
	\$ (3,478,485)	\$ 745,585

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

Note 10 - Employee Retirement Systems (continued)

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.00%	2.20%
Global Equity	42.00%	5.80%
Real Estate	8.00%	5.20%
Alternatives	8.00%	9.80%
Credit	7.00%	6.80%
Inflation Protection	6.00%	3.40%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.0%. All rates of return and inflation are annualized.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

Note 10 - Employee Retirement Systems (continued)

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:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
City's proportionate share of the net pension liability (asset)	\$42,974,336	\$6,162,839	\$(24,850,032)
PWC's proportionate share of the net pension liability (asset)	\$17,579,668	\$2,521,055	\$(10,165,493)

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 covers all full-time City law enforcement officers. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	33
Active plan members	<u>434</u>
Total	<u><u>467</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the general fund, which is maintained on the modified accrual basis of accounting. 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, 2016

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. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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 on a pay as you go basis through appropriations made in the general fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 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, 2014 was 16 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	\$ 982,681
Interest on net pension obligation	(31,391)
Adjustment to annual required contribution	55,170
Annual pension cost	<u>1,006,460</u>
Contributions made	<u>1,052,756</u>
Increase (decrease) in net pension obligation	(46,296)
Net prepaid pension obligation beginning of year	<u>(627,820)</u>
Net prepaid pension obligation end of year	<u>\$ (674,116)</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

Note 10 - Employee Retirement Systems (continued)

Three-Year Trend Information			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
Ending	Cost (APC)	Contributed	Obligation
2014	\$ 764,426	106.16%	\$ (610,580)
2015	945,323	101.82%	(627,820)
2016	1,006,460	104.60%	(674,116)

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$12,426,296. The covered payroll (annual payroll of active employees covered by the plan) was \$25,442,283 and the ratio of the UAAL to the covered payroll was 48.84%.

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 liability for benefits.

C – NC 401(k) Plan

Beginning in January 2016, the City contributes to the NC 401(k) Plan (401(k)), a defined contribution plan administered by the North Carolina Total Retirement Plans. The City contributes 1% of employee base pay to the 401(k) on behalf of eligible employees. This plan is available to all non-law enforcement employees that are eligible for the NC Retirement System. The City contributed \$232,741 for the year ended June 30, 2016.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Employee Retirement Systems (continued)

D - Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to 5% 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. The City contributed \$1,167,167 for the year ended June 30, 2016.

Note 11 - Other Postemployment Benefits (OPEB)

A - Primary Government

In addition to the pension benefits described in Note 10, the City 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 20 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, 2014, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	606
Active plan members	<u>1,504</u>
Total	<u><u>2,110</u></u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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 3.91% of annual covered payroll as reflected in the latest actuarial valuation. For the current year, the City contributed \$1,190,688 or 1.62% of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$16,604,161 for all employees and retirees for the policy ending June 30, 2016. Retiree members contributed \$340,243 or 0.45% 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. Postemployment 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 postemployment 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 30 years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2016, 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)	\$ 3,707,863
Interest on net OPEB obligation	848,072
Adjustment to annual required contribution	(810,172)
Annual OPEB cost (expense)	3,745,763
Contributions Made	(1,077,238)
Increase (decrease) in net OPEB obligation	2,668,525
Net OPEB obligation, beginning of the year	21,201,805
Net OPEB obligation, end of the year	\$ 23,870,330

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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 2014 through 2016 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>
2014	\$ 3,209,660	29.00%	\$ 18,790,635
2015	3,633,457	33.63%	21,201,805
2016	3,745,763	31.80%	23,870,330

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$33,398,173. The covered payroll (annual payroll of active employees covered by the plan) was \$73,445,284 and the ratio of the UAAL to the covered payroll was 45.5%. 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, 2015 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.00% 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% annually. Both rates included a 3.00% 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, 2015 was 30 years.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

B - PWC

PWC administers the Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan. This plan provides postemployment healthcare benefits to retirees and their dependents up to the age of 65. The PWC may amend the benefit provisions.

Membership in the PWC's healthcare benefit plan consisted of the following at June 30, 2016:

Retirees	98
Active members	<u>533</u>
Total	<u>651</u>

Funding Policy. PWC and the qualified retirees share in the cost of coverage. Also, the PWC's retirees can purchase coverage for their dependents at PWC's group rates. PWC 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% of annual covered payroll. The PWC 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. PWC'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 30 years. The following table shows the components of PWC's annual OPEB cost for the fiscal year ended June 30, 2016.

Annual Required Contribution (ARC)	\$ 2,832,992
Interest on net OPEB obligation	292,200
Adjustment to annual required contribution	<u>(529,612)</u>
Annual OPEB cost (expense)	2,595,580
Contributions Made	<u>(1,348,426)</u>
Increase (decrease) in net OPEB obligation	1,247,154
Net OPEB obligation, beginning of the year	<u>7,304,993</u>
Net OPEB obligation, end of the year	<u>\$ 8,552,147</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

PWC's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 through 2016 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>
2014	\$ 1,941,878	65.65%	\$ 5,970,407
2015	2,739,818	51.29%	7,304,993
2016	2,595,580	51.95%	8,552,147

As of June 30, 2016, 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, 2016 was \$36,757,085 and the ratio of the UAAL to the covered payroll was 84.97 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% 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% annually. Both rates included a 2.50% 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, 2016

Note 12 - Interfund Balances and Activity

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2016 consist of the following:

Transfers to/from Other Funds

Transfer out:	Transfer in:					Total
	General	Nonmajor Governmental	Transit	Environmental Services	Internal Service	
General	\$ -	\$ 10,103,884	\$ 3,498,013	\$ 7,236,436	\$ 807,045	\$ 21,645,378
Nonmajor Governmental	2,544,257	665,782	24,150	-	-	3,234,189
Internal Service	-	495,000	-	-	-	495,000
Totals	\$ 2,544,257	\$ 11,264,666	\$ 3,522,163	\$ 7,236,436	\$ 807,045	\$ 25,374,567

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.

Transfers totaling \$10,103,884 were made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$6,215,655 for transportation projects including street resurfacing and improvements, street lighting and sidewalk improvements, and transportation and railroad crossing improvement project commitments under municipal agreements; \$1,147,128 for general government projects including major facility maintenance projects and computer replacements; \$2,262,218 for recreation and cultural projects consisting of an aquatics facility and playground equipment improvements; \$142,000 for a public safety project; and \$200,000 for economic development. Additionally, transfers to special revenue funds included \$136,883 transferred for local matches for Federal and State funded programs.

The general fund made transfers to enterprise funds to support environmental services operations and transit system operations, planning functions and capital purchases.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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	\$ 61,868,417
Less:	
Inventories	49,027
Prepays	23,610
Stabilization by State Statute	19,050,127
Central Business Tax District	64,296
Cumberland County Recreation District	5,172,248
Donations	14,581
Lake Valley Drive MSD	3,667
Law Enforcement Officers' Separation Allowance	3,774,601
Appropriated Fund Balance in 2017 budget	2,933,364
Specific purpose assignments	7,073,344
Capital funding plan	639,066
Working Capital/Fund Balance Policy	16,316,503
Remaining Fund Balance	\$ 6,753,983

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
\$ 5,618,894	\$ 1,687,244	\$ 3,931,650

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 14 - Changes in Accounting Principle Restatements

As discussed in Notes 1 and 10.b. Amendments to Certain Provisions of GASB 67 and 68, which relates to reporting of the Law Enforcement Special Separation Allowance. As a result, beginning net position of the Governmental activities and fiduciary funds, as well as fund balance of the General Fund have been restated, resulting in a prior period adjustment of \$3,326,945. The prior period adjustment to the fiduciary fund (Pension Trust Fund) totally eliminated this fund and effectively combined it into the General Fund and Governmental Activities.

Note 15 – Related Party transactions

The PWC, a discretely component unit of the City, provides electric and water and wastewater services to the City. Services which are billed monthly, totaled \$1,690,269 in 2016. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions with the PWC amounted to \$9,016,320 in 2016. Balances due to/from the PWC were as follows:

Receivables (due from PWC)	<u>\$ 790,488</u>
Payables (due to PWC)	\$ 923,652
Assessments (due to PWC)	5,312,380
Assessments interest (due to PWC)	<u>277,901</u>
Total due to PWC	<u>\$ 6,513,933</u>

Note 16 - Subsequent Events

Management has evaluated subsequent events through December 14, 2016 in connection with the preparation of these financial statements, which is the date of the financial statements were available to be issued.

**Required
Supplementary
Information**

2016



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%	21,757,828	27.20%
12/31/2015	-	12,426,296	12,426,296	0.00%	25,442,283	48.84%

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2014 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2014 was 16 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
2016	1,006,460	104.60%	1,052,756

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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	3.57%
Projected salary increases*	3.50-7.35%
* 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%
12/31/2015	-	33,398,173	33,398,173	0.00%	73,445,284	45.47%

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>
2012	\$ 3,332,873	\$ 989,203	29.68%
2014	3,180,144	930,763	29.27%
2016	3,707,863	1,190,688	32.11%

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, 2015
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

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset) (%)	1.37320%	1.91929%
City's proportion of the net pension liability (asset) (\$)	\$ 6,162,839	\$ (11,318,942)
City's covered-employee payroll	\$ 74,606,039	\$ 107,418,002
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.26%	-10.54%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%

* 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>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,145,668	\$ 9,552,218
Contributions in relation to the contractually require contribution	5,145,668	9,552,218
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 74,606,039	\$ 107,418,002
Contributions as a percentage of covered-employee payroll	6.90%	8.89%

Supplementary Information

2016

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.



Governmental Funds

2016



- 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.

General Fund

2016

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

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

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



CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2016 and 2015

ASSETS	2016	2015
Cash and investments	\$ 50,371,188	\$ 47,684,218
Taxes receivable	1,854,147	2,088,931
Accounts receivable	17,358,628	15,926,980
Assessments receivable	1,088,335	1,303,173
Inventories	49,027	98,006
Prepaid Items	23,610	19,016
Restricted accounts receivable	301,943	17,756
Restricted cash and investments	6,535,280	6,438,375
Total assets	\$ 77,582,158	\$ 73,576,455
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 12,049,135	\$ 8,581,681
Restricted unearned deposits	396,601	604,687
Unearned revenue	23,786	60,265
Total liabilities	12,469,522	9,246,633
Deferred inflows of resources		
Taxes receivable	1,740,614	2,035,862
Accounts receivable	177,318	239,261
Assessment receivable	1,319,413	1,511,172
Prepaid taxes	6,874	6,819
Total deferred inflows of resources	3,244,219	3,793,114
Fund balances		
Nonspendable		
For inventories	49,027	98,006
For prepaids	23,610	19,016
Restricted		
Stabilization by State Statute	19,050,127	18,827,161
For downtown	64,296	63,324
For Lake Valley Drive MSD	3,667	230
For county recreation	5,172,248	5,351,164
For capital projects	-	153,032
For donations	14,581	13,655
Committed		
Law Enforcement Officers' Special Separation Allowance	3,774,601	-
Assigned		
For subsequent year's expenditures	2,933,364	5,825,779
For special purpose	7,073,344	6,997,110
For capital projects	639,066	1,558,212
Unassigned	23,070,485	21,630,019
Total fund balances	61,868,417	60,536,708
Total liabilities, deferred inflows of resources and fund balances	\$ 77,582,158	\$ 73,576,455

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
With Comparative Actual Statements for the Year Ended June 30, 2015

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 67,880,862	\$ 609,877	\$ 68,490,739	\$ 67,631,828
Prior year	426,399	(29)	426,370	653,963
Interest and penalties	268,001	(8,563)	259,438	288,016
Total ad valorem taxes	68,575,262	601,285	69,176,547	68,573,807
Other taxes				
Vehicle license tax	637,460	(2,202)	635,258	669,877
Privilege license	8,500	8,618	17,118	914,705
Gross receipts tax on rental property	600,860	56,783	657,643	601,149
Total other taxes	1,246,820	63,199	1,310,019	2,185,731
Unrestricted intergovernmental				
Local option sales tax	38,958,113	(193,969)	38,764,144	37,214,408
Payment in lieu of taxes	-	9,487,800	9,487,800	-
Telecommunications sales tax	1,474,800	(142,683)	1,332,117	1,578,634
Utilities sales tax	8,658,000	1,311,227	9,969,227	9,409,115
Piped natural gas sales tax	370,300	(50,355)	319,945	291,976
Video franchise fee	2,339,200	(95,981)	2,243,219	2,394,732
Beer and wine tax	995,700	(79,075)	916,625	1,003,800
County - other	293,059	5,216	298,275	241,314
Local - public safety	329,400	(7,436)	321,964	325,423
Local - other	16,488	(4,209)	12,279	11,634
Total unrestricted intergovernmental	53,435,060	10,230,535	63,665,595	52,471,036
Restricted intergovernmental				
Federal - public safety	818,300	20,136	838,436	462,110
Federal - other	86,499	228	86,727	94,990
Powell Bill allocation	5,493,066	(40,012)	5,453,054	5,534,879
State - other	16,680	4,121	20,801	28,155
State - public safety	73,000	47,368	120,368	77,558
County recreation	2,148,000	881,551	3,029,551	3,448,489
County - other	670,279	(84,653)	585,626	106,338
Local - other	88,695	-	88,695	88,695
Total restricted intergovernmental	9,394,519	828,739	10,223,258	9,841,214
Permits and fees	2,418,200	(41,169)	2,377,031	2,324,735
Sales and services				
Property leases	830,020	(155,808)	674,212	556,821
Engineering/planning services	506,550	(23,478)	483,072	503,619
Public safety services	1,091,127	37,581	1,128,708	1,109,713
Recreation and cultural services	1,522,080	191,427	1,713,507	1,544,483
Parking revenues	149,346	(12,336)	137,010	162,675
Other fees and services	267,937	45,136	313,073	225,675
Total sales and services	4,367,060	82,522	4,449,582	4,102,986
Miscellaneous				
Refunds and sundry	317,219	185,736	502,955	210,203
Indirect cost allocation	1,811,185	261,319	2,072,504	1,878,079
Special use assessment	168,000	335,715	503,715	221,208
Total miscellaneous	2,296,404	782,770	3,079,174	2,309,490
Interest earned on investments	284,020	94,668	378,688	321,385
Total revenues	142,017,345	12,642,550	154,659,895	142,130,384

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
With Comparative Actual Statements for the Year Ended June 30, 2015

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Expenditures				
Current				
Administration				
Legislative				
Salaries and employee benefits	\$ 466,671	\$ 29,920	\$ 436,751	\$ 422,892
Other operating expenditures	569,296	121,927	447,369	267,570
	<u>1,035,967</u>	<u>151,847</u>	<u>884,120</u>	<u>690,462</u>
City attorney				
Salaries and employee benefits	927,499	34,869	892,630	832,613
Other operating expenditures	614,856	106,355	508,501	876,854
Cost redistribution	-	-	-	(27,000)
	<u>1,542,355</u>	<u>141,223</u>	<u>1,401,132</u>	<u>1,682,467</u>
Executive				
Salaries and employee benefits	2,018,632	33,619	1,985,013	1,534,225
Other operating expenditures	516,755	60,715	456,040	374,223
Capital outlay	31,747	16	31,731	-
	<u>2,567,134</u>	<u>94,350</u>	<u>2,472,784</u>	<u>1,908,448</u>
Human resources development				
Salaries and employee benefits	1,007,746	85,996	921,750	916,059
Other operating expenditures	231,728	42,456	189,272	228,766
Capital outlay	4,934	4,934	-	-
	<u>1,244,408</u>	<u>133,386</u>	<u>1,111,022</u>	<u>1,144,825</u>
Corporate communications				
Salaries and employee benefits	668,137	586	667,551	564,539
Other operating expenditures	240,910	18,645	222,265	141,230
Capital outlay	-	-	-	-
Inventory	125,280	17,248	108,032	98,853
Cost redistribution	(169,000)	(11,173)	(157,827)	(222,586)
	<u>865,327</u>	<u>25,306</u>	<u>840,021</u>	<u>582,036</u>
Information technology				
Salaries and employee benefits	2,035,023	53,331	1,981,692	1,847,400
Other operating expenditures	2,859,462	583,778	2,275,684	1,812,074
Capital outlay	176,131	137,144	38,987	159,645
Cost redistribution	(70,000)	2,560	(72,560)	-
	<u>5,000,616</u>	<u>776,813</u>	<u>4,223,803</u>	<u>3,819,119</u>
Human relations				
Salaries and employee benefits	253,386	68,288	185,098	234,203
Other operating expenditures	64,610	11,794	52,816	37,176
Payments to agencies	11,325	-	11,325	8,463
	<u>329,321</u>	<u>80,082</u>	<u>249,239</u>	<u>279,842</u>
Finance				
Salaries and employee benefits	1,368,530	1,528	1,367,002	1,154,160
Other operating expenditures	1,239,944	165,645	1,074,299	1,015,368
	<u>2,608,474</u>	<u>167,173</u>	<u>2,441,302</u>	<u>2,169,528</u>
General government				
Salaries and employee benefits	1,430,875	27,526	1,403,349	1,388,045
Other operating expenditures	11,852,191	187,807	11,664,384	9,379,461
Inventory	1,279,850	397,392	882,458	1,350,337
Payments to agencies	-	-	-	-
Cost redistribution	(1,334,850)	(409,437)	(925,413)	(1,383,563)
	<u>13,228,066</u>	<u>203,288</u>	<u>13,024,778</u>	<u>10,734,280</u>
Public buildings				
Salaries and employee benefits	901,953	1,490	900,463	855,455
Other operating expenditures	943,721	51,049	892,672	820,752
Capital outlay	132,530	3,474	129,056	22,243
	<u>1,978,204</u>	<u>56,013</u>	<u>1,922,191</u>	<u>1,698,450</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
With Comparative Actual Statements for the Year Ended June 30, 2015

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Expenditures (continued)				
Current (continued)				
Administration				
Real Estate				
Salaries and employee benefits	\$ 237,308	\$ 40	\$ 237,268	\$ 233,678
Other operating expenditures	16,048	235	15,813	10,161
Capital outlay	336	-	336	-
	<u>253,692</u>	<u>275</u>	<u>253,417</u>	<u>243,839</u>
Budget and Evaluation				
Salaries and employee benefits	418,535	12	418,523	291,698
Other operating expenditures	53,775	3,568	50,207	25,353
	<u>472,310</u>	<u>3,580</u>	<u>468,730</u>	<u>317,051</u>
Total Administration	<u>31,125,874</u>	<u>1,833,337</u>	<u>29,292,537</u>	<u>25,270,347</u>
Public Safety				
Police				
Salaries and employee benefits	40,483,333	759,172	39,724,161	38,973,425
Other operating expenditures	8,398,681	859,277	7,539,404	7,154,112
Capital outlay	3,383,744	436,195	2,947,549	1,554,895
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	(1,105)	(1)	(1,104)	(52,936)
	<u>52,267,653</u>	<u>2,054,643</u>	<u>50,213,010</u>	<u>47,632,496</u>
Fire				
Salaries and employee benefits	21,225,228	8,571	21,216,657	20,451,164
Other operating expenditures	4,789,065	338,641	4,450,424	3,219,645
Capital outlay	840,727	117,521	723,206	570,969
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>26,780,020</u>	<u>464,733</u>	<u>26,315,287</u>	<u>24,166,778</u>
Permitting & inspections				
Salaries and employee benefits	1,820,318	122,119	1,698,199	1,532,099
Other operating expenditures	263,263	94,181	169,082	163,633
Capital outlay	59,500	30,225	29,276	77,089
	<u>2,143,081</u>	<u>246,525</u>	<u>1,896,556</u>	<u>1,772,821</u>
Planning & code enforcement				
Salaries and employee benefits	847,526	6,741	840,785	857,576
Other operating expenditures	598,823	198,735	400,088	547,697
	<u>1,446,349</u>	<u>205,476</u>	<u>1,240,873</u>	<u>1,405,273</u>
Law Enforcement Officers' Special Separation Allowance				
Salaries and employee benefits	1,058,496	435,526	622,970	-
	<u>1,058,496</u>	<u>435,526</u>	<u>622,970</u>	<u>-</u>
Total public safety	<u>83,695,599</u>	<u>3,406,903</u>	<u>80,288,696</u>	<u>74,977,368</u>
Environmental protection				
Cemeteries				
Salaries and employee benefits	115,651	37	115,614	104,407
Other operating expenditures	25,841	1,374	24,467	19,572
Capital outlay	45,000	45,000	-	16,376
	<u>186,492</u>	<u>46,411</u>	<u>140,081</u>	<u>140,355</u>
Urban forestry				
Salaries and employee benefits	168,228	47	168,181	150,350
Other operating expenditures	37,305	10,379	26,926	16,952
	<u>205,533</u>	<u>10,426</u>	<u>195,107</u>	<u>167,302</u>
Total environmental protection	<u>392,025</u>	<u>56,837</u>	<u>335,188</u>	<u>307,657</u>
Transportation				
Streets				
Salaries and employee benefits	3,458,783	3,658	3,455,125	3,303,086
Other operating expenditures	2,630,436	218,659	2,411,777	1,780,282
Capital outlay	684,562	317,722	366,840	192,225
	<u>6,773,781</u>	<u>540,039</u>	<u>6,233,742</u>	<u>5,275,593</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
With Comparative Actual Statements for the Year Ended June 30, 2015

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Expenditures (continued)				
Current (continued)				
Transportation				
Engineering				
Salaries and employee benefits	\$ 1,350,757	\$ 271	\$ 1,350,486	\$ 1,333,881
Other operating expenditures	437,466	106,221	331,245	180,965
Capital outlay	25,051	28	25,023	43,795
	<u>1,813,274</u>	<u>106,520</u>	<u>1,706,754</u>	<u>1,558,641</u>
Parking				
Other operating expenditures	355,629	24,581	331,048	402,549
Total transportation	<u>8,942,684</u>	<u>671,139</u>	<u>8,271,545</u>	<u>7,236,783</u>
Economic and physical development				
Central business district				
Other operating expenditures	146,690	2,944	143,746	57,052
Cost redistribution	-	-	-	22,636
	<u>146,690</u>	<u>2,944</u>	<u>143,746</u>	<u>79,688</u>
Community development				
Salaries and employee benefits	217,441	33,537	183,904	194,415
Other operating expenditures	312,675	100,434	212,241	346,095
Capital outlay	11,622	11,422	200	-
Payments to agencies	35,353	-	35,353	28,125
Cost redistribution	-	-	-	(22,636)
	<u>577,091</u>	<u>145,393</u>	<u>431,698</u>	<u>545,999</u>
Planning and development				
Salaries and employee benefits	1,029,304	1,380	1,027,924	839,093
Other operating expenditures	291,829	162,283	129,546	160,959
Payments to agencies	18,500	17,986	514	1,703
	<u>1,339,633</u>	<u>181,649</u>	<u>1,157,984</u>	<u>1,001,755</u>
Lake Valley Drive MSD				
Other operating expenditures	3,531	3,531	-	15,863
Economic and Business Development				
Salaries and employee benefits	300,639	121,080	179,559	85,638
Other operating expenditures	754,218	171,851	582,367	241,628
Payments to agencies	542,774	171,472	371,302	214,726
Cost redistribution	(157,500)	-	(157,500)	-
	<u>1,440,131</u>	<u>464,403</u>	<u>975,728</u>	<u>541,992</u>
Total economic and physical development	<u>3,507,076</u>	<u>797,920</u>	<u>2,709,156</u>	<u>2,185,297</u>
Recreation and community facilities				
Parks and recreation				
Salaries and employee benefits	8,117,735	111,827	8,005,908	7,554,261
Other operating expenditures	4,789,381	520,637	4,268,744	4,111,137
Capital outlay	1,251,923	256,462	995,461	362,611
Payments to agencies	179,250	-	179,250	179,250
	<u>14,338,289</u>	<u>888,926</u>	<u>13,449,363</u>	<u>12,207,259</u>
Debt service				
Principal	4,509,917	-	4,509,917	4,667,270
Interest	768,527	51,939	716,588	809,269
Total debt service	<u>5,278,444</u>	<u>51,939</u>	<u>5,226,505</u>	<u>5,476,539</u>
Total expenditures	<u>147,279,991</u>	<u>7,707,002</u>	<u>139,572,989</u>	<u>127,661,250</u>
Revenues over (under) expenditures	<u>(5,262,646)</u>	<u>20,349,552</u>	<u>15,086,906</u>	<u>14,469,134</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016

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

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Other financing sources (uses)				
Sale of capital assets	\$ 125,000	\$ 15,302	\$ 140,302	\$ 168,430
Appropriated fund balance	14,023,563	(14,023,563)	-	-
Transfers in	12,031,981	(9,487,724)	2,544,257	16,529,635
Transfers (out)	(22,796,575)	1,151,197	(21,645,378)	(26,936,376)
Proceeds from loans	1,878,677	-	1,878,677	4,257,748
Total other financing sources (uses)	<u>5,262,646</u>	<u>(22,344,788)</u>	<u>(17,082,142)</u>	<u>(5,980,563)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>-</u>	<u>(1,995,236)</u>	(1,995,236)	8,488,571
Fund balance				
Beginning of year - July 1, previously reported			60,536,708	52,048,137
Restatement			3,326,945	-
Fund balance - beginning restated			<u>63,863,653</u>	<u>52,048,137</u>
End of year - June 30			<u>61,868,417</u>	<u>60,536,708</u>

Nonmajor Governmental Funds **2016**



CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

Assets	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 1,270,823	\$ 10,849,955	\$ 12,120,778
Accounts receivable	8,981,627	1,357,147	10,338,774
Restricted cash and investments	502,703	2,669,550	3,172,253
Restricted accounts receivable	404	857	1,261
Property held for resale	27,871	-	27,871
Total assets	\$ 10,783,428	\$ 14,877,509	\$ 25,660,937
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 68,562	\$ 1,030,397	\$ 1,098,959
Unearned revenue	2,199	354,479	356,678
Restricted accounts payable and accrued expenses	5,987	767,265	773,252
Total liabilities	76,748	2,152,141	2,228,889
Fund balances:			
Restricted			
Stabilization by State Statute	9,714,649	4,584,905	14,299,554
Public safety	1,643,532	-	1,643,532
For streets - Powell Bill	-	801,855	801,855
Recreation and community facilities	-	741,282	741,282
Economic and physical development	10,390	1,887	12,277
Committed			
Administration	-	1,174,660	1,174,660
Transportation	-	3,086,077	3,086,077
Economic and physical development	-	1,563,945	1,563,945
Recreation and community facilities	31,475	781,912	813,387
Unassigned	(693,366)	(11,155)	(704,521)
Total fund balances	10,706,680	12,725,368	23,432,048
Total liabilities, deferred inflows of resources and fund balances	\$ 10,783,428	\$ 14,877,509	\$ 25,660,937

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 3,592,193	\$ 3,562,093	\$ 7,154,286
Local	-	2,102	2,102
Miscellaneous	2,610,036	78,648	2,688,684
Interest earned on investments	123,230	5,940	129,170
Total revenues	<u>6,325,459</u>	<u>3,648,783</u>	<u>9,974,242</u>
Expenditures			
Current			
Administration	-	2,489,286	2,489,286
Public safety	1,671,014	745,374	2,416,388
Transportation	-	7,175,409	7,175,409
Economic and physical development	2,243,791	394,553	2,638,344
Recreation and community facilities	326,530	5,610,352	5,936,882
Debt service:			
Principal	2,425,766	-	2,425,766
Interest	158,452	-	158,452
Total expenditures	<u>6,825,553</u>	<u>16,414,974</u>	<u>23,240,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(500,094)</u>	<u>(12,766,191)</u>	<u>(13,266,285)</u>
Other financing sources (uses)			
Transfers in	140,188	11,124,480	11,264,668
Transfers out	(4,289)	(3,229,900)	(3,234,189)
Total other financing sources (uses)	<u>135,899</u>	<u>7,894,580</u>	<u>8,030,479</u>
Net change in fund balances	<u>(364,195)</u>	<u>(4,871,611)</u>	<u>(5,235,806)</u>
Fund balance - beginning	<u>11,070,875</u>	<u>17,596,979</u>	<u>28,667,854</u>
Fund balance - ending	<u>\$ 10,706,680</u>	<u>\$ 12,725,368</u>	<u>\$ 23,432,048</u>

Special Revenue Funds

2016

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

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2016

	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	\$ 1,159,939	\$ 79,409	\$ -	\$ 31,475	\$ 1,270,823
Accounts receivable	72,391	8,907,834	-	1,402	8,981,627
Restricted cash and investments	-	502,703	-	-	502,703
Restricted accounts receivable	-	404	-	-	404
Property held for resale	-	27,871	-	-	27,871
Total assets	<u>1,232,330</u>	<u>9,518,221</u>	<u>-</u>	<u>32,877</u>	<u>10,783,428</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and accrued expenses	1,509	67,053	-	-	68,562
Unearned revenue	-	2,199	-	-	2,199
Restricted accounts payable and accrued expenses	-	5,987	-	-	5,987
Total liabilities	<u>1,509</u>	<u>75,239</u>	<u>-</u>	<u>-</u>	<u>76,748</u>
Fund balances:					
Restricted					
Stabilization by State Statute	72,391	9,640,856	-	1,402	9,714,649
Public safety	1,158,430	485,102	-	-	1,643,532
Economic and physical development	-	10,390	-	-	10,390
Committed					
Recreation and community facilities	-	-	-	31,475	31,475
Unassigned	-	(693,366)	-	-	(693,366)
Total fund balances	<u>1,230,821</u>	<u>9,442,982</u>	<u>-</u>	<u>32,877</u>	<u>10,706,680</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,232,330</u>	<u>\$ 9,518,221</u>	<u>\$ -</u>	<u>\$ 32,877</u>	<u>\$ 10,783,428</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2016

	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	\$ 856,110	\$ 2,736,083	\$ -	\$ -	\$ 3,592,193
Miscellaneous	-	173,258	2,409,853	26,925	2,610,036
Interest earned on investments	6,954	115,792	284	200	123,230
Total revenues	<u>863,064</u>	<u>3,025,133</u>	<u>2,410,137</u>	<u>27,125</u>	<u>6,325,459</u>
Expenditures					
Current:					
Public safety	858,990	812,024	-	-	1,671,014
Economic and physical development	-	2,240,217	3,574	-	2,243,791
Recreation and community facilities	-	287,163	-	39,367	326,530
Debt Service:					
Principal	90,766	75,000	2,260,000	-	2,425,766
Interest	6,605	5,284	146,563	-	158,452
Total expenditures	<u>956,361</u>	<u>3,419,688</u>	<u>2,410,137</u>	<u>39,367</u>	<u>6,825,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(93,297)</u>	<u>(394,555)</u>	<u>-</u>	<u>(12,242)</u>	<u>(500,094)</u>
Other financing sources (uses)					
Transfers in	3,305	136,883	-	-	140,188
Transfers out	-	(4,289)	-	-	(4,289)
Total other financing sources (uses)	<u>3,305</u>	<u>132,594</u>	<u>-</u>	<u>-</u>	<u>135,899</u>
Net change in fund balances	<u>(89,992)</u>	<u>(261,961)</u>	<u>-</u>	<u>(12,242)</u>	<u>(364,195)</u>
Fund balance - beginning	<u>1,320,813</u>	<u>9,704,943</u>	<u>-</u>	<u>45,119</u>	<u>11,070,875</u>
Fund balance - ending	<u>\$ 1,230,821</u>	<u>\$ 9,442,982</u>	<u>\$ -</u>	<u>\$ 32,877</u>	<u>\$ 10,706,680</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, 2016
(With Comparative Actual Amounts For Year Ended June 30, 2015)

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Revenues				
Restricted intergovernmental	\$ 856,110	\$ -	\$ 856,110	\$ 1,721,988
Interest earned on investments	5,687	1,267	6,954	2,976
Total revenues	861,797	1,267	863,064	1,724,964
Expenditures				
Current				
Public safety				
Other operating expenditures	950,458	92,572	857,886	659,437
Capital outlay	-	-	-	462,027
Cost redistribution	1,105	1	1,104	10,093
Total public safety	951,563	92,573	858,990	1,131,557
Debt service				
Principal	90,766	-	90,766	89,186
Interest	6,605	-	6,605	8,185
Total debt service	97,371	-	97,371	97,371
Total expenditures	1,048,934	92,573	956,361	1,228,928
Revenues over (under) expenditures	(187,137)	93,840	(93,297)	496,036
Other financing sources (uses)				
Appropriated fund balance	187,137	(187,137)	-	-
Transfers in	-	3,305	3,305	27,998
Transfer out	-	-	-	(24,842)
Capital lease proceeds	-	-	-	-
Total other financing sources (uses)	187,137	(183,832)	3,305	3,156
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ (89,992)	(89,992)	499,192
Fund balance				
Beginning of year - July 1			1,320,813	821,621
End of year - June 30			<u>\$ 1,230,821</u>	<u>\$ 1,320,813</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 8,558,888	\$ 11,681,442	\$ 8,666,708	\$ 2,542,175	\$ 5,556,909
State grants	2,109,377	1,948,825	68,045	182,676	2,063,456
County	36,456	43,884	-	11,232	55,116
Total restricted intergovernmental	<u>10,704,721</u>	<u>13,674,151</u>	<u>8,734,753</u>	<u>2,736,083</u>	<u>7,675,481</u>
Miscellaneous	<u>953,842</u>	<u>1,091,730</u>	<u>1,243,612</u>	<u>173,258</u>	<u>21,376</u>
Interest earned on investments	<u>96,205</u>	<u>297,818</u>	<u>-</u>	<u>115,792</u>	<u>413,610</u>
Total revenues	<u>11,754,768</u>	<u>15,063,699</u>	<u>9,978,365</u>	<u>3,025,133</u>	<u>8,110,467</u>
Expenditures					
Current					
Public safety	5,811,150	7,197,983	3,235,296	812,024	4,774,711
Economic and physical development	4,687,538	6,711,915	6,757,341	2,240,217	2,194,791
Recreation and community facilities	1,351,837	560,178	78,452	287,163	768,889
Total current	<u>11,850,525</u>	<u>14,470,076</u>	<u>10,071,089</u>	<u>3,339,404</u>	<u>7,738,391</u>
Debt service	<u>81,000</u>	<u>162,180</u>	<u>162,180</u>	<u>80,284</u>	<u>80,284</u>
Total expenditures	<u>11,931,525</u>	<u>14,632,256</u>	<u>10,233,269</u>	<u>3,419,688</u>	<u>7,818,675</u>
Revenues over (under) expenditures	<u>(176,757)</u>	<u>431,443</u>	<u>(254,904)</u>	<u>(394,555)</u>	<u>291,792</u>
Other financing sources (uses)					
Sale of capital assets	7,720	7,720	-	-	7,720
Transfers in	542,692	715,690	254,904	136,883	597,669
Transfers out	(373,655)	(368,999)	-	(4,289)	(373,288)
Total other financing sources (uses)	<u>176,757</u>	<u>354,411</u>	<u>254,904</u>	<u>132,594</u>	<u>232,101</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 785,854</u>	<u>\$ -</u>	<u>(261,961)</u>	<u>\$ 523,893</u>
Fund balance					
Beginning of year - July 1				<u>9,704,943</u>	
End of year - June 30				<u>\$ 9,442,982</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 4,055,575	\$ 3,371,104	\$ -	\$ 308,869	\$ 3,679,973
PSN Anti-Gang; Operation Ceasefire	-	18,015	18,015	-	-
Domestic Violence Training 2011	-	26,838	26,838	-	-
PSN Media Blitz	-	19,889	19,889	-	-
Juvenile Restitution	353,880	188,055	-	103,261	291,316
Cumberland County STARS Drug Treatment Court	265,285	237,900	-	-	237,900
Justice Assistance Grant	-	292,697	292,697	-	-
COPS Technology Grant	-	149,440	149,440	-	-
FY11 Hazmat Equipment and Training	-	25,000	25,000	-	-
2016 Dogwood Festival	6,111	-	-	5,683	5,683
Fire - USAR Equipment/Training	45,000	-	-	-	-
Fire - USAR Equipment	30,000	-	-	-	-
COPS Hiring Recovery Program (ARRA)	-	2,524,395	2,524,395	-	-
Gang Partnership 2012	-	20,999	20,999	-	-
Prescription Drug Initiative 2012	-	64,490	64,490	-	-
Cumberland Community Foundation	18,000	16,776	-	1,006	17,782
Youth Growth Stock Trust	7,000	9,918	3,000	60	6,978
Gang Prevention for Schools	-	36,543	36,543	-	-
Mobile Technology Initiative	-	53,990	53,990	-	-
2014 FPD City-wide Gang Prevention	68,368	50,653	-	6,373	57,026
2014 Cumberland County STARS	74,805	43,096	-	19,314	62,410
2015 Cumberland County STARS	74,254	-	-	45,680	45,680
Educating Kids About Gun Violence	55,850	-	-	45,536	45,536
Fayetteville Police Activities League	21,000	-	-	15,686	15,686
FY14 Violent Gang and Gun Crime Reduction	298,132	48,185	-	132,901	181,086
National Sexual Assault Initiative	363,090	-	-	52,855	52,855
Fayetteville Transparency	74,800	-	-	74,800	74,800
Total public safety	<u>5,811,150</u>	<u>7,197,983</u>	<u>3,235,296</u>	<u>812,024</u>	<u>4,774,711</u>
Economic and physical development					
Community Development Block Grant	2,068,977	3,596,116	3,690,623	1,499,016	1,404,509
NC Rural Economic Development	-	47,320	47,320	99,342	99,342
Community Garden	-	13,000	13,000	-	-
HOME	2,278,248	1,819,440	1,791,169	607,298	635,569
CDBG-R (ARRA)	-	385,584	385,584	-	-
Homeless Prevention (ARRA)	-	589,647	589,648	-	-
Bragg Blvd Corridor Plan	-	200,000	200,000	-	-
Fort Bragg Force Reduction	299,563	-	-	28,333	28,333
Downtown Public Art Project	34,500	20,811	-	-	20,811
Badges for Baseball 2015 FPD	6,250	-	-	6,227	6,227
Fair housing outreach program	-	39,997	39,997	-	-
Total economic and physical development	<u>4,687,538</u>	<u>6,711,915</u>	<u>6,757,341</u>	<u>2,240,215</u>	<u>2,194,791</u>
Recreation and community facilities					
Wayfinding signage	500,586	398,812	-	-	398,812
Cultural arts program	-	22,520	22,520	-	-
Badges for Baseball 2013	-	23,947	23,950	-	-
Badges for Baseball 2014 #2	-	4,000	4,000	-	-
Badges for Baseball 2014	-	21,500	21,500	-	-
Badges for Baseball	-	6,487	6,482	-	-
Badges for Baseball 2015	21,250	-	-	21,250	21,250
Big Cross Creek Multiuse Trail	800,000	61,221	-	265,915	327,136
Tree Inventory Phase II	30,001	21,691	-	-	21,691
Total recreation and community facilities	<u>1,351,837</u>	<u>560,178</u>	<u>78,452</u>	<u>287,164</u>	<u>768,889</u>
Total expenditures by project	<u>\$ 11,850,525</u>	<u>\$ 14,470,076</u>	<u>\$ 10,071,089</u>	<u>\$ 3,339,403</u>	<u>\$ 7,738,391</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
(With Comparative Actual Amounts For Year Ended June 30, 2015)

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Revenues				
Miscellaneous				
Property leases	\$ 2,410,550	\$ (697)	\$ 2,409,853	\$ 795,823
Total miscellaneous	<u>2,410,550</u>	<u>(697)</u>	<u>2,409,853</u>	<u>795,823</u>
Interest earned on investments	-	284	284	2
Total revenues	<u>2,410,550</u>	<u>\$ (413)</u>	<u>2,410,137</u>	<u>795,825</u>
Expenditures				
Current				
Economic and physical development				
Other operating expenditures	3,987	413	3,574	3,575
Debt service				
Principal	2,260,000	-	2,260,000	640,000
Interest	146,563	-	146,563	152,250
Total debt service	<u>2,406,563</u>	<u>-</u>	<u>2,406,563</u>	<u>792,250</u>
Total expenditures	<u>2,410,550</u>	<u>413</u>	<u>2,410,137</u>	<u>795,825</u>
Revenues over (under) expenditures	-	-	-	-
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			-	-
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, 2016

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
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)	1,922,325	1,896,175	-	26,925	1,923,100
Total miscellaneous	<u>1,922,325</u>	<u>1,896,175</u>	<u>-</u>	<u>26,925</u>	<u>1,923,100</u>
Interest earned on investments	<u>47,108</u>	<u>47,153</u>	<u>-</u>	<u>200</u>	<u>47,353</u>
Total revenues	<u>2,099,433</u>	<u>2,073,328</u>	<u>-</u>	<u>27,125</u>	<u>2,100,453</u>
Expenditures					
Current					
Recreational and community facilities					
Linear Park	2,149,512	2,078,388	-	39,367	2,117,755
Total expenditures	<u>2,149,512</u>	<u>2,078,388</u>	<u>-</u>	<u>39,367</u>	<u>2,117,755</u>
Revenues over (under) expenditures	<u>(50,079)</u>	<u>(5,060)</u>	<u>-</u>	<u>(12,242)</u>	<u>(17,302)</u>
Other financing sources (uses)					
Transfers in	50,079	50,179	-	-	50,179
Total other financing sources (uses)	<u>50,079</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>\$ 45,119</u>	<u>\$ -</u>	<u>(12,242)</u>	<u>\$ 32,877</u>
Fund balance					
Beginning of year - July 1				<u>45,119</u>	
End of year - June 30				<u>\$ 32,877</u>	

Capital Project Funds

2016



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

**Combining Balance Sheet
Nonmajor Capital Project Funds**

June 30, 2016

	<u>General Government Fund</u>	<u>Public Safety Fund</u>	<u>Transportation Fund</u>	<u>Economic and Physical Development Fund</u>	<u>Recreational and Cultural Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets						
Cash and investments	\$ 2,259,356	\$ 17,437	\$ 5,360,483	\$ 1,575,779	\$ 1,636,900	\$ 10,849,955
Accounts receivable	14,259	608,917	654,567	-	79,404	1,357,147
Restricted cash and investments	-	-	1,569,120	1,887	1,098,543	2,669,550
Restricted accounts receivable	-	-	-	-	857	857
Total assets	<u>\$ 2,273,615</u>	<u>\$ 626,354</u>	<u>\$ 7,584,170</u>	<u>\$ 1,577,666</u>	<u>\$ 2,815,704</u>	<u>\$ 14,877,509</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued expenses	\$ 295,889	\$ -	\$ 121,681	\$ 480	\$ 612,347	\$ 1,030,397
Unearned revenue	-	-	-	-	354,479	354,479
Restricted accounts payable and accrued expenses	-	-	767,265	-	-	767,265
Total liabilities	<u>295,889</u>	<u>-</u>	<u>888,946</u>	<u>480</u>	<u>966,826</u>	<u>2,152,141</u>
Fund balances:						
Restricted						
Stabilization by State Statute	803,066	637,509	2,807,292	11,354	325,684	4,584,905
Economic and physical development	-	-	-	1,887	-	1,887
Recreation and community facilities	-	-	-	-	741,282	741,282
For streets - Powell bill	-	-	801,855	-	-	801,855
Committed						
Administration	1,174,660	-	-	-	-	1,174,660
Transportation	-	-	3,086,077	-	-	3,086,077
Economic and physical development	-	-	-	1,563,945	-	1,563,945
Recreation and community facilities	-	-	-	-	781,912	781,912
Unassigned	-	(11,155)	-	-	-	(11,155)
Total fund balances	<u>1,977,726</u>	<u>626,354</u>	<u>6,695,224</u>	<u>1,577,186</u>	<u>1,848,878</u>	<u>12,725,368</u>
Total liabilities and fund balances	<u>\$ 2,273,615</u>	<u>\$ 626,354</u>	<u>\$ 7,584,170</u>	<u>\$ 1,577,666</u>	<u>\$ 2,815,704</u>	<u>\$ 14,877,509</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016

	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	\$ -	\$ 647,468	\$ 1,574,742	\$ -	\$ 1,339,883	\$ 3,562,093
Local	-	2,102				2,102
Miscellaneous	-	-	36,051	-	42,597	78,648
Interest earned in investments	-	-	38	670	5,232	5,940
Total revenues	<u>-</u>	<u>649,570</u>	<u>1,610,831</u>	<u>670</u>	<u>1,387,712</u>	<u>3,648,783</u>
Expenditures						
Administration	2,489,286	-	-	-	-	2,489,286
Public safety	-	745,374	-	-	-	745,374
Transportation	-	-	7,175,409	-	-	7,175,409
Economic and physical development	-	-	-	394,553	-	394,553
Recreational and community facilities	-	-	-	-	5,610,352	5,610,352
Total expenditures	<u>2,489,286</u>	<u>745,374</u>	<u>7,175,409</u>	<u>394,553</u>	<u>5,610,352</u>	<u>16,414,974</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,489,286)</u>	<u>(95,804)</u>	<u>(5,564,578)</u>	<u>(393,883)</u>	<u>(4,222,640)</u>	<u>(12,766,191)</u>
Other financing sources (uses)						
Transfers in	1,143,823	142,002	6,215,655	695,000	2,928,000	11,124,480
Transfers out	(736,767)	(29,584)	(2,460,959)	(2,590)	-	(3,229,900)
Total other financing sources (uses)	<u>407,056</u>	<u>112,418</u>	<u>3,754,696</u>	<u>692,410</u>	<u>2,928,000</u>	<u>7,894,580</u>
Net change in fund balances	<u>(2,082,230)</u>	<u>16,614</u>	<u>(1,809,882)</u>	<u>298,527</u>	<u>(1,294,640)</u>	<u>(4,871,611)</u>
Fund balance - beginning	<u>4,059,956</u>	<u>609,740</u>	<u>8,505,106</u>	<u>1,278,659</u>	<u>3,143,518</u>	<u>17,596,979</u>
Fund balance - ending	<u>\$ 1,977,726</u>	<u>\$ 626,354</u>	<u>\$ 6,695,224</u>	<u>\$ 1,577,186</u>	<u>\$ 1,848,878</u>	<u>\$ 12,725,368</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	1,652,900	1,577,276	57,500	\$ -	1,519,776
Expenditures					
Current					
Administration					
Clean Cities project	-	278,247	278,247	-	-
Computer replacements	2,911,986	2,428,444	-	379,105	2,807,549
Telephone system upgrade	-	123,243	123,243	-	-
Planning software	-	51,700	51,700	-	-
Enterprise-wide GIS	369,655	92,162	-	81,120	173,282
Disaster recovery system	927,318	523,682	-	1	523,683
Laserfiche Rio System	162,899	148,184	-	13,527	161,711
Uninterruptible power supply	58,650	37,878	-	-	37,878
Virtual server expansion	60,034	53,669	-	-	53,669
Wireless network expansion	231,000	133,069	-	52,451	185,520
Grove Street parking lot paving	-	233,840	233,840	-	-
Integrated cashing system	-	95,559	95,559	-	-
Grove Street roof replacement	-	50,773	50,773	-	-
Electronic plan review system	-	20,525	20,525	-	-
Building projects	7,164,083	2,621,900	899,219	1,673,708	3,396,389
Parking lot projects	423,258	338,558	-	54,144	392,702
Council chambers upgrade	-	158,452	158,452	-	-
Energy Efficiency Conservation Block Grant (ARRA)	1,645,400	1,512,276	-	-	1,512,276
Internet telephone system	405,000	214,871	-	934	215,805
Time and attendance system	580,000	408,949	-	78,064	487,013
E-mail system upgrade	215,800	142,052	-	20,248	162,300
External website for the City	200,000	51,452	-	56,720	108,172
Org Performance Mgmt System	81,980	-	-	79,264	79,264
FayTV7 Servicer System	-	36,139	36,139	-	-
Plans review software	50,000	-	-	-	-
JDE/Laserfiche integration	15,000	-	-	-	-
Total expenditures	<u>15,502,063</u>	<u>9,755,624</u>	<u>1,947,697</u>	<u>2,489,286</u>	<u>10,297,213</u>
Revenues over (under) expenditures	<u>(13,849,163)</u>	<u>(8,178,348)</u>	<u>(1,890,197)</u>	<u>(2,489,286)</u>	<u>(8,777,437)</u>
Other financing sources (uses)					
Transfers in	14,593,430	12,245,804	1,890,197	1,143,823	11,499,430
Transfer out	(744,267)	(7,500)	-	(736,767)	(744,267)
Total other financing sources (uses)	<u>13,849,163</u>	<u>12,238,304</u>	<u>1,890,197</u>	<u>407,056</u>	<u>10,755,163</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 4,059,956</u>	<u>\$ -</u>	<u>(2,082,230)</u>	<u>\$ 1,977,726</u>
Fund balance					
Beginning of year - July 1				<u>4,059,956</u>	
End of year - June 30				<u>\$ 1,977,726</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 1,017,996	\$ 434,680	\$ 82,650	\$ 647,468	\$ 999,498
Local	530,000	-	-	2,102	2,102
	<u>1,547,996</u>	<u>434,680</u>	<u>82,650</u>	<u>\$ 649,570</u>	<u>1,001,600</u>
Interest earned on investments	-	78	-	-	78
Total revenues	<u>1,547,996</u>	<u>434,758</u>	<u>82,650</u>	<u>649,570</u>	<u>1,001,678</u>
Expenditures					
Current					
Public Safety					
Police department server upgrade	-	185,910	185,910	-	-
Fire station #12	500,000	-	-	46,318	46,318
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	-	-
Justice Assistance Grant	430,596	328,221	-	80,350	408,571
Homeland Security	30,000	-	-	29,990	29,990
FPD Glassdoor Initiative	1,060,000	-	-	532,102	532,102
Enhanced security systems	212,000	69,851	-	-	69,851
Police 800MHz radio lease	4,209,433	3,481,847	-	26,882	3,508,729
Fire hazardous materials response equipment	27,400	23,810	-	3,563	27,373
Fire hazmat emergency planning project	-	7,650	7,650	-	-
Fire call notification and paging system	94,527	68,358	-	26,169	94,527
Fire deployed logix shelter	-	25,000	25,000	-	-
Total expenditures	<u>13,373,873</u>	<u>10,544,843</u>	<u>268,560</u>	<u>745,374</u>	<u>11,021,657</u>
Revenues over (under) expenditures	<u>(11,825,877)</u>	<u>(10,110,085)</u>	<u>(185,910)</u>	<u>(95,804)</u>	<u>(10,019,979)</u>
Other financing sources (uses)					
Issuance of debt	10,073,819	8,929,925	-	-	8,929,925
Transfers in	4,103,742	4,112,000	185,910	142,002	4,068,092
Transfers out	(2,351,684)	(2,322,100)	-	(29,584)	(2,351,684)
Total other financing sources (uses)	<u>11,825,877</u>	<u>10,719,825</u>	<u>185,910</u>	<u>112,418</u>	<u>10,646,333</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 609,740</u>	<u>\$ -</u>	<u>16,614</u>	<u>\$ 626,354</u>
Fund balance					
Beginning of year - July 1				<u>609,740</u>	
End of year - June 30				<u>\$ 626,354</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2016

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	437,000	165,497	-	\$ (165,497)	-
State grants	1,785,000	-	-	1,740,239	1,740,239
Total restricted intergovernmental	2,222,000	165,497	-	1,574,742	1,740,239
Miscellaneous					
Owner contributions	58,334	39,712	-	36,051	75,763
Other	10,204	10,204	-	-	10,204
Total miscellaneous	68,538	49,916	-	36,051	85,967
Interest earned on investments	6,524	6,561	-	38	6,599
Total revenues	2,297,062	221,974	-	1,610,831	1,832,805
Expenditures					
Current					
Transportation					
Thoroughfare streetlights	225,000	-	-	23,959	23,959
Sidewalks	1,600,625	62,429	-	263,556	325,985
Downtown railroad enhancements	460,242	416,537	-	43,704	460,241
Transportation improvements	18,881,407	6,436,963	28,009	6,714,464	13,123,418
Railroad cabinet relocation	146,744	15,000	-	129,726	144,726
Total expenditures	21,314,018	6,930,929	28,009	7,175,409	14,078,329
Revenues (over) under expenditures	(19,016,956)	(6,708,955)	(28,009)	(5,564,578)	(12,245,524)
Other financing sources (uses)					
Transfers in	20,754,088	15,262,225	800,000	6,215,655	20,677,880
Transfers out	(1,737,132)	(48,164)	(771,991)	(2,460,959)	(1,737,132)
Total other financing sources (uses)	19,016,956	15,214,061	28,009	3,754,696	18,940,748
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 8,505,106	\$ -	(1,809,882)	\$ 6,695,224
Fund balance					
Beginning of year - July 1				8,505,106	
End of year - June 30				<u>\$ 6,695,224</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,251,150	\$ 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>13,176</u>	<u>-</u>	<u>670</u>	<u>13,846</u>
Total revenues	<u>1,513,393</u>	<u>1,514,568</u>	<u>-</u>	<u>670</u>	<u>1,515,238</u>
Expenditures					
Current					
Economic and physical development					
Texfi Project	803,619	684,512	-	1,491	686,003
HOPE VI	6,526,000	5,961,067	-	21,251	5,982,318
Downtown parking deck	5,569,998	5,569,958	-	-	5,569,958
Military Business Park	1,251,150	1,251,150	-	-	1,251,150
Murchison Road redevelopment	1,625,000	714,186	-	199,920	914,106
Festival Park Plaza renovations	-	97,411	97,411	-	-
Dr. EE Smith House restoration	25,000	-	-	-	-
Redevelopment Fund	100,000	-	-	-	-
Affordable Housing	100,000	-	-	21,891	21,891
Total economic and physical development	<u>16,000,767</u>	<u>14,278,284</u>	<u>97,411</u>	<u>244,553</u>	<u>14,425,426</u>
Debt service	<u>392,002</u>	<u>242,002</u>	<u>-</u>	<u>150,000</u>	<u>392,002</u>
Total expenditures	<u>16,392,769</u>	<u>14,520,286</u>	<u>97,411</u>	<u>394,553</u>	<u>14,817,428</u>
Revenues over (under) expenditures	<u>(14,879,376)</u>	<u>(13,005,718)</u>	<u>(97,411)</u>	<u>(393,883)</u>	<u>(13,302,190)</u>
Other financing sources (uses)					
Transfers in	8,929,376	8,334,377	100,001	695,000	8,929,376
Transfers out	-	-	(2,590)	(2,590)	-
Issuance of debt	5,950,000	5,950,000	-	-	5,950,000
Total other financing sources (uses)	<u>14,879,376</u>	<u>14,284,377</u>	<u>97,411</u>	<u>692,410</u>	<u>14,879,376</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,278,659</u>	<u>\$ -</u>	<u>298,527</u>	<u>\$ 1,577,186</u>
Fund balance					
Beginning of year - July 1				<u>1,278,659</u>	
End of year - June 30				<u>\$ 1,577,186</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, 2016

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 850,000	\$ 263,710	\$ 13,710	\$ -	\$ 250,000
State grants and contributions	18,725,000	17,030,638	-	1,339,883	18,370,521
Local	529,202	537,412	8,209	-	529,203
Total restricted intergovernmental	<u>20,104,202</u>	<u>17,831,760</u>	<u>21,919</u>	<u>1,339,883</u>	<u>19,149,724</u>
Miscellaneous					
Other	159,976	393,097	-	42,297	435,394
Donations	284,675	284,410	-	300	284,710
Total miscellaneous	<u>444,651</u>	<u>677,507</u>	<u>-</u>	<u>42,597</u>	<u>720,104</u>
Interest earned on investments	<u>503,958</u>	<u>552,821</u>	<u>-</u>	<u>5,232</u>	<u>558,053</u>
Total revenues	<u>21,052,811</u>	<u>19,062,088</u>	<u>21,919</u>	<u>1,387,712</u>	<u>20,427,881</u>
Expenditures					
Current					
Recreational and community facilities					
Freedom Park	541,345	535,288	-	388	535,676
NC State Veterans Park	3,092,641	2,326,095	-	-	2,326,095
Western Area Neighborhood Park	856,756	854,676	-	-	854,676
NC State Veterans Park #2	14,050,000	13,784,340	-	3,908	13,788,248
Playground equipment and improvements	1,069,535	812,402	-	172,437	984,839
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	-	-
Cape Fear River Trail Phase 2	4,839,345	1,500,980	-	2,339,118	3,840,098
NCFS Forestry Program	-	27,419	27,419	-	-
Aquatic Center at Westover	2,095,000	1,669,221	-	398,439	2,067,660
Tree Project	159,826	-	-	561	561
College Lakes Aquatic Center	2,778,000	-	-	2,695,501	2,695,501
Total expenditures	<u>29,720,005</u>	<u>22,147,608</u>	<u>458,419</u>	<u>5,610,352</u>	<u>27,299,541</u>
Revenues over (under) expenditures	<u>(8,667,194)</u>	<u>(3,085,520)</u>	<u>(436,500)</u>	<u>(4,222,640)</u>	<u>(6,871,660)</u>
Other financing sources (uses)					
Transfers in	8,002,996	5,574,142	491,500	2,928,000	8,010,642
Transfers out	(31,155)	(86,155)	(55,000)	-	(31,155)
Sale of capital assets	695,353	738,695	-	-	738,695
Issuance of debt	-	2,356	-	-	2,356
Total other financing sources (uses)	<u>8,667,194</u>	<u>6,229,038</u>	<u>436,500</u>	<u>2,928,000</u>	<u>8,720,538</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,143,518</u>	<u>\$ -</u>	<u>(1,294,640)</u>	<u>\$ 1,848,878</u>
Fund balance					
Beginning of year - July 1				3,143,518	
End of year - June 30				<u>\$ 1,848,878</u>	

Proprietary Funds

2016

- Enterprise Funds
- Internal Service Funds

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



Enterprise Funds

2016

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:

- Stormwater Management Fund
- Transit Fund
- Airport Fund
- Environmental Services Fund

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



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
(With Comparative Actual Amounts for Year Ended June 30, 2015)

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Operating revenues				
Charges for services	\$ 6,753,720	\$ 10,776	\$ 6,764,496	\$ 6,196,083
Other revenue from operations	16,690	6,251	22,941	21,592
Total operating revenues	<u>6,770,410</u>	<u>17,027</u>	<u>6,787,437</u>	<u>6,217,675</u>
Operating expenditures				
Personnel	2,186,583	46,092	2,140,491	2,020,800
Other operating expenditures	1,935,657	452,012	1,483,645	1,440,633
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>4,197,240</u>	<u>498,104</u>	<u>3,699,136</u>	<u>3,536,433</u>
Operating income (loss)	<u>2,573,170</u>	<u>515,131</u>	<u>3,088,301</u>	<u>2,681,242</u>
Nonoperating revenues (expenditures)				
Miscellaneous	120,500	150	120,650	136,044
Interest earned on investments	18,400	5,631	24,031	18,860
Debt service - principal payment	(650,030)	-	(650,030)	(635,030)
Interest expense	(263,184)	1	(263,183)	(282,385)
Nonoperating revenues (expenditures)	<u>(774,314)</u>	<u>5,782</u>	<u>(768,532)</u>	<u>(762,511)</u>
Revenues over (under) expenditures	<u>1,798,856</u>	<u>520,913</u>	<u>2,319,769</u>	<u>1,918,731</u>
Other financing sources (uses)				
Sale of capital assets	-	-	-	6,799
Transfers out	(1,891,440)	-	(1,891,440)	(2,467,842)
Appropriated fund balance	92,584	(92,584)	-	-
Total other financing sources (uses)	<u>(1,798,856)</u>	<u>(92,584)</u>	<u>(1,891,440)</u>	<u>(2,461,043)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 428,329</u>	<u>\$ 428,329</u>	<u>\$ (542,312)</u>
Reconciliation of change in net position				
Total revenues			\$ 6,932,118	\$ 6,379,378
Total expenditures			6,503,789	6,921,690
Subtotal			<u>428,329</u>	<u>(542,312)</u>
Depreciation			(847,371)	(871,365)
Change in accrued vacation			3,424	4,534
Net OPEB expense			(56,289)	(50,908)
LGERS expense			38,686	95,991
Proceeds from sale of assets			-	(6,799)
Gain (loss) on disposal of assets			-	6,799
Principal payment			650,030	635,030
Unearned revenue			5,414	7,266
Bad debt expense			(684)	(2,882)
Capitalized interest			60,852	65,481
Accrued interest			8,164	7,968
Subtotal			<u>(137,774)</u>	<u>(108,885)</u>
Change in net position			<u>\$ 290,555</u>	<u>\$ (651,197)</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
State grants	\$ 309,500	\$ -	\$ -	\$ 131,991	\$ 131,991
Local	<u>-</u>	<u>10,499</u>	<u>-</u>	<u>-</u>	<u>10,499</u>
Total restricted intergovernmental	<u>309,500</u>	<u>10,499</u>	<u>-</u>	<u>131,991</u>	<u>10,499</u>
Interest earned on investments	<u>49,719</u>	<u>117,291</u>	<u>-</u>	<u>51,809</u>	<u>169,100</u>
Total revenues	<u>359,219</u>	<u>127,790</u>	<u>-</u>	<u>183,800</u>	<u>179,599</u>
Expenditures					
Current					
Environmental Protection					
Annexation area improvements	3,276,132	3,129,302	-	3,343	3,132,645
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	3,795,710	146,235	-	841,849	988,084
Summerhill	1,053,818	1,053,818	-	-	1,053,818
Regiment	65,000	-	-	-	-
Spruce St - Phase II	815,000	-	-	-	-
Godfrey Outfall	379,499	52,650	-	6,050	58,700
Anson Pond	322,791	322,791	-	-	322,791
Buckhead Creek Watershed	886,621	797,800	-	19,339	817,139
Roxie Ave Phase I	1,402,800	73,950	-	4,949	78,899
N. Edgewater Drive	51,910	51,909	-	-	51,909
Seabrook Phase II	65,366	65,366	-	-	65,366
Buckhead Kingsford	1,824,146	22,538	-	1,549,915	1,572,453
Bonnie Doone (West Outfall 3)	625,407	29,459	-	7,635	37,094
Murray Hill Rd repair	574,056	574,044	-	-	574,044
Coventry Rd culvert stream imp	1,102,916	-	-	276	276
Brigadoon Lane Infiltration Basin	316,377	-	-	-	-
Boonie Doone Area 12	112,350	-	-	-	-
Westmont Drive	42,345	42,344	-	-	42,344
Boonie Doone Area 5	1,539,272	-	-	-	-
Godfrey Outfall Phase II	398,220	-	-	-	-
Ferncreek Norwood	112,350	-	-	2,911	2,911
Branson Creek Restoration at Murray Hill	154,477	122,909	-	26,744	149,653
Emergency Repair at McGilvary St	32,130	-	-	4,963	4,963
Spot Repair Program	593,734	-	-	180,199	180,199
Person St Innovation Stormwater Greenscape	557,391	-	-	140,061	140,061
Stormwater drainage miscellaneous	1,311,081	890,246	-	-	890,246
Total expenditures	<u>27,841,541</u>	<u>13,804,271</u>	<u>-</u>	<u>2,788,234</u>	<u>16,592,505</u>
Revenues over (under) expenditures	<u>(27,482,322)</u>	<u>(13,676,481)</u>	<u>-</u>	<u>(2,604,434)</u>	<u>(16,412,906)</u>
Other financing sources (uses)					
Transfers in	16,887,322	14,857,522	-	1,891,440	16,748,962
Bond proceeds	10,595,000	10,595,000	-	-	10,595,000
Total other financing sources (uses)	<u>27,482,322</u>	<u>25,452,522</u>	<u>-</u>	<u>1,891,440</u>	<u>27,343,962</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 11,776,041</u>	<u>\$ -</u>	<u>\$ (712,994)</u>	<u>\$ 10,931,056</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (712,994)	
Capital outlay				2,788,234	
Capitalized interest				<u>(4,297)</u>	
Change in net position				<u>\$ 2,070,943</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
(With Comparative Actual Amounts for Year Ended June 30, 2015)

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Operating revenues				
Charges for services	\$ 1,534,967	\$ (212,380)	\$ 1,322,587	\$ 1,326,703
Other revenues from operations	22,220	49,202	71,422	23,174
Total operating revenues	<u>1,557,187</u>	<u>(163,178)</u>	<u>1,394,009</u>	<u>1,349,877</u>
Operating expenditures				
Salaries and employee benefits	5,557,268	61,517	5,495,751	5,161,429
Other operating expenditures	2,411,948	150,398	2,261,550	2,277,010
Capital outlay	45,528	30,321	15,207	28,255
Total operating expenditures	<u>8,014,744</u>	<u>242,236</u>	<u>7,772,508</u>	<u>7,466,694</u>
Operating loss	<u>(6,457,557)</u>	<u>79,058</u>	<u>(6,378,499)</u>	<u>(6,116,817)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	875	875	3,878
Federal grants	1,999,910	(19,856)	1,980,054	1,846,431
State grants	672,262	88,354	760,616	672,262
Vehicle fee revenue	642,110	(2,396)	639,714	682,610
Interest expense	-	-	-	(191)
Debt service - principal payment	-	-	-	(19,069)
Total nonoperating revenues (expenditures)	<u>3,314,282</u>	<u>66,977</u>	<u>3,381,259</u>	<u>3,185,921</u>
Revenues under expenditures	<u>(3,143,275)</u>	<u>146,035</u>	<u>(2,997,240)</u>	<u>(2,930,896)</u>
Other financing sources (uses)				
Transfers in	3,628,795	(334,156)	3,294,639	3,419,033
Transfers out	(523,251)	245,160	(278,091)	(456,399)
Proceeds from sale of assets	6,000	(5,919)	81	-
Fund balance appropriation	31,731	(31,731)	-	-
Total other financing sources (uses)	<u>3,143,275</u>	<u>(126,646)</u>	<u>3,016,629</u>	<u>2,962,634</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 19,389</u>	<u>\$ 19,389</u>	<u>\$ 31,738</u>
Reconciliation of change in net position:				
Total revenues			8,069,988	7,974,091
Total expenditures			(8,050,599)	(7,942,353)
Subtotal			<u>19,389</u>	<u>31,738</u>
Depreciation			(1,172,272)	(1,207,570)
Net OPEB expense			(138,699)	(125,546)
LGERS expense			97,315	243,833
Change in inventory			13,561	(18,462)
Decrease (increase) in accrued vacation			(22,679)	(28,615)
Bad debt expense			(18,058)	(16,193)
Debt principal payments			-	19,069
Unearned revenue			(7,641)	(44,481)
Capital outlay			15,207	28,255
Proceeds from sale of assets			(81)	-
Gain (loss) on disposal of assets			81	-
Subtotal			<u>(1,233,266)</u>	<u>(1,149,710)</u>
Change in net position			<u>\$ (1,213,877)</u>	<u>\$ (1,117,972)</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 16,311,829	\$ 11,576,216	\$ 5,320,720	\$ 4,997,379	\$ 11,252,875
State grants	1,930,216	1,214,317	610,384	700,894	1,304,826
Miscellaneous	-	43,000	-	-	43,000
Total revenues	<u>18,242,045</u>	<u>12,833,533</u>	<u>5,931,104</u>	<u>5,698,273</u>	<u>12,600,701</u>
Expenditures					
Multi-Modal Center (no grant)	-	372,142	372,142	-	-
NCDOT Capital 09-AT-004	-	412,588	412,588	-	-
FTA Capital 0464	-	811,656	811,656	-	-
Improvements & Enhancements (no grant)	466,909	422,529	-	-	422,529
Transit Multimodal Center Land	-	1,662,307	1,662,307	-	-
FTA Capital 90.469	3,348,926	3,239,429	-	64,036	3,303,465
New Freedom Sidewalks FY12	-	145,342	145,342	-	-
FTA Capital 90.514	2,792,240	2,341,046	-	380,523	2,721,569
FTA 04.0055 Multimodal Transit Center	10,018,750	1,792,308	-	4,249,145	6,041,453
FTA 04.0054 Veterans Website	38,900	15,473	-	2,161	17,634
FTA 57.x017 Sidewalk New Freedom	-	119,520	119,520	-	-
FTA Capital 90.548	503,140	4,569	-	204,446	209,015
ARRA Capital 06.002	-	3,128,977	3,128,977	-	-
FTA 57.x022 Sidewalk New Freedom	121,300	-	-	118,690	118,690
FTA 90.567 MMTC Downtown	2,344,375	289,818	-	1,149,265	1,439,083
FTA 90.567 Other Capital	105,000	-	-	15,799	15,799
NCDOT 15-AT-004 Advanced Tech	80,050	5,232	-	74,166	79,398
NCDOT 16-AT-004 Advanced Tech	188,225	-	-	13,842	13,842
FTA 16.X011 Sidewalks	120,750	-	-	28,372	28,372
FTA 90.592 FY15 Capital	727,000	-	-	483	483
FTA NC-2016-030 FY17 MMTC	291,000	-	-	-	-
MMTC Tenant Improvements	237,159	-	-	-	-
Total expenditures	<u>21,383,724</u>	<u>14,762,936</u>	<u>6,652,532</u>	<u>6,300,928</u>	<u>14,411,332</u>
Revenues over (under) expenditures	<u>(3,141,679)</u>	<u>(1,929,403)</u>	<u>(721,428)</u>	<u>(602,655)</u>	<u>(1,810,631)</u>
Other financing sources (uses)					
Proceeds from the sale of assets	-	6,249	-	-	6,250
Transfers in	4,177,339	4,392,790	721,428	456,900	4,128,262
Transfers out	(1,035,660)	(1,001,875)	-	(33,785)	(1,035,660)
Total other financing sources (uses)	<u>3,141,679</u>	<u>3,397,164</u>	<u>721,428</u>	<u>423,115</u>	<u>3,098,852</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,467,761</u>	<u>\$ -</u>	<u>\$ (179,540)</u>	<u>\$ 1,288,221</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (179,540)	
Capital outlay				6,300,928	
Non-capitalizable items				(100,783)	
Change in net position				<u>\$ 6,020,605</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 1,330,753	\$ 845,934	\$ 458,586	\$ 216,403	\$ 603,751
State grants	141,009	129,138	83,880	47,485	92,743
Total intergovernmental	<u>1,471,762</u>	<u>975,072</u>	<u>542,466</u>	<u>263,888</u>	<u>696,494</u>
Total revenues	<u>1,471,762</u>	<u>975,072</u>	<u>542,466</u>	<u>263,888</u>	<u>696,494</u>
Expenditures					
Current					
Transportation	1,697,777	1,087,350	603,165	302,991	787,176
Total expenditures	<u>1,697,777</u>	<u>1,087,350</u>	<u>603,165</u>	<u>302,991</u>	<u>787,176</u>
Revenues over (under) expenditures	<u>(226,015)</u>	<u>(112,278)</u>	<u>(60,699)</u>	<u>(39,103)</u>	<u>(90,682)</u>
Other financing sources (uses)					
Transfers in	226,015	204,083	60,699	82,502	225,886
Total other financing sources (uses)	<u>226,015</u>	<u>204,083</u>	<u>60,699</u>	<u>82,502</u>	<u>225,886</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 91,805</u>	<u>\$ -</u>	<u>\$ 43,399</u>	<u>\$ 135,204</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				<u>\$ 43,399</u>	
Change in net position				<u>\$ 43,399</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Expenditures by Project
Transit II Capital Project Fund**

From Inception and for Year Ended June 30, 2016

	<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	\$ -	\$ -
FTA 90.2464	-	273,236	273,236	-	-
FTA 90.2469	235,147	213,359	-	21,785	235,144
FTA 90.2514	500,000	247,160	-	129,304	376,464
FTA 26.0008	15,560	-	-	-	-
FTA 90.2548	350,000	23,666	-	104,003	127,669
FTA 90.2592 FY15 Planning	375,000	-	-	-	-
FTA 16.2011	147,075	-	-	12,777	12,777
NCDOT FY15 Apprentice Intern	-	29,929	29,929	-	-
NCDOT FY16 Apprentice Intern	37,497	-	-	32,740	32,740
NCDOT FY17 Apprentice Intern	37,498	-	-	2,382	2,382
Total transportation	<u>1,697,777</u>	<u>1,087,350</u>	<u>603,165</u>	<u>302,991</u>	<u>787,176</u>
Total expenditures by project	<u>\$ 1,697,777</u>	<u>\$ 1,087,350</u>	<u>\$ 603,165</u>	<u>\$ 302,991</u>	<u>\$ 787,176</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2016
(With Comparative Actual Amounts for Year Ended June 30, 2015)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Operating revenues				
Charges for services	\$ 4,052,527	\$ 170,902	\$ 4,223,429	\$ 4,157,243
Other revenues from operations	132,561	24,212	156,773	159,473
Total operating revenues	<u>4,185,088</u>	<u>195,114</u>	<u>4,380,202</u>	<u>4,316,716</u>
Operating expenditures				
Salaries and employee benefits	1,534,114	33,179	1,500,935	1,421,135
Other operating expenditures	2,417,773	990,189	1,427,584	1,291,992
Capital outlay	146,694	23,798	122,896	195,527
Total operating expenditures	<u>4,098,581</u>	<u>1,047,166</u>	<u>3,051,415</u>	<u>2,908,654</u>
Operating income (loss)	<u>86,507</u>	<u>1,242,280</u>	<u>1,328,787</u>	<u>1,408,062</u>
Nonoperating revenues				
Interest earned on investments	37,411	(2,744)	34,667	29,338
Miscellaneous	209,116	(10)	209,106	212,125
Federal and State grants	109,500	(2,420)	107,080	110,580
Total nonoperating revenues	<u>356,027</u>	<u>(5,174)</u>	<u>350,853</u>	<u>352,043</u>
Nonoperating expenditures				
Public safety reimbursements	442,534	24,099	418,435	444,665
Total nonoperating expenditures	<u>442,534</u>	<u>24,099</u>	<u>418,435</u>	<u>444,665</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,261,205</u>	<u>1,261,205</u>	<u>1,315,440</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	-	774
Transfers in	-	15,612	15,612	377,763
Transfers out	-	-	-	(1,285,994)
Total other financing sources (uses)	<u>-</u>	<u>15,612</u>	<u>15,612</u>	<u>(907,457)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,276,817</u>	<u>\$ 1,276,817</u>	<u>\$ 407,983</u>
Reconciliation of change in net position				
Total revenues			\$ 4,746,667	\$ 5,047,296
Total expenditures			3,469,850	4,639,313
Subtotal			<u>1,276,817</u>	<u>407,983</u>
Depreciation			(3,865,160)	(3,367,375)
Change in accrued vacation			(24,935)	(14,415)
Net OPEB expense			(38,918)	(35,342)
LGERS expense			26,712	66,633
Change in inventory			(763)	(2,543)
Capital outlay			122,896	195,527
Proceeds from sale of assets			-	(774)
Gain (loss) on disposal of assets			-	774
Subtotal			<u>(3,780,168)</u>	<u>(3,157,515)</u>
Change in net position			<u>\$ (2,503,351)</u>	<u>\$ (2,749,532)</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 11,948,622	\$ 22,579,123	\$ 15,775,062	\$ 4,019,491	\$ 10,823,552
State grants	224,766	944,254	922,135	191,862	213,981
Passenger facility charges	671,306	2,962,927	1,059,772	775,333	2,678,488
Customer facility charges	425,000	249,743	-	1,070,331	1,320,074
Investment income	197,606	327,161	-	22,779	349,940
Total revenues	<u>13,467,300</u>	<u>27,063,208</u>	<u>17,756,969</u>	<u>6,079,796</u>	<u>15,386,035</u>
Expenditures					
West GA Ramp Rehabilitation	-	720,983	720,983	-	-
AIP-35 ARFF Rehabilitation and AIP-36	-	1,509,298	1,509,298	-	-
Local Match/Future Projects	349,000	-	-	-	-
Tree Clearing Runways 10 & 4	-	273,535	273,535	-	-
Taxiway A, C, D, F Rehabilitation	-	6,410,588	6,410,588	-	-
AIP-38 Apron Rehab, Taxiway	-	4,829,243	4,829,243	-	-
AIP-39 Improve Runway Safety	-	4,030,096	4,030,096	-	-
AIP-41 Runway 4/22 Paved	4,223,819	3,704,548	-	17,911	3,722,459
AIP-42 Airline Terminal Air	6,331,799	3,365,630	-	2,223,808	5,589,438
Renovation of Airport Parking	-	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	847,426	74,125	-	299,115	373,240
Runway 4 Safety Area FAA Reimbursement	71,779	71,779	-	(14,540)	57,239
Parking Control System	-	181,490	181,490	-	-
Rental Car Facility Improvements	25,000	6,993	-	-	6,993
Rehabilitation Runway 10/28	249,740	24,577	-	213,180	237,757
AIP 43 Terminal Improvements	3,930,603	52,376	-	2,831,136	2,883,512
Total expenditures	<u>16,808,666</u>	<u>27,259,456</u>	<u>19,486,494</u>	<u>5,570,610</u>	<u>13,343,572</u>
Revenues over (under) expenditures	<u>(3,341,366)</u>	<u>(196,248)</u>	<u>(1,729,525)</u>	<u>509,186</u>	<u>2,042,463</u>
Other financing sources (uses)					
Transfers in	3,730,280	5,723,622	1,803,828	-	3,919,794
Transfers out	(388,914)	(467,718)	(97,367)	(15,613)	(385,964)
Proceeds from sale of assets	-	25,000	23,066	-	1,934
Total other financing sources (uses)	<u>3,341,366</u>	<u>5,280,904</u>	<u>1,729,527</u>	<u>(15,613)</u>	<u>3,535,764</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 5,084,656</u>	<u>\$ -</u>	<u>\$ 493,573</u>	<u>\$ 5,578,227</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 493,573	
Capital outlay				5,586,223	
Non-capitalizable items				(1,073)	
Change in net position				<u>\$ 6,078,723</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
(With Comparative Actual Amounts for Year Ended June 30, 2015)

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Operating revenues				
Charges for services	\$ 2,707,589	\$ 3,084	\$ 2,710,673	\$ 2,461,947
Other revenue from operations	162,303	30,647	192,950	177,605
Total operating revenues	<u>2,869,892</u>	<u>33,731</u>	<u>2,903,623</u>	<u>2,639,552</u>
Operating expenditures				
Personnel	3,980,971	75,653	3,905,318	3,738,755
Other operating expenditures	5,855,121	437,749	5,417,372	5,718,287
Capital outlay	1,977,366	158,128	1,819,238	1,526,679
Total operating expenditures	<u>11,813,458</u>	<u>671,530</u>	<u>11,141,928</u>	<u>10,983,721</u>
Operating income (loss)	<u>(8,943,566)</u>	<u>705,261</u>	<u>(8,238,305)</u>	<u>(8,344,169)</u>
Nonoperating revenues (expenditures)				
Federal and State grants	133,950	1,106	135,056	135,815
County revenue	305,865	(1,330)	304,535	304,245
Miscellaneous	106,670	3,156	109,826	118,299
Interest earned on investments	2,800	8,395	11,195	6,174
Interest expense	(8,622)	2,424	(6,198)	-
Debt service - principal payment	(141,380)	-	(141,380)	-
Nonoperating revenues (expenditures)	<u>399,283</u>	<u>13,751</u>	<u>413,034</u>	<u>564,533</u>
Revenues over (under) expenditures	<u>(8,544,283)</u>	<u>719,012</u>	<u>(7,825,271)</u>	<u>(7,779,636)</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	1,613	1,613	161,901
Transfers in	7,789,692	(553,256)	7,236,436	6,515,850
Transfers out	-	-	-	(117,848)
Proceeds from loans	-	-	-	575,942
Appropriated fund balance	754,591	(754,591)	-	-
Total other financing sources (uses)	<u>8,544,283</u>	<u>(1,306,234)</u>	<u>7,238,049</u>	<u>7,135,845</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (587,222)</u>	<u>\$ (587,222)</u>	<u>\$ (643,791)</u>
Reconciliation of change in net position				
Total revenues			\$ 10,554,706	\$ 10,457,778
Total expenditures			11,141,928	11,101,569
Subtotal			<u>(587,222)</u>	<u>(643,791)</u>
Depreciation			(842,501)	(638,136)
Decrease (increase) in accrued vacation			(31,476)	(2,410)
Net OPEB expense			(96,944)	(87,188)
LGERS expense			66,558	164,389
Change in inventory			(15,864)	(14,004)
Proceeds from sale of assets			(1,613)	(161,901)
Gain (loss) on disposal of assets			1,613	30,897
Unearned revenue			2,915	5,704
Capital outlay			1,819,238	1,526,679
Debt principal payment			141,380	-
Capital lease proceeds			-	(575,942)
Accrued interest			42	(175)
Subtotal			<u>1,043,348</u>	<u>247,913</u>
Change in net position			<u>\$ 456,126</u>	<u>\$ (395,878)</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ -	\$ 2,142	\$ -	\$ 10	\$ 2,152
Total revenues	<u>-</u>	<u>2,142</u>	<u>-</u>	<u>10</u>	<u>2,152</u>
Expenditures					
On Board/On Route Systems	477,848	456,390	-	17,714	474,104
Total expenditures	<u>477,848</u>	<u>456,390</u>	<u>-</u>	<u>17,714</u>	<u>474,104</u>
Revenues over (under) expenditures	<u>(477,848)</u>	<u>(454,248)</u>	<u>-</u>	<u>(17,704)</u>	<u>(471,952)</u>
Other financing sources (uses)					
Transfers in	477,848	477,848	-	-	477,848
Total other financing sources (uses)	<u>477,848</u>	<u>477,848</u>	<u>-</u>	<u>-</u>	<u>477,848</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 23,600</u>	<u>\$ -</u>	<u>\$ (17,704)</u>	<u>\$ 5,896</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (17,704)	
Change in net position				<u>\$ (17,704)</u>	

Internal Service Funds

2016

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

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



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
(With Comparative Actual Amounts for Year Ended June 30, 2015)

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Operating revenues				
Other revenues from operations	\$ 569,685	\$ (416,525)	\$ 153,160	\$ 316,316
Interfund charges and employee contributions	18,215,463	(32,309)	18,183,154	17,029,315
Total operating revenues	<u>18,785,148</u>	<u>(448,834)</u>	<u>18,336,314</u>	<u>17,345,631</u>
Operating expenditures				
Salaries and employee benefits	440,281	79,804	360,477	361,131
Other operating expenditures	19,676,067	1,893,200	17,782,867	16,479,284
Total operating expenditures	<u>20,116,348</u>	<u>1,973,004</u>	<u>18,143,344</u>	<u>16,840,415</u>
Operating income (loss)	<u>(1,331,200)</u>	<u>1,524,170</u>	<u>192,970</u>	<u>505,216</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	90,350	2,923	93,273	83,108
Miscellaneous	-	6,906	6,906	16,328
Total nonoperating revenues (expenditures)	<u>90,350</u>	<u>9,829</u>	<u>100,179</u>	<u>99,436</u>
Revenues over (under) expenditures	<u>(1,240,850)</u>	<u>1,533,999</u>	<u>293,149</u>	<u>604,652</u>
Other financing sources (uses)				
Sale of capital assets	-	-	-	111
Transfers out	(495,000)	-	(495,000)	(3,500,000)
Transfers in	807,045	(0)	807,045	2,890,726
Appropriated fund balance	928,805	(928,805)	-	-
Total other financing sources (uses)	<u>1,240,850</u>	<u>(928,805)</u>	<u>312,045</u>	<u>(609,163)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>-</u>	<u>605,194</u>	<u>605,194</u>	<u>(4,511)</u>
Reconciliation to change in net position:				
Total revenues			\$ 19,243,538	\$ 20,335,904
Total expenditures			18,638,344	(20,340,415)
Subtotal			<u>605,194</u>	<u>(4,511)</u>
Decrease (increase) in accrued vacation			832	906
Change in net OPEB expense			(9,698)	(9,209)
Decrease (increase) in insurance liability			(217,602)	(142,204)
LGERS expense			6,618	17,293
Subtotal			<u>(219,850)</u>	<u>(133,214)</u>
Change in net position			<u>\$ 385,344</u>	<u>\$ (137,725)</u>

Fiduciary Funds

2016

- Private-Purpose Trust Funds
- Agency Fund

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



Trust & Agency Funds 2016

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

The following comprise the City's Trust Funds:

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

- Agency Fund
 - Red Light Camera Fund



CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2016

	Police Benefit Trust Fund	Fireman's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 432	\$ 1,380,355	\$ 1,380,787
Accounts receivable	-	1,661	1,661
Total assets	<u>432</u>	<u>1,382,016</u>	<u>1,382,448</u>
Net position			
Held in Trust for benefits and other purposes	<u>432</u>	<u>1,382,016</u>	<u>1,382,448</u>
Total net position	<u>\$ 432</u>	<u>\$ 1,382,016</u>	<u>\$ 1,382,448</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds**

June 30, 2016

	Police Benefit Trust Fund	Fireman's Benefit Trust Fund	Total
Additions			
Contributions	\$ -	\$ 110,501	\$ 110,501
Investment earnings	2	37,011	37,013
Total additions	<u>2</u>	<u>147,512</u>	<u>147,514</u>
Deductions			
Benefit payments and premiums	-	139,112	139,112
Total deductions	<u>-</u>	<u>139,112</u>	<u>139,112</u>
Change in net position	2	8,400	8,402
Total net position - beginning	<u>430</u>	<u>1,373,616</u>	<u>1,374,046</u>
Total net position - ending	<u>\$ 432</u>	<u>\$ 1,382,016</u>	<u>\$ 1,382,448</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Red Light Camera Agency Fund
Statement of Changes in Assets and Liabilities
June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 1,174,230</u>	<u>\$ 1,044,451</u>	<u>\$ 129,779</u>
Liabilities				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 1,174,230</u>	<u>\$ 1,044,451</u>	<u>\$ 129,779</u>

Other Supplemental Financial Data

2016

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

Schedule of Current Tax Levy

Year Ended June 30, 2016

	<u>Total Property Valuation</u>	<u>Rate Per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
General Fund (Including VTS)	\$ 12,785,684,558	\$ 0.486	\$ 62,138,427	\$ 62,138,427	\$ -
General Fund (VTS July - Sept 2015)	<u>1,314,591,370</u>	0.486	<u>6,388,914</u>	<u>-</u>	<u>6,388,914</u>
Subtotal	14,100,275,928		68,527,341	62,138,427	6,388,914
Late Listing Penalties:					
General Fund			36,771	36,771	-
Subtotal			<u>68,564,112</u>	<u>62,175,198</u>	<u>6,388,914</u>
Discoveries:					
General Fund	32,960,123	0.486	160,186	151,397	8,789
Late Listing Penalties:					
General Fund			37,819	37,819	-
Subtotal			<u>198,006</u>	<u>189,216</u>	<u>8,789</u>
Releases					
General Fund	(11,252,755)	0.486	(54,688)	(54,591)	(98)
Late Listing Penalties:					
General Fund			(11,606)	(11,606)	-
Subtotal			<u>(66,295)</u>	<u>(66,197)</u>	<u>(98)</u>
Adjusted Tax Levy			<u>68,695,823</u>	<u>62,298,217</u>	<u>6,397,606</u>
Uncollected Current Year Taxes at 6/30/2016			<u>(396,245)</u>	<u>(395,891)</u>	<u>(354)</u>
City-wide Current Year's Taxes Collected			<u>\$ 68,299,578</u>	<u>\$ 61,902,326</u>	<u>\$ 6,397,251</u>
City-wide Current Levy Collection Percentage			<u>99.42%</u>	<u>99.36%</u>	<u>99.99%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2016

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2016</u>
2016	\$ -	\$ 68,695,823	\$ 68,299,578	\$ 396,245
2015	439,581	(15,587)	291,779	132,216
2014	292,570	(3,425)	73,414	215,731
All Prior	1,929,317	(158,452)	61,047	1,709,818
	<u>2,661,468</u>	<u>\$ 68,518,359</u>	<u>\$ 68,725,817</u>	<u>2,454,011</u>
Less: Allowance for Uncollectible Taxes				
General Fund	<u>(802,960)</u>			<u>(854,909)</u>
	<u>\$ 1,858,508</u>			<u>\$ 1,599,101</u>
General Fund Taxes Receivable per the fund financial statements				\$ 1,854,147
Less: CBTD Taxes Receivable				(3,504)
Less: Vehicle License Fee Receivable				<u>(251,541)</u>
General Fund Ad Valorem Taxes Receivable				<u>\$ 1,599,101</u>

Reconciliations of collections and credit with revenues

Ad Valorem Taxes per the fund financial statements	\$ 69,176,547
Less Penalties & Interest	(259,439)
Less Taxes - CBTD	(132,395)
Less Taxes - Lake Valley Dr MSD	<u>(58,897)</u>
General Fund Ad Valorem Taxes	<u>\$ 68,725,817</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Emergency Telephone System Unspent Fund
PSAP Reconciliation

June 30, 2016

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	\$	(89,992)
Change of Fair Market Value on Investment		(467)
Beginning Balance, PSAP Revenue-Expenditure Report		<u>1,324,171</u>
Ending Balance, PSAP Revenue-Expenditure Report	\$	<u>1,233,712</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2016
With Comparative Actual Statements for the Year Ended June 30, 2015

	Budget	Variance Positive (Negative)	2016 Actual	2015 Actual
Revenues				
Restricted intergovernmental	\$ 856,110	\$ -	\$ 856,110	\$ 1,721,988
Interest earned on revenues	5,687	1,267	6,954	2,976
Total revenues	<u>861,797</u>	<u>1,267</u>	<u>863,064</u>	<u>1,724,964</u>
Expenditures				
Current				
Public Safety				
Implemental functions	165,895	390	165,505	152,597
Telephone	131,856	164	131,692	246,592
Hosted solutions	355,876	-	355,876	-
Software maintenance	86,635	-	86,635	111,284
Hardware maintenance	279,550	91,177	188,373	234,663
Training	29,122	842	28,280	21,765
Capital outlay	-	-	-	462,027
Total public safety	<u>1,048,934</u>	<u>92,573</u>	<u>956,361</u>	<u>1,228,928</u>
Total expenditures	<u>1,048,934</u>	<u>92,573</u>	<u>956,361</u>	<u>1,228,928</u>
Revenues over (under) expenditures	<u>(187,137)</u>	<u>93,840</u>	<u>(93,297)</u>	<u>496,036</u>
Other financing sources (uses)				
Appropriated fund balance	187,137	(187,137)	-	-
Transfers in	-	3,305	3,305	27,998
Transfers out	-	-	-	(24,842)
Total other financing sources (uses)	<u>187,137</u>	<u>(183,832)</u>	<u>3,305</u>	<u>3,156</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>-</u>	<u>(89,992)</u>	<u>(89,992)</u>	<u>499,192</u>
Fund balance				
Beginning of year - July 1			<u>1,320,813</u>	<u>821,621</u>
End of year - June 30			<u>\$ 1,230,821</u>	<u>\$ 1,320,813</u>

**Statistical
Section**

2016



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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Investment in capital assets	\$ 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	\$ 338,293,438
Restricted for:										
Capital projects	-	1,047,622	-	-	-	-	-	-	-	-
Other purposes	3,525,148	-	-	-	35,832,753	26,200,123	27,136,010	29,025,780	43,756,156	41,001,564
Grant compliance	-	1,883,445	1,885,171	3,225,781	-	-	-	162,574	1,930,863	801,855
Unrestricted	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	27,543,627
Total governmental activities net position	\$ 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	\$ 407,640,484
Business-type activities										
Investment in capital assets	\$ 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	\$ 96,012,428
Restricted for:										
Capital projects	420,040	2,075,219	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334	63,903,304	1,336,609
Debt service	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	1,020
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	23,900,359
Total business-type activities net position	\$ 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	\$ 121,250,416
Primary Government										
Investment in capital assets	\$ 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	\$ 434,305,866
Restricted for:										
Capital projects	420,040	3,122,841	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334	63,903,304	1,336,609
Debt service	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	-
Other purposes	3,525,148	-	-	-	35,832,753	26,200,123	27,136,010	29,026,800	43,757,176	41,002,584
Grant compliance	-	1,883,445	1,885,171	3,225,781	-	-	-	162,574	1,930,863	801,855
Unrestricted	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	51,443,986
Total primary government net position	\$ 1,012,685,462	\$ 1,057,977,759	\$ 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	\$ 528,890,900

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Administration	\$ 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	\$ 28,126,514
Public safety	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	84,190,564
Environmental protection	11,000,841	12,126,391	12,048,837	11,098,182	14,636,753	8,369,933	8,100,683	477,470	458,342	536,121
Transportation	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	21,400,512
Economic and physical development	1,229,375	4,558,635	4,532,166	5,371,176	9,323,817	5,568,559	6,300,683	4,714,803	5,541,090	6,573,922
Recreation and community facilities	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	14,997,725
Debt Service:										
Interest and fees	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	708,588
Total governmental activities	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	156,533,946
Business type activities										
Electric	130,839,305	137,551,749	144,714,714	142,995,626	149,730,921	146,116,831	197,553,706	212,158,021	203,441,960	-
Water and wastewater	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	2,891,487	3,225,830	4,588,821	4,569,999	4,755,537
Transit	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	9,401,908
Airport	4,091,032	3,986,357	4,329,383	4,589,767	4,680,624	5,259,583	6,085,394	6,277,135	6,510,834	7,235,478
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	10,266,780
Total business-type activities	189,417,936	201,834,859	222,101,812	224,823,123	223,929,535	229,247,158	285,653,143	311,172,349	308,658,779	31,659,703
Total primary government	\$ 312,634,495	\$ 335,630,290	\$ 354,681,217	\$ 368,433,397	\$ 373,367,066	\$ 371,884,733	\$ 430,423,185	\$ 454,597,682	\$ 452,409,856	\$ 188,193,649
Program Revenues										
Governmental Activities										
<i>Administration</i>										
Charges for services	\$ 800,275	\$ 755,883	\$ 868,572	\$ 830,793	\$ 996,905	\$ 1,024,970	\$ 994,985	\$ 1,542,466	\$ 1,811,598	\$ 2,087,923
Operating grants and contributions	32,298	63,268	7,264	30,000	31,141	3,585	16,374	32,545	8,485	4,610
<i>Public Safety</i>										
Charges for services	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	3,652,223
Operating grants and contributions	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	3,755,940
Capital grants and contributions	95,867	45,154	33,802	5,408	560,157	27,563	62,112	79,929	302,007	649,569
<i>Environmental Protection</i>										
Charges for services	40,785	3,416,607	3,494,076	5,321,692	5,313,078	192,595	202,215	59,335	36,020	45,075
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	-	-	-
<i>Transportation</i>										
Charges for services	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	907,196
Operating grants and contributions	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	7,227,243
Capital grants and contributions	13,446	155,409	85,372	96,757	204,583	3,511,719	3,487,233	1,905,111	173,144	6,622,200

Note: On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

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

Schedule 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Economic and physical development</i>										
Charges for services	\$ -	\$ -	\$ -	\$ 70,995	\$ 320,748	\$ 562,138	\$ 512,467	\$ 422,997	\$ 376,160	\$ 479,286
Operating grants and contributions	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	2,186,935
Capital grants and contributions	1,163,385	338,684	30,913	383,277	503,614	847,788	103	-	-	3,114
<i>Recreation and community facilities</i>										
Charges for services	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	4,725,666
Operating grants and contributions	45,213	56,292	35,844	105,460	123,063	140,384	188,446	149,587	218,258	418,295
Capital grants and contributions	2,622,609	781,410	1,312,932	2,642,557	10,696,075	2,004,325	695,162	882,480	1,179,024	1,409,404
<i>Interest and fees</i>										
Operating grants and contributions	-	-	-	-	318,310	185,825	111,724	104,110	88,737	-
Total governmental activities programs	<u>23,919,355</u>	<u>24,515,031</u>	<u>25,255,918</u>	<u>29,755,178</u>	<u>44,179,163</u>	<u>31,272,282</u>	<u>28,735,664</u>	<u>24,802,534</u>	<u>26,004,579</u>	<u>34,174,679</u>
<i>Business-type activities:</i>										
<i>Electric</i>										
Charges for services	159,647,302	166,899,655	169,451,426	173,192,801	194,811,519	197,656,327	211,789,791	217,853,786	223,663,832	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	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	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	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	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	-
<i>Storm water management¹</i>										
Charges for services	N/A	N/A	N/A	N/A	N/A	5,183,444	5,247,665	5,283,676	6,224,941	6,792,851
Operating grants and contributions	N/A	N/A	N/A	N/A	N/A	-	-	-	-	131,991
Capital grants and contributions	N/A	N/A	N/A	N/A	N/A	-	-	-	-	-
<i>Transit</i>										
Charges for services	801,186	774,345	801,967	839,490	891,454	1,025,180	1,118,149	1,245,135	1,349,877	1,394,009
Operating grants and contributions	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	3,004,558
Capital grants and contributions	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	5,698,273
<i>Airport</i>										
Charges for services	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	4,380,202
Operating grants and contributions	114,380	146,092	-	1,040,076	144,153	138,131	112,888	108,430	110,580	107,080
Capital grants and contributions	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	6,057,017
<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	3,211,073
Operating grants and contributions	-	-	263,070	296,121	298,005	299,525	301,250	133,637	135,815	135,056
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program	<u>241,472,031</u>	<u>248,056,301</u>	<u>264,225,868</u>	<u>288,850,168</u>	<u>293,594,628</u>	<u>305,935,126</u>	<u>311,112,078</u>	<u>322,220,542</u>	<u>334,299,124</u>	<u>30,912,110</u>
Total primary government program	<u>\$ 265,391,386</u>	<u>\$ 272,571,332</u>	<u>\$ 289,481,786</u>	<u>\$ 318,605,346</u>	<u>\$ 337,773,791</u>	<u>\$ 337,207,408</u>	<u>\$ 339,847,742</u>	<u>\$ 347,023,076</u>	<u>\$ 360,303,703</u>	<u>\$ 65,086,789</u>
<i>Net (expense)/revenue</i>										
Governmental activities	\$ (99,297,204)	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,096)	\$ (105,258,368)	\$ (111,365,293)	\$ (116,034,378)	\$ (118,622,799)	\$ (117,746,498)	\$ (122,359,269)
Business-type activities	52,054,095	46,221,442	42,124,056	64,027,045	69,665,093	76,687,968	25,458,935	11,048,193	25,640,345	(747,593)
Total primary government net expense	<u>\$ (47,243,109)</u>	<u>\$ (63,058,958)</u>	<u>\$ (65,199,431)</u>	<u>\$ (49,828,051)</u>	<u>\$ (35,593,275)</u>	<u>\$ (34,677,325)</u>	<u>\$ (90,575,443)</u>	<u>\$ (107,574,606)</u>	<u>\$ (92,106,153)</u>	<u>\$ (123,106,862)</u>

Note: On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

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

Schedule 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities										
Ad valorem taxes	\$ 52,929,323	\$ 54,295,319	\$ 55,406,617	\$ 58,518,101	\$ 59,016,746	\$ 60,130,081	\$ 62,067,430	\$ 64,702,217	\$ 68,090,990	\$ 68,907,943
Other taxes	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	53,902,375
Payment in lieu of taxes	-	-	-	-	-	-	-	-	-	9,487,800
Unrestricted grants and contributions	788,290	801,099	814,901	295,870	-	902,467	839,798	914,579	1,003,800	916,625
Interest earned on investments	4,050,088	3,704,974	2,212,641	1,157,788	769,192	565,944	8,522	818,792	468,468	514,449
Miscellaneous	474,945	627,860	865,351	652,055	1,379,722	1,174,240	513,652	541,010	385,836	501,296
Gain on sale of capital assets	199,853	254,875	240,465	210,072	343,836	385,076	1,063,285	142,765	178,557	144,204
Transfers	7,150,056	3,307,854	3,366,213	5,409,378	7,577,732	6,082,634	3,917,802	(6,720,827)	(26,001)	(10,758,599)
Special Item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>106,899,693</u>	<u>106,184,998</u>	<u>105,430,975</u>	<u>110,726,154</u>	<u>114,937,271</u>	<u>116,408,416</u>	<u>117,163,150</u>	<u>109,108,327</u>	<u>123,106,920</u>	<u>123,616,093</u>
Business-type activities:										
Other taxes	-	-	-	-	-	649,471	660,193	839,060	638,129	632,073
Interest earned on investments	5,173,628	5,392,197	4,810,234	3,133,521	2,196,769	3,089,310	1,445,865	3,070,459	1,600,725	141,069
Miscellaneous	366,079	90,271	88,058	87,444	247,622	252,092	323,661	466,103	466,468	439,571
Transfers	12,319	(3,307,854)	(3,366,213)	(5,409,378)	(7,577,732)	(6,082,634)	(3,917,802)	6,720,827	26,001	10,758,599
Gain on sale of capital assets	-	1,643	22,459	40,942	73,866	240,158	1,975,417	158,907	38,470	1,694
Extraordinary item	(7,150,056)	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>(1,598,030)</u>	<u>2,176,257</u>	<u>1,554,538</u>	<u>(2,147,471)</u>	<u>(5,059,475)</u>	<u>(1,851,603)</u>	<u>487,334</u>	<u>11,255,356</u>	<u>2,769,793</u>	<u>11,973,006</u>
Total primary government	<u>\$ 105,301,663</u>	<u>\$ 108,361,255</u>	<u>\$ 106,985,513</u>	<u>\$ 108,578,683</u>	<u>\$ 109,877,796</u>	<u>\$ 114,556,813</u>	<u>\$ 117,650,484</u>	<u>\$ 120,363,683</u>	<u>\$ 125,876,713</u>	<u>\$ 135,589,099</u>
Change in Net Position										
Governmental activities	\$ 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	\$ 1,256,824
Business-type activities	50,456,065	48,387,699	43,678,594	61,879,574	64,605,618	74,836,365	25,946,269	22,303,549	28,410,138	11,225,413
Total primary government	<u>\$ 58,058,554</u>	<u>\$ 45,292,297</u>	<u>\$ 41,786,082</u>	<u>\$ 58,750,632</u>	<u>\$ 74,284,521</u>	<u>\$ 79,879,488</u>	<u>\$ 27,075,041</u>	<u>\$ 12,789,077</u>	<u>\$ 33,770,560</u>	<u>\$ 12,482,237</u>

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)

Schedule 3

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 19,688,249	\$ 17,226,906	\$ 17,984,934	\$ 17,972,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	29,962,047	35,781,835	27,934,081	28,616,050	-	-	-	-	-	-
Nonspendable	-	-	-	-	160,391	170,322	137,604	124,837	117,022	72,637
Restricted	-	-	-	-	18,160,858	18,018,110	19,370,822	20,994,163	24,408,566	24,304,919
Committed	-	-	-	-	-	-	-	-	-	3,774,601
Assigned	-	-	-	-	13,578,711	13,545,829	14,004,183	11,560,730	14,381,101	10,645,774
Unassigned	-	-	-	-	16,807,431	20,161,587	17,551,749	19,368,407	21,630,019	23,070,485
Total General Fund	\$ 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	\$ 61,868,417
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	\$ 5,285,867	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor:										
Special Revenue	3,569,224	3,384,703	2,893,694	3,526,252	-	-	-	-	-	-
Capital Projects	8,024,751	5,148,775	4,691,155	2,510,568	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	3,937,714	-	-
Restricted	-	-	-	-	17,671,895	8,182,013	7,765,188	8,697,672	22,959,252	17,498,501
Committed	-	-	-	-	9,788,921	5,524,169	6,012,520	7,506,621	7,307,120	6,638,071
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(1,411,539)	(1,055,147)	(595,034)	(876,336)	(1,598,518)	(704,523)
Total all other governmental funds	\$ 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	\$ 23,432,049

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

Note: On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

Note: The City implemented GASB Statement 73 in Fiscal Year 2016; therefore, the Law Enforcement Officer Special Separation Allowance is reflected in the General Fund as part of the committed fund balance.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Ad valorem taxes	\$ 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	\$ 69,176,547
Other taxes ¹	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	1,310,019
Intergovernmental	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	63,665,594
Restricted intergovernmental ¹	-	-	11,828,229	16,964,952	26,722,238	19,874,277	16,113,807	13,173,189	16,134,374	17,377,541
Local										2,102
Other functional	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	2,377,031
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	4,449,582
Miscellaneous	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	5,767,857
Interest earned on investments	3,695,228	3,030,672	1,748,164	929,799	538,984	307,465	(42,273)	494,849	531,400	507,858
Total revenues	<u>129,657,485</u>	<u>127,094,073</u>	<u>127,077,085</u>	<u>135,060,027</u>	<u>149,258,387</u>	<u>140,867,657</u>	<u>139,656,451</u>	<u>140,349,233</u>	<u>149,782,014</u>	<u>164,634,131</u>
Expenditures										
Administration	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	30,025,265
Public safety	56,216,348	57,479,621	60,041,364	65,840,294	65,408,955	66,478,556	68,000,401	72,254,636	73,986,004	78,695,634
Environmental protection	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	335,188
Transportation	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	8,014,406
Economic and physical development	1,079,198	4,568,228	4,362,581	4,685,441	9,521,505	5,933,527	5,555,167	633,411	4,579,644	5,136,300
Recreation and community facilities	13,491,872	10,918,848	11,858,912	12,025,817	11,863,297	12,097,831	11,892,121	12,225,457	12,194,892	12,829,765
Capital outlay	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	19,966,233
Debt Service										
Principal	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	6,935,683
Interest and fees	2,724,064	2,081,737	1,955,844	1,528,589	1,487,161	1,559,137	1,312,216	1,083,442	975,588	875,040
Issuance costs	-	-	-	131,014	-	-	-	-	-	-
Total expenditures	<u>137,977,272</u>	<u>134,511,641</u>	<u>133,684,439</u>	<u>142,646,501</u>	<u>169,607,017</u>	<u>148,595,209</u>	<u>144,371,718</u>	<u>139,077,623</u>	<u>145,819,799</u>	<u>162,813,514</u>
Excess (deficiency) of revenues over (under) expenditures	(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	1,820,617
Other financing sources (uses)										
Refunding Bonds issued	-	-	-	7,896,115	-	-	-	-	-	-
Proceeds from capital leases, bonds and other debt	4,537,000	3,303,940	-	6,550,809	14,857,940	-	-	3,937,714	4,257,748	1,878,677
Transfers in	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	13,808,925
Transfers out	(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)	(24,879,567)
Sale of Capital Assets ¹	-	-	246,972	210,072	328,316	363,380	1,027,375	114,013	168,430	140,302
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)	<u>11,662,056</u>	<u>6,580,014</u>	<u>5,935,285</u>	<u>14,234,745</u>	<u>23,436,512</u>	<u>5,945,831</u>	<u>4,415,416</u>	<u>5,795,166</u>	<u>5,009,450</u>	<u>(9,051,664)</u>
Net change in fund balances	<u>\$ 3,342,269</u>	<u>\$ (837,554)</u>	<u>\$ (672,069)</u>	<u>\$ 6,648,271</u>	<u>\$ 3,087,882</u>	<u>\$ (1,781,721)</u>	<u>\$ (299,851)</u>	<u>\$ 7,066,776</u>	<u>\$ 8,971,665</u>	<u>\$ (7,231,047)</u>
Debt service as a percentage of noncapital expenditures	<u>10.02%</u>	<u>8.99%</u>	<u>8.68%</u>	<u>8.38%</u>	<u>5.62%</u>	<u>6.56%</u>	<u>6.08%</u>	<u>5.00%</u>	<u>4.90%</u>	<u>5.47%</u>

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	Rental Property Gross Receipts	Consolidated 911 Tax ²	Total
2016	\$ 69,176,547	\$ 38,764,144	\$ 13,864,508	\$ 598,962	\$ 17,118	\$ 916,625	\$ -	\$ 657,643	\$ -	123,995,547
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	98,188,826
2007	58,574,670	30,488,647	6,554,283	623,019	920,196	788,290	1,243,013	391,124	1,064,599	100,647,841

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
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Schedule 6

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
2016	\$ 12,274,027,723	\$ 1,880,707,190	\$ 185,334,874	\$ 218,086,491	\$ 14,121,983,296	0.486	\$ 13,523,883,950	105.22%
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%

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 7

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate²	Overlapping Rates ¹ Cumberland County County wide
2016	0.486	0.100	0.336	0.740
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

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 8

Taxpayer	2016 ¹			2007 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	0.95%	\$ 72,650,500	2	0.73%
Piedmont Natural Gas	46,536,718	2	0.33%	41,883,149	4	0.42%
Wal-Mart	44,276,400	3	0.31%			0.00%
Carolina Telephone	40,250,374	4	0.29%	78,176,117	1	0.79%
Fayetteville VA Co LLC	34,036,428	5	0.24%			0.00%
Westlake at Morganton LLC	28,107,800	6	0.20%			0.00%
Independence Place West Fayetteville	26,605,101	7	0.19%			0.00%
West Park Apartments LLC	25,118,700	8	0.18%			0.00%
Hidden Creek Village	24,803,500	9	0.18%	21,477,068	8	0.22%
DDRM Fayetteville Pavilion LLC	23,862,500	10	0.17%			
UDRT of North Carolina				30,953,800	6	0.31%
Fayetteville Publishing Company				21,725,238	7	0.22%
Centurion Aviation Service				50,800,000	3	0.51%
Black and Decker (US) Inc.				31,975,998	5	0.32%
Cross Creek Phase 1 LLC				17,911,425	9	0.18%
Morganton Development LLC				16,929,398	10	0.17%
	<u>\$ 427,417,221</u>		<u>3.03%</u>	<u>\$ 384,482,693</u>		<u>3.88%</u>

¹ Assessed valuations are as of January 1, 2015 and the associated tax levies were due in the fiscal year ended June 30, 2016.

² Assessed valuations are as of January 1, 2006 and the associated tax levies were due in the fiscal year ended June 30, 2007.

Source: Cumberland County Tax Office

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

Schedule 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2016	\$ 68,695,823	\$ 68,299,578	99.42%	\$ -	\$ 68,299,578	99.42%	
2015	67,898,129	67,458,548	99.35%	291,779	67,750,327	99.78%	
2014	64,477,068	63,626,991	98.68%	516,426	64,143,417	99.48%	
2013	61,869,392	60,343,502	97.53%	1,073,696	61,417,198	99.27%	
2012	59,990,898	58,593,009	97.67%	1,033,928	59,626,936	99.39%	
2011	58,795,924	57,406,499	97.64%	1,031,651	58,438,150	99.39%	
2010	58,418,406	57,126,777	97.79%	957,301	58,084,078	99.43%	
2009	55,349,877	53,901,099	97.38%	1,087,264	54,988,363	99.35%	
2008	54,216,530	52,738,807	97.27%	1,104,321	53,843,128	99.31%	
2007	52,534,182	50,964,492	97.01%	1,208,009	52,172,501	99.31%	

¹ Schedule reflects the general tax levy only.

Source: Cumberland County Tax Office

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

Schedule 10

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			
2016	\$ 4,396,267	\$ 19,419,617	\$ 300,000	\$ -	\$ 7,925,000	\$ 350,419	\$ 434,563	\$ 32,825,866	N/A	158
2015 ²	8,577,821	20,606,769	375,000	2,741,682	242,101,959	34,167,522	575,942	309,146,695	2.54%	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	1.67%	937
2013	14,110,875	17,927,431	525,000	4,270,372	150,206,030	22,650,444	39,465	209,729,617	1.813%	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	1.813%	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	1.936%	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	2.135%	1,112
2009	28,937,825	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	2.127%	1,217
2008	33,383,061	14,343,916	-	9,041,939	167,735,000	20,486,896	-	244,990,812	2.416%	1,350
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136	-	290,487,079	2.959%	1,670

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

¹ See schedule 15 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 11

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Total Assessed Value of	
	General Obligation Bonds	Revenue Bonds	Total Primary Government	Property 1	Per Capita 2
2016	\$ 4,336,988	\$ 7,925,000	\$ 12,261,988	0.09%	59
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

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

¹ See Schedule 6 for property value data.

² Population data can be found in Schedule 15.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2016
(Unaudited)

Schedule 12

<u>Governmental Unit</u>	<u>Debt Outstanding ¹</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cumberland County	\$ 140,898,555	60.73%	\$ 85,564,365
Subtotal, overlapping debt			85,564,365
City of Fayetteville direct debt			24,115,884
Total direct and overlapping debt			<u>\$ 109,680,249</u>

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

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

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

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

Schedule 13

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	\$ 1,129,758,664
Total net debt applicable to limit	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	24,491,168
Legal debt margin	\$ 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	\$ 1,105,267,496
Total net debt applicable to the limit as a percentage of debt limit	10.79%	9.45%	7.89%	6.07%	6.65%	5.65%	5.41%	5.37%	5.93%	2.17%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Value	\$ 14,121,983,296
Debt Limit (8% of total assessed value)	1,129,758,664
Debt applicable to limit:	
Bonded debt	4,336,988
Notes payable	300,000
Capitalized leases	19,854,180
Subtotal	<u>24,491,168</u>
Authorized and unissued debt	<u>35,000,000</u>
Total Gross Debt	59,491,168
Less: Statutory deductions	
Bonds Authorized but Un-issued - Parks and Recreation Bonds	35,000,000
	<u>-</u>
	<u>35,000,000</u>
	<u>24,491,168</u>
	<u>\$ 1,105,267,496</u>

City of Fayetteville, North Carolina
Pledged Revenue Coverage - Stormwater
Last Ten Fiscal Years¹
(Unaudited)

Schedule 14

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses ²	Net Available Revenue	Debt Service Requirements ⁵			Coverage ⁴
				Principal	Interest ³	Total	
2016	\$ 6,769,910	\$ 3,609,029	3,160,881	\$ 625,000	\$ 194,167	\$ 819,167	3.86
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 15

Year	Population ¹	Personal Income ²	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2016	208,158	N/A	N/A	51,846	N/A	N/A (a)	\$3.849
2015	208,373	\$ 12,179,768,000	37,611	50,939	6.6%	N/A (a)	3.693
2014	210,468	11,780,298,000	36,157	51,855	6.4%	N/A (a)	3.509
2013	209,080	11,567,254,000	35,444	52,729	7.6%	N/A (a)	3.559
2012	208,001	11,563,587,000	35,785	53,063	8.2%	N/A (a)	3.532
2011	208,291	11,306,461,000	34,911	53,361	8.5%	N/A (a)	3.376
2010	207,779	10,818,511,000	33,792	52,187	8.2%	N/A (a)	3.241
2009	181,481	10,382,420,000	32,726	53,162	6.8%	2.348	2.844
2008	181,453	10,140,983,000	32,524	52,912	5.0%	2.301	2.752
2007	173,898	9,818,279,000	31,848	53,912	4.2%	2.253	2.747

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates for July 1, 2007 through July 1, 2016.
 2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2016 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. 2016 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.

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

Schedule 16

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian) ¹	8,757	1	7.29%	8,857	1	6.27%
Cape Fear Valley Health System	7,000	2	5.82%	5,000	3	3.54%
Cumberland County Board of Education	6,453	3	5.37%	6,700	2	4.74%
Wal-Mart Associates Inc	2,850	4	2.37%	3,448	4	2.44%
Goodyear Tire & Rubber Company	2,500	5	2.08%	2,650	6	1.87%
Cumberland County Government	2,362	6	1.97%	2,788	5	1.97%
Fayetteville Technical Community College	1,790	7	1.49%			
City of Fayetteville	1,770	8	1.47%	1,996	7	1.41%
Veterans Administration	1,000	9	0.83%			
Food Lion	810	10	0.67%			
State of North Carolina	-			1,530	8	1.08%
US Postal Service	-			1,312	9	0.93%
Methodist University	-			1,300	10	0.92%
Total Employment (Ten Largest Civilian Employers)	35,292		29.36%	35,581		25.17%

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, Cape Fear Valley Health System, City of Fayetteville Public Works Commission, Fayetteville Observer, City of Fayetteville, Fayetteville Tech Community College, and Food Lion.

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

Schedule 17

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	92	97	91	91	93	96	105	108	117	125
Public Safety	834	827	827	829	875	851	898	911	930	950
Environmental Protection ^{1,2,3}	123	145	118	136	124	85	84	4	5	5
Transportation	77	52	79	79	72	77	78	78	75	79
Economic and physical development	18	15	15	19	24	20	20	20	22	27
Recreation and community facilities	126	125	125	133	114	121	121	117	117	115
Internal Service	30	44	44	52	48	45	46	45	5	4
Transit	50	54	54	61	76	87	92	89	98	113
Airport	21	18	18	18	18	19	19	20	23	23
Stormwater ^{1, 2}	-	-	-	-	-	26	26	36	37	43
Environmental Services ³ (solid waste & recycling)	-	-	-	-	-	-	1	70	67	70
Total	1,371	1,377	1,371	1,418	1,444	1,427	1,490	1,498	1,496	1,554

Source: City Finance Office

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 18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Fire ⁽²⁾										
Emergency responses	20,215	22,608	23,197	25,166	25,272	27,843	27,643	30,153 ⁽²⁾	29,987	29,963
Fires extinguished	1,495	1,092	930	1,118	869	977	721	671 ⁽²⁾	682	812
Fire inspections	4,824	6,052	4,159	5,670	6,900	6,335	2,761	3349 ⁽²⁾	4,582	4,516
Police ^{(1) (3)}										
Number of law violations:										
Physical arrests	8,522	9,372	7,968	8,865	10,336	8,968	7,168	7,406	6,594	5,856 ⁽³⁾
Traffic citations	28,339	39,240	35,484	45,982	48,162	31,054	21,058	22,523	23,630	16,187 ⁽³⁾
Warning citations	12,493	12,572	13,481	13,096	21,034	19,713	17,219	21,788	38,326	46,322 ⁽³⁾
Calls for service	204,549	215,797	215,127	219,428	222,136	230,389	251,891	307,679	272,350	277,688 ⁽³⁾
Development Services										
Number of permits issued:										
Residential:										
New single family	586	362	317	401	431	548	502	343	308	290
New multi-family										
Number of units	1,154	459	712	619	1,165	966	983	111	170	311
Renovations	1,222	1,303	1,364	1,297	1,390	1,350	2,098	1,557	1,461	1,382
Commercial:										
New	88	60	52	60	87	62	71	51	69	69
Renovations	301	299	259	294	461	611	541	559	509	431
Other:										
Miscellaneous	16,057	14,824	16,731	16,185	17,598	19,290	13,132	10,319	12,467	11,794
Yard sale	1,227	1,229	1,175	1,186	1,186	1,114	921	998	727	702

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

Schedule 18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cultural and Recreational ⁽⁴⁾										
Youth Sports participants	10,921	9,580	11,543	9,871	16,081	10,870	11,805	11,173	11,687	15,209
Adult Sports participants	1,676	1,648	2,100	5,348	6,772	1,036	1,172	1,087	761	944
Senior participants	68,718	85,564	89,461	62,818	92,894	102,170	109,503	89,416	90,311	109,289
Therapeutic participants	30,993	34,169	38,996	2,348	22,192	20,048	29,522	22,793	23,021	52,942
Aquatics participants	N/A	N/A	N/A	N/A	23,811	24,903	22,394	22,123	22,345	38,099
Park programs participants	29,161	29,359	27,584	16,810	24,182	24,074	21,712	28,086	28,367	30,589
Special events participants	3,698	2,745	2,841	2,979	6,567	11,161	11,983	20,727	20,642	22,446
Permitted events	35	61	66	82	81	64	66	89	81	96
Mobile stage/bleacher rentals	36	50	44	49	51	47	44	49	47	92
Recreation center participants	419,041	514,943	673,934	430,654	508,801	524,772	525,848	586,199	592,061	621,664
Historical properties participants	14,499	15,713	22,354	15,401	34,011	134,247	105,126	95,622	63,531	73,109
Picnic shelter rentals	28,597	30,041	29,211	31,772	38,381	50,218	46,839	40,761	38,484	36,687
Festival Park	107,148	323,028	267,794	na	na	na	na	na	na	na
Tier 1 Events (0 - 500 Attendees)	N/A	N/A	N/A	6	2	5	3	1	5	5
Tier 2 Events (501 - 2,500 Attendees)	N/A	N/A	N/A	12	7	11	13	6	15	2
Tier 3 Events (2,501+ Attendees)	N/A	N/A	N/A	15	13	14	13	6	16	2
Tier 4 Events (5,001 - 10,000 Attendees)	-	-	-	-	-	-	-	-	-	10
Tier 5 Events (10,001 + Attendees)	-	-	-	-	-	-	-	-	-	19
Transportation										
Street Maintenance										
Streets maintained (miles)	704.48	721.19	722.38	724.39	726.51	730.79	734.13	735.69	735.69	740.69
Street resurfacing and cape sealing (miles)	13.29	14.68	20.42	31.77	25.05	19.52	17.80	14.30	17.50	20.09
Number of traffic signals maintained ⁽⁵⁾	178	178	205	225	225	225	226	214	214	214
Engineering										
Driveway permits (residential)	581	323	310	378	426	429	578	382	388	324
Driveway permits (commercial)	75	43	40	23	42	42	42	28	23	19
Airport ⁽²⁾										
Number of enplaned passengers	175,432	199,438	229,480	259,454	254,134	253,330	244,345	237,282 ⁽²⁾	161,635	186,806
Number of deplaned passengers	174,967	197,092	229,993	254,891	258,719	253,575	243,876	236,635 ⁽²⁾	219,312	184,755

(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 2016 are reflected January 01, 2016 through October 31, 2016.

(4) Statistics 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.

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

Schedule 19

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Fire										
Number of stations	15	16	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)	12	12	12	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	14	14	14	14	14	14	14	14	14	14
Community parks (30 - 50 acres)	6	6	6	6	6	7	7	7	7	7
Sports complexes (40 - 80 acres)	2	2	2	2	2	3	3	3	3	3
Green spaces	8	8	8	8	8	8	8	8	8	8
Neighborhood school-parks	34	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	6	7	7	7	7	8	8	8	8	8
Program sites	8	8	8	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	3	3	3	3	3	3	3	3	3	3
Community center with gym	16	16	16	16	16	16	16	16	16	16
Pools	-	-	-	-	-	-	-	-	1	3
Transportation										
Street Maintenance										
Streets maintained (miles)	704.48	721.19	722.38	724.39	726.51	730.79	734.13	735.69	735.69 ⁽¹⁾	740.69
Number of traffic signals ⁽²⁾	28	28	28	28	28	28	29	29	29	29

(1) Reflects correction of presentation of previous data

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

Source: Information provided by various city departments and

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

2016



- 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 Other Matters Based Uniform Guidance 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 Other Matters Based Uniform Guidance and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2016.

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.

Handwritten signature in cursive script that reads "Cherry Bekasert LLP".

Fayetteville, North Carolina
December 14, 2016

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Uniform Guidance 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 *OMB 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, 2016. 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; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fayetteville, North Carolina
December 14, 2016

**Report of Independent Auditor on Compliance for Each Major State Program and Internal Control
over Compliance in Accordance with OMB Uniform Guidance 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, 2016. 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; and the applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Fayetteville, North Carolina
December 14, 2016

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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 2 CFR 200.516(a)

_____ Yes X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
16.710	Public Safety Partnership and Community Policing Grants (COPS Hiring 2014)
20.507	Federal Transit Grant Cluster – Formula Grants (Urbanized Area Formula Program)
20.205	Highway Planning and Construction Cluster
20.106	Airport Improvement Program

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

 \$ 921,684

Auditee qualified as low-risk auditee?

 X Yes _____ No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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
- Public Transportation - Capital and Planning Grants
- Public Transportation - Transportation Improvement Program
- Public Transportation - Winslow Street Streetscapes

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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, 2016

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

<u>GRANTOR/PASS-THROUGH</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Pass-through to</u> <u>Sub-recipients</u>	<u>Total</u> <u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>
<u>US DEPARTMENT OF DEFENSE</u>						
<u>Office of Economic Adjustment</u>						
Fort Bragg Force Reduction Grant	12.604	HQ00051610013	\$ -	\$ 28,333	\$ -	\$ 28,333
Total US Department of Defense			-	28,333	-	28,333
<u>US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>						
<u>Community Development Block Grant Cluster</u>						
CDBG Entitlement Grant FY2014-2015	14.218	B-14-MC-37-0005	85,273	544,108	-	544,108
CDBG Entitlement Grant FY2015-2016	14.218	B-15-MC-37-0005	267,772	932,076	-	932,076
Total Community Development Block Grant Cluster			353,045	1,476,184	-	1,476,184
<u>HOME Investment Partnerships Program</u>						
FY2011-2012	14.239	M11-MC370203	-	29,606	-	29,606
FY2013-2014	14.239	M13-MC370203	-	2,669	-	2,669
FY2014-2015	14.239	M14-MC370203	-	237,680	-	237,680
FY2015-2016	14.239	M15-MC370203	-	35,770	-	35,770
Total HOME Investment Partnerships Program			-	305,725	-	305,725
Total US Department of Housing & Urban Development			353,045	1,781,909	-	1,781,909
<u>US DEPARTMENT OF JUSTICE</u>						
<u>Office of Justice Programs</u>						
FY14 Violent Gang and Gun Crime Reduction (PSN)	16.609	2014-GP-BX-0011	-	122,068	-	122,068
National Sexual Assault Initiative	16.833	2015-AK-BX-K11	-	39,857	-	39,857
Equitable Sharing Program	16.922		-	119,607	-	119,607
Total Office of Justice Programs			-	281,531	-	281,531
<u>Office of Community Oriented Policing Services</u>						
COPS Hiring 2014	16.710	2014-UL-WX-0014	-	523,722	-	523,722
<u>Office of Juvenile Justice and Delinquency Prevention</u>						
<u>Pass through from NC Department of Public Safety</u>						
Juvenile Justice Delinquency Prevention - PAL	16.540	2015-JF-FX-0032	-	11,765	-	11,765
<u>Pass through from Cal Ripken, Sr. Foundation</u>						
Badges for Baseball Program	16.726	2015-FED-MSM-B4BNC-1	-	20,000	-	20,000
Badges for Baseball Program	16.726	2015-ST-OAG-B4B-NC-16	-	4,977	-	4,977
Total Passed-through Cal Ripken, Sr. Foundation			-	24,977	-	24,977
Total Office of Juvenile Justice and Delinquency Prevention			-	36,742	-	36,742

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

<u>GRANTOR/PASS-THROUGH</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Pass-through to</u> <u>Sub-recipients</u>	<u>Total</u> <u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>
<u>Edward Byrne Memorial Justice Assistance Grant Program</u>						
Pass through from NC Department of Public Safety						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0640	-	4,780	-	4,780
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0882	-	80,350	-	80,350
2013 Byrne Justice Assistance Grant - CC STARS 2014	16.738	2013-DJ-BX-0189	-	14,485	-	14,485
2015 Byrne Justice Assistance Grant - CC STARS 2015	16.738	2015-DJ-BX-1076	-	34,260	-	34,260
2016 Byrne Justice Assistance Grant - EKG Grant	16.738	2015-DJ-BX-1076	-	34,152	-	34,152
2016 Byrne Justice Assistance Grant - Transparency	16.738	2015-DJ-BX-1076	-	56,079	-	56,079
FY15 Body Worn Camera Policy and Implementation Program	16.738	2015-DE-BX-K004	-	530,000	-	530,000
Total Edward Byrne Memorial Justice Assistance Grant Program			-	754,106	-	754,106
Passed-through the NC Department of Public Safety			-	-	-	-
Total US Department of Justice			-	1,596,101	-	1,596,101
<u>US DEPARTMENT OF THE TREASURY</u>						
Treasury Forfeiture Fund Program	21.000	N/A	-	58,486	-	58,486
Total US Department of the Treasury			-	58,486	-	58,486
<u>US DEPARTMENT OF TRANSPORTATION</u>						
<u>Federal Aviation Administration</u>						
<u>Airport Improvement Program</u>						
Runway 4 Safety Area (Note 7)	20.106	FAA-3-37-0021-40	-	(13,085)	-	(13,085)
Runway 4/22 Paved	20.106	FAA-3-37-0021-41	-	16,077	-	16,077
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	-	2,013,043	-	2,013,043
Airline Terminal Improvements EA	20.106	FAA-3-37-0021-43	-	2,003,456	-	2,003,456
Total Federal Aviation Administration			-	4,019,491	-	4,019,491
<u>Federal Transportation Administration</u>						
<u>Highway Planning and Construction Cluster</u>						
Pass through NC Dept of Transportation						
Big Cross Creek	20.205	WBS PE 45550.1.1	-	212,732	-	212,732
Winslow Street Streetscape	20.205	WBS CONST 40325.3.4	-	344,742	-	344,742
Clean Fuel Advanced Technology Grant	20.205		-	10,087	-	10,087
Total Highway Planning and Construction Cluster Passed-through the NC Dept of Transportation			-	567,561	-	567,561

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Pass-through to Sub-recipients	Total Federal Expenditures	State Expenditures	Total Expenditures
<u>Federal Transit Grant Cluster</u>						
Capital Investment Grants	20.500	NC-04-0055	-	3,399,315	-	3,399,315
	20.500	NC-04-0054	-	1,729	-	1,729
Preventive Maintenance & American with Disabilities Act	20.507	NC-2016-030-00	-	1,040,000	-	1,040,000
	20.507	NC-2016-030-00	-	275,120	-	275,120
Operating Assistance	20.507	NC-2016-030-00	-	510,000	-	510,000
	20.507	NC-90-4552	-	6,061	-	6,061
Capital Grants	20.507	NC-90-0469	-	51,236	-	51,236
	20.507	NC-90-0514	-	304,426	-	304,426
	20.507	NC-90-0548	-	163,557	-	163,557
	20.507	NC-90-0567	-	932,051	-	932,051
	20.507	NC-90-0592	-	27,414	-	27,414
Planning Grants	20.507	NC-90-2469	-	17,428	-	17,428
	20.507	NC-90-2514	-	103,443	-	103,443
	20.507	NC-90-2548	-	82,755	-	82,755
Total Federal Transit Grant Cluster			-	6,914,535	-	6,914,535
<u>Federal Transit Services Program Cluster</u>						
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NC-16-X011	12,777	35,475	-	35,475
Job Access and Reverse Commute Program	20.516	NC-37-X032	-	148,873	-	148,873
New Freedom Program	20.521	NC-57-X022	-	94,952	-	94,952
Total Federal Transit Services Program Cluster			12,777	279,300	-	279,300
Total Federal Transportation Administration			12,777	7,761,396	-	7,761,396
<u>National Highway Traffic Safety Administration</u>						
<u>Pass through NC Department of Transportation</u>						
Governor's Highway Safety Program	20.607	2000003159	-	208,777	-	208,777
Total National Highway Traffic Safety Administration Passed-through the NC Department of Transportation			-	208,777	-	208,777
Total US Department of Transportation			12,777	11,989,664	-	11,989,664
<u>US ENVIRONMENTAL PROTECTION AGENCY</u>						
<u>Drinking Water State Revolving Fund Cluster</u>						
<u>Pass through NC Department of Environmental and Natural Resources</u>						
<u>Capitalization Grants for Drinking Water State Revolving Funds</u>						
Planning and Design for P.O. Hoffer WTP Rehabilitation State Revolving Loan	66.468	CS370434-11	-	15,103,308	-	15,103,308
Total Drinking Water State Revolving Fund Cluster Passed-through the NC Department of Environmental and Natural Resources			-	15,103,308	-	15,103,308
Total US Environmental Protection Agency			-	15,103,308	-	15,103,308

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

<u>GRANTOR/PASS-THROUGH</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Pass-through to</u> <u>Sub-recipients</u>	<u>Total</u> <u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Aging Cluster						
Pass through NC Department of Health & Human Services						
Senior Citizens Service Center	93.044	N/A	-	20,801	-	20,801
Total US Department of Health and Human Services			-	20,801	-	20,801
<u>US DEPARTMENT OF HOMELAND SECURITY</u>						
Pass through NC Department of Public Safety						
Hazmat Response (Equipment Grant) 2014	97.067	EMW-2014-SS-00069-S01	-	7,126	-	7,126
Equipment Grant	97.067	EMW-2014-SS-00069-S02	-	29,990	-	29,990
Total Hazmat Response Equipment Grants Passed-through the NC Department of Public Safety			-	37,116	-	37,116
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR022	-	107,080	-	107,080
Total US Department of Homeland Security			-	144,196	-	144,196
Total Assistance - Federal Programs			365,822	30,722,799	-	30,722,799
<u>STATE GRANTS</u>						
<u>NC DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Division						
Maintenance Assistance	N/A	36234.8.13.2	-	-	760,616	760,616
Capital Grants		NC-90-0469	-	-	4,137	4,137
		NC-90-0514	-	-	14,521	14,521
		NC-04-0055	-	-	424,911	424,911
		NC-90-0567	-	-	100,000	100,000
		NC-90-0567A	-	-	78,119	78,119
Planning		NC 90 2469	-	-	2,170	2,170
		NC 90 2514	-	-	13,706	13,706
Advanced Technology		15-AT-004	-	-	66,749	66,749
		16-AT-004	-	-	12,457	12,457
Apprentice Intern		16-DG-012	-	-	29,466	29,466
		17-DG-012	-	-	2,143	2,143
Total State Public Transportation Division			-	-	1,508,995	1,508,995
Powell Bill (Note 5)	N/A	32570	-	-	6,582,061	6,582,061
Transportation Improvement Program						
Cape Fear River Trail, Section A	N/A	EB-4539B	-	-	1,336,982	1,336,982
Big Cross Creek	N/A	EB-5541	-	-	26,591	26,591
Total Transportation Improvement Program			-	-	1,363,573	1,363,573

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

<u>GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Pass-through to Sub-recipients</u>	<u>Total Federal Expenditures</u>	<u>State Expenditures</u>	<u>Total Expenditures</u>
Division of Aviation						
State Aid for Airport Projects-Rehab Runway 10/28	N/A	Project No.36244.27.13.1	-	-	191,862	191,862
Total Division of Aviation			-	-	191,862	191,862
Division of Rail, Engineering & Safety						
Winslow Street Streetscapes	N/A	Y-4806A	-	-	1,230,000	1,230,000
Total Division of Rail, Engineering & Safety			-	-	1,230,000	1,230,000
Total NC Department of Transportation			-	-	10,876,491	10,876,491
<u>NC DEPARTMENT OF PUBLIC SAFETY</u>						
Hazmat (RRT Grant)	N/A	RRT 3 2015	-	-	46,868	46,868
Pass through from Cumberland County						
Juvenile Restitution FY 2016		526-XXXX	-	-	80,396	80,396
Total NC Department of Public Safety			-	-	127,264	127,264
<u>NC DEPARTMENT OF JUSTICE</u>						
<u>NC VETERANS AFFAIRS DIVISION</u>						
NC Veterans Parks Phase #2	N/A	NCGA Senate Bill 1611*	-	-	2,901	2,901
Total NC Veterans Affairs Division			-	-	2,901	2,901
<u>NC DEPARTMENT OF ENVIRONMENT & NATURAL RESOURCES</u>						
Clean Water Management Trust Fund	N/A	2014-1004	-	-	131,991	131,991
Total NC Department of Environment & Natural Resources			-	-	131,991	131,991
Total Assistance - State Programs			-	-	11,138,647	11,138,647
Total Assistance			\$ 365,822	\$ 30,722,799	\$ 11,138,647	\$ 41,861,446

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

Note 1 - Basis of Presentation

The accompanying schedule of Expenditures of Federal and State Awards (SEFSA) includes the Federal and State grant activity of the City of Fayetteville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Fayetteville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fayetteville.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Fayetteville has elected not to use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

<u>GRANTOR/PASS-THROUGH</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Pass-through to</u> <u>Sub-recipients</u>	<u>Total</u> <u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>
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Note 3 - Loans Outstanding

The City of Fayetteville had the following loan balances outstanding at June 30, 2016 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements . Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2016 consist of:

<u>Program Name</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Amount</u> <u>Outstanding</u>
<u>Capitalization Grants for State Revolving Loans</u>			
Clean Water State Revolving Fund			
Skye Drive Underground Detention Basin	66.458	E-SRF-T-09-231	\$ 187,842
Swainey Ave Drainage Improvements	66.458	E-SRF-T-09-0196	162,576
Person St Sanitary Sewer Replacement	66.458	CS370434-13	2,120,797
Edgewater/Northview	66.458	H-LRX-F-09-1665	325,370
Outfall Rehabilitation	66.458	CS370434-12	3,511,483
Total Clean Water State Revolving Fund			<u>\$ 6,308,068</u>
Drinking Water State Revolving Fund			
2012 WTF Clearewell and Chemical Feed Improvements	66.468	2006A-701	\$ 4,508,703
Total Drinking Water State Revolving Fund			<u>\$ 4,508,703</u>

Note 4 - Local Match Requirements

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.

Note 5 - Additional Powell Bill Disclosures

The total local contributions for the State Powell Bill assistance amounted to \$34,874 (*this represents assessments received and interest earned through 06/30/16*).

Powell Bill expenditures as reported in the accompanying SEFSA represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2016. 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, 2016 is \$801,855.

Note 6 - Additional HOME Investment Partnership Disclosures

The amount of HOME Investment Partnership Grant funds provided to CHDO's is \$218,758 as of June 30, 2016.

Note 7 - FAA Runway 4 Safety Area

The Runway 4 Safety Area project was completed in FY16. Upon completion \$13,085 was returned to the FAA from funds that were received and reported in FY2013. This amount was deducted from the March 31, 2016 AIP reimbursement request. The total federal share of the project was \$51,515.

Passenger Facility Charge Compliance Section **2016**

- 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



**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, 2016.

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, 2016.

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.

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

Fayetteville, North Carolina
December 14, 2016

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

SECTION I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | | | |
|--|-------|-----|--------------|---------------|
| - Material weakness identified | _____ | Yes | <u> X </u> | No |
| - Significant deficiency identified that is not considered to be a material weakness | _____ | Yes | <u> X </u> | None reported |
| - Noncompliance material to financial statements noted | _____ | Yes | <u> X </u> | No |

Passenger Facility Charge Program

Internal control over passenger facility charge program:

- | | | | | |
|--|-------|-----|--------------|---------------|
| - Material weakness identified | _____ | Yes | <u> X </u> | No |
| - Significant deficiency identified that is not considered to be a material weakness | _____ | Yes | <u> X </u> | None reported |
| - Noncompliance material to passenger facility charge program | _____ | Yes | <u> X </u> | No |

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

Any audit findings disclosed _____ Yes X No

Section II. Financial Statement Findings

None reported.

Section III. Passenger Facility Charge Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2016

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 APPLICATIONS (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 (#05-03-C-01-FAY)			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	-	\$ 324,231
CLOSED APPLICATION (#09-04-C-00-FAY)			\$ 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	223,040	-	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	96,547	-	96,547
Taxiway a Extension Construction 10%	3/1/2013	3/1/2013	2,896,422	3,177,397	317,740	289,642	-	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	57,239 ²	71,779	7,179	7,179	(1,455) ²	5,724
Design and Construct Wildlife/Security Fencing 5%	3/1/2013	3/1/2013	-	1,500,000	75,000	-	-	-
CLOSED APPLICATION (#12-05-C-00-FAY)			\$ 12,525,000	\$ 17,761,925	\$ 1,575,744	\$ 1,278,888	\$ (1,455)	\$ 1,277,433
APPLICATION (#15-06-C-00-FAY)								
Airport Master Plan (AMP) Update, Part 1, Airline Term Area 10%	5/1/2015	5/1/2015	\$ 348,830	\$ 337,500	\$ 33,750	\$ 33,750	\$ -	\$ 33,750
Air Carrier Apron Rehabilitation Phase II 10%	5/1/2015	5/1/2015	2,283,777	2,779,290	277,929	1,726	226,652	228,378
Taxiway J&K Rehabilitation 10%	5/1/2015	5/1/2015	3,338,088	3,596,270	359,627	320,120	13,689	333,809
Airport Master Plan (AMP) Update, Part 2, Incl 18B Mapping and NAVAIDs Planning	5/1/2015	5/1/2015	195,113	600,000	60,000	-	19,511	19,511
Design & Construct - Airline Terminal Improvements	5/1/2015	5/1/2015	-	28,199,967	2,819,997	-	-	-
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			\$ 6,165,808	\$ 46,288,027	\$ 3,551,303	\$ 355,596	\$ 259,852	\$ 615,448
GRAND TOTAL			\$ 65,000,097	\$ 115,973,638	\$ 8,796,032	\$ 4,721,194	\$ 258,397	\$ 4,979,591

NOTES TO THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES:

- The accompanying schedule of expenditures of passenger facility charges is presented on the full accrual basis of accounting.
- Refund received for expenditures reported in a prior year. Total refund received reduced cumulative expenditures by \$14,539.45 and PFC share by \$1,455.

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