

# 2017

City of  
**Fayetteville**  
North Carolina

# Comprehensive Annual Financial Report >>



*City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017*







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

**Cheryl Spivey, CPA - Chief Financial Officer**

**Michelle Donegain, CPA - Accounting Manager**

Brenda Powell - Senior Financial Analyst

Pamela K. Stokes - Payroll & Liabilities Manager

Ashley Gilmore, LaShanda McLean, & Brittany McLaurin - Financial Analysts

Linda Daquil - Collections Division Supervisor

Christine Pressley - Accounts Payable Supervisor

Stephanie Pope - Risk Specialist

Jodi Bates & Samaria Alston - Payroll Technicians

Nuchelle Atkinson, Shirley Hyman & Patricia A. Best - Accounting Technicians

Debbie Beutelspacher - Office Assistant II

**Kim Toon - Purchasing Manager**

Ashley Bradshaw-Mitchell & Sh'Tavion Inoa - Buyers

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**CITY OF  
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# Comprehensive Annual Financial Report

# 2017

City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017

City of  
*Fayetteville*  
North Carolina



# Introductory Section

- Letter of Transmittal
- GFOA Certificate of Achievement
- List of Principal Officials
- Organizational Chart





January 20, 2018

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

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

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, 2017. 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.

RSM US LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2017. 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. The MD&A complements this letter of transmittal and should be read in conjunction with it.

433 Hay Street  
Fayetteville, NC 28301-5537  
(910) 433-1990 | (910) 433-1948 Fax  
[www.cityoffayetteville.org](http://www.cityoffayetteville.org)

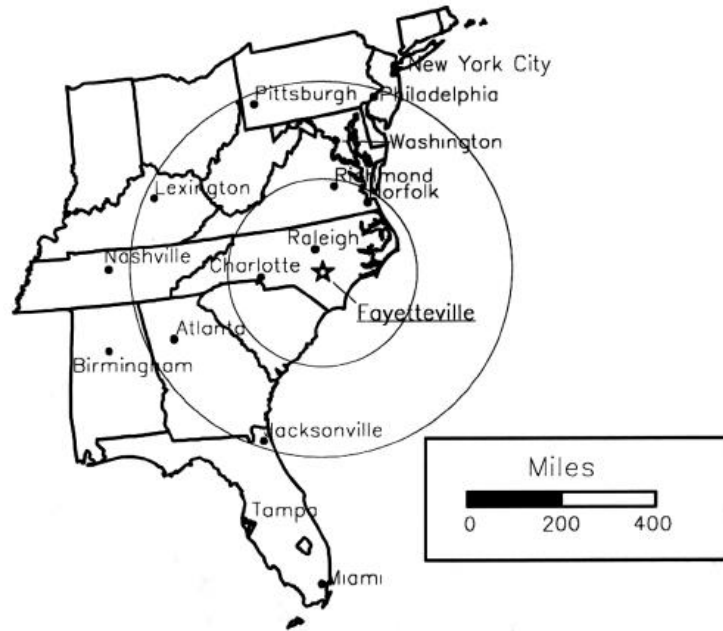
The City of Fayetteville, North Carolina does not discriminate on the basis of race, sex, color, age, national origin, religion, or disability in its employment opportunities, programs, services, or activities.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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## PROFILE OF THE CITY

The City of Fayetteville (the City) is a thriving community located in the Sandhills region of southeastern North Carolina and is the seat of Cumberland County. The City is surrounded by North Carolina's picturesque sand hills, and is approximately 65 miles south of the City of Raleigh, the State capital. The City 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. State highways also link the City to the beaches along the southeast coast of the State and to the mountains in the west.



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, the City celebrated the 250<sup>th</sup> 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 Marquis de Lafayette, the French nobleman who served as a Major General in the Continental Army during the Revolutionary War.

The City encompasses portions of Fort Bragg Army Base, one of the largest military complexes in the world, which 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 3<sup>rd</sup> 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, 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 North Carolina with a State certified population estimate of 208,729. Encompassing approximately 150 square miles, the City is the second largest 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. More 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 1<sup>st</sup> 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 53,700 uniformed soldiers and airmen are stationed at Fort Bragg, with support from an estimated 14,000 civilian employees and contractors. The post supports a population of roughly 260,000, including military families, contractors, retirees and others. Fort Bragg covers approximately 254 sq. miles, which is nearly 163,000 acres. 146,000 of those acres are dedicated training lands.

In addition to Fort Bragg and the City, substantial employment is also offered in the government sector through Cumberland County Schools, Fayetteville State University, Fayetteville Technical Community College, County of Cumberland and the Veterans Administration. Other major employers in the area include Cape Fear Valley Health Systems, Goodyear Tire & Rubber Inc., with one of the largest tire producing factories in the world, Wal-Mart Associates Inc., through its distribution center and retail outlets, and Food Lion.

During the past five years, Fayetteville's annual unemployment rates at fiscal year ended June 30 have steadily improved from a high of 8.3% in 2013 to a low of 5.7% in 2017, according to the Labor and Economic Analysis Division of the North Carolina Department of Commerce. In June 2017, the unemployment rates for Fayetteville, North Carolina and the United States were 5.7%, 4.2% and 4.5%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the following table.

<b>Unemployment Rates*</b>			
<b>Fiscal Year</b>	<b>Fayetteville</b>	<b>North Carolina</b>	<b>United States</b>
2017	5.7	4.2	4.5
2016	7.0	5.2	5.1
2015	7.0	6.2	5.5
2014	6.8	6.5	6.3
2013	8.3	8.6	7.8

\* Source of unemployment data is the Labor and Economic Analysis Division of the North Carolina Department of Commerce. Data is not seasonally adjusted.

Per capita personal income in Cumberland County increased 1.5% between 2015 and 2016 to \$37,835, as compared to nation-wide (\$49,246, up 1.6%) and state-wide (\$42,244, up 2.1%) 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 2017, the City issued building permits for 249 new single-family residential units valued at \$47.7 million and 52 new commercial building permits valued at \$79.0 million. For fiscal year 2016, the City issued 601 new residential units valued at \$129.1 million and 69 new commercial building permits valued at \$87.2 million. The primary difference between the two years' permits is that 64 multi-family units were permitted in fiscal year 2017 compared to 311 issued in fiscal 2016.

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 in 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. A new 450,000-square-foot shopping center began construction during fiscal year 2017, with the first store openings of Dick's, Field and Stream, and Hobby Lobby occurring in September 2017.

Taxable sales in Cumberland County for fiscal year 2017 totaled approximately \$4.0 billion, which represented a 5.0% increase over fiscal year 2016. Historical sales for Cumberland County are provided in the following table.

<b><u>Taxable Sales</u></b>		
<b>Fiscal Year</b>	<b>Cumberland County</b>	<b>% Change</b>
2017	\$4,040,268,838	5.0
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

Fayetteville's economy remains stable. In 2017, the Policom Corporation ranked the Fayetteville Metropolitan Statistical Area as (MSA) having the 171<sup>st</sup> strongest economy of the 382 MSAs nationwide.

The City Council adopted a fiscal year 2017 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](http://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 this 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 unassigned fund balance for one-time expenditures or significant capital needs. This goal was achieved in fiscal year 2017 and will be used to develop the fiscal year 2019 operating budget. Fiscal year 2017 unassigned fund balance in the General Fund was \$21.7 million, or 13.3%, of the original fiscal year 2018 General Fund budget (\$166.7 million) excluding the county recreation programs (\$4.0 million); thereby exceeding the 10 percent minimum established by City Council.

Annually, the City adopts a five-year Capital Improvement Plan 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. 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.

In fiscal year 2017 the City dedicated an amount equivalent to 5.15 cents of the 49.95 cent ad valorem tax rate for the capital funding plan. In addition, 1.35 cents were dedicated to fund parks and recreation projects and debt service on \$35 million of general obligation bonds authorized by voters on the March



2016 referendum. Also, certain revenues are specifically earmarked for the repayment of principal and interest on installment financing agreements for facilities and equipment, general obligation debt and future cash funding of major capital improvements.

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.

Hurricane Matthew, a major Category 4 event, entered the City of Fayetteville on October 4, 2016 leaving in its path widespread torrential rainfall, hurricane force winds, record level tidal action and record-breaking flooding throughout the City. City staff worked diligently to provide emergency protective measures to its residents during and after the storm. City owned roads, bridges, dams, buildings, parks and other facilities were severely damaged, and creek embankments failed. Vast amounts of storm debris accumulated and had to be removed. Throughout the fiscal year, City staff worked with FEMA and North Carolina representatives to quantify the damage and assist in developing project worksheets used by FEMA to determine reimbursable costs of the damages. By October 2017, FEMA had approved 36 projects eligible for reimbursement estimated at \$10.7 million. By the end of fiscal year 2017, \$5.3 million had been budgeted for hurricane related street repairs alone, and \$1.4 million of that budget had been spent.

In addition to hurricane recovery, the City continued or completed work on many significant capital projects including the following:

- \$12.2 million project costs (\$4.7 million in fiscal year 2017) on the downtown FAST Transit Center, a major public transportation hub. The center, which opened in December 2017, includes covered passenger waiting areas which can accommodate up to 16 buses at one time, a customer service information center, retail space and transit administrative offices. The transit portion of the facility is approximately 27,000 square feet.
- \$5.4 million in the resurfacing of streets, construction of sidewalks, and other traffic system improvements.
- \$3.7 million (\$3.5 million in fiscal year 2017) on a significant runway rehabilitation project at the Fayetteville Regional Airport, primarily funded by a state grant.
- \$2.2 million in various stormwater drainage system improvement projects throughout the City.

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

- 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 City broke ground on the \$35 million downtown Minor League Baseball Stadium and partnered for over \$65 million in private investment to the Fayetteville downtown area.
- The Parks and Recreation Committee met throughout the year to plan projects to be financed with the general obligation bonds that voters passed in 2016. Construction began on the first of these projects, three splash pads, in summer 2017. Future projects include new facilities, such

as: additional ball fields, additional splash pads, a skate park, tennis courts, competition facilities, senior centers, and improvements to existing facilities.

- The North Carolina General Assembly enacted the Small Business Enterprise Program, which modified the City's charter. It allows the City to establish a race- and gender-neutral small business enterprise program to promote the development of small businesses in the Fayetteville Metropolitan Statistical Area, and to enhance opportunities for small businesses to participate in City contracts. City staff is developing and implementing this program.
- The City has nationally accredited Police and Fire Departments. Our Emergency Dispatch program is certified by the International Academies of Emergency Dispatch. Also during the year, the City installed Gina Hawkins as the City's first African-American female Police Chief, improved first response time for Fire Department emergency calls, and expanded its red light camera program.
- The Fayetteville-Cumberland Youth Council hosted the State conference this year, and was recognized as the most diverse Youth Council in North Carolina.
- The City made significant strides in community and economic development, having managed more than \$2 million in federal grants, including \$1.3 million in community development block grants and \$500,000 in home investment partnerships programs.

## **AWARDS AND ACKNOWLEDGEMENTS**

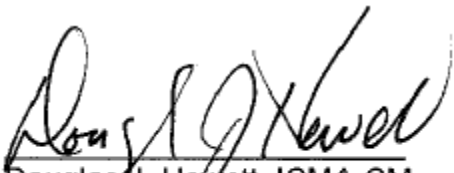
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2016. In order to 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) also presented an award of Distinguished Budget Presentation to the City of Fayetteville for its annual budget for Fiscal Year 2017 which began July 1, 2017. 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.

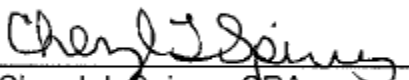
The City also received the Certificate of Excellence in Performance Management awarded by the International City/County Management Association (ICMA).

Credit for this report is given to the Mayor and members of the City Council for their unfailing support of the highest standards of professionalism in the management of Fayetteville's finances. The report is the work of dedicated Finance Department staff. We wish to express our appreciation to members of the department, as well as the entire City staff for their cooperation and assistance.

Respectfully submitted,



Douglas J. Hewett, ICMA-CM  
City Manager



Cheryl J. Spivey, CPA  
Chief Financial Officer

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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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, 2016**

Executive Director/CEO

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# City Council Members\*

\*As of June 30, 2017



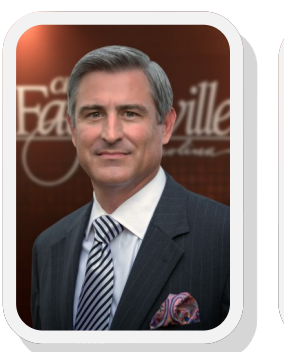
**Nat Robertson**  
Mayor  
[mayor@ci.fay.nc.us](mailto:mayor@ci.fay.nc.us)



**Mitch Colvin**  
Mayor Pro Tem  
District 3  
[mcolvin@ci.fay.nc.us](mailto:mcolvin@ci.fay.nc.us)



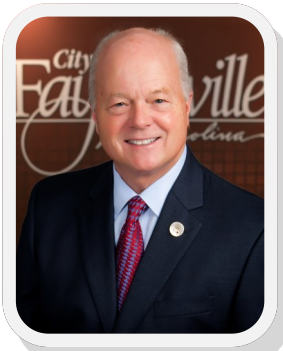
**Kathy Jensen**  
District 1  
[kjensen@ci.fay.nc.us](mailto:kjensen@ci.fay.nc.us)



**Kirk deViere**  
District 2  
[kdeviere@ci.fay.nc.us](mailto:kdeviere@ci.fay.nc.us)



**Chalmers McDougald**  
District 4  
[Chalmers.McDougald@ci.fay.nc.us](mailto:Chalmers.McDougald@ci.fay.nc.us)



**Bobby Hurst**  
District 5  
[BobbyHurst@aol.com](mailto:BobbyHurst@aol.com)



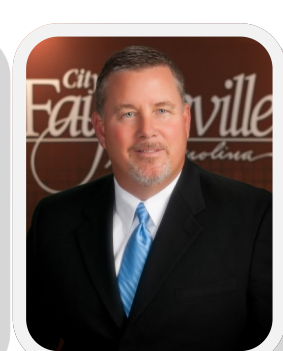
**William J.L. Crisp**  
District 6  
[wjlcrisp@aol.com](mailto:wjlcrisp@aol.com)



**Larry Wright**  
District 7  
[Larry.Wright@ci.fay.nc.us](mailto:Larry.Wright@ci.fay.nc.us)



**Ted Mohn**  
District 8  
[tmohn@ci.fay.nc.us](mailto:tmohn@ci.fay.nc.us)



**James William Arp, Jr.**  
District 9  
[jarp@ci.fay.nc.us](mailto:jarp@ci.fay.nc.us)

## City Administrative, Legal, and Financial Staff\*

\*As of June 30, 2017

**Doug Hewett**  
City Manager

**Karen McDonald**  
City Attorney

**Kristoff T. Bauer**  
Deputy City Manager

**Jay Reinstein**  
Assistant City Manager

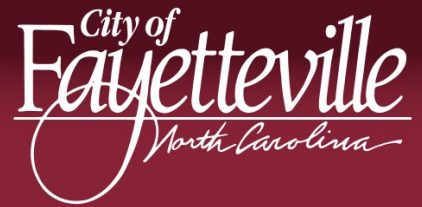
**Cheryl Spivey**  
Chief Financial Officer

**Pamela Megill**  
City Clerk

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

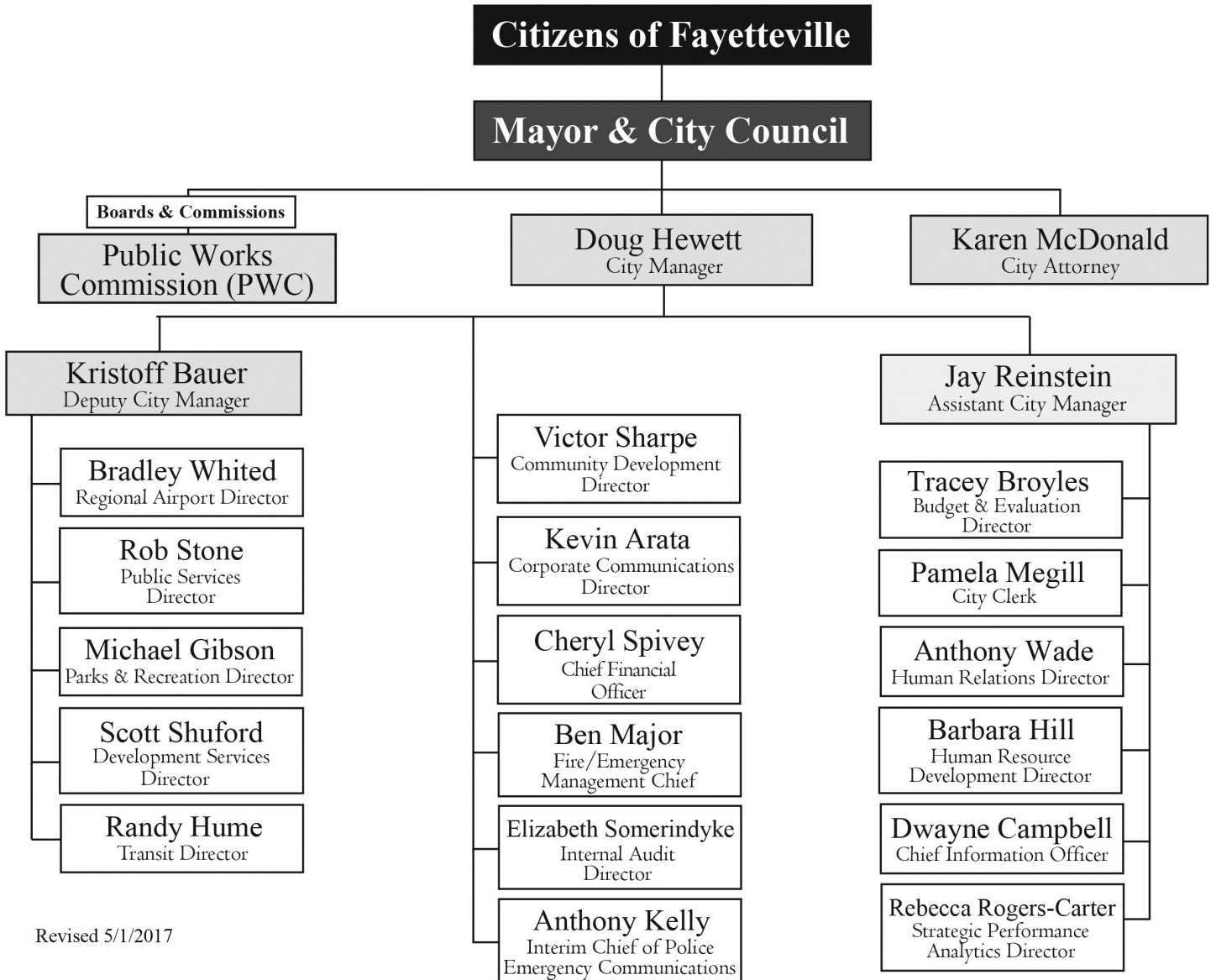
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# Organizational Chart\*

\*As of June 30, 2017



Revised 5/1/2017

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Comprehensive Annual Financial Report 2017

# 2017

City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017

City of  
*Fayetteville*  
North Carolina



# Financial Section

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



Comprehensive Annual Financial Report

2017

City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017

City of  
*Fayetteville*  
North Carolina



# Independent Auditor's Report

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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## Independent Auditor's Report

RSM US LLP

To the Honorable Mayor and  
Members of the City Council  
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 City of Fayetteville, North Carolina (the City) as of and for the year ended June 30, 2017, 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 General 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 from 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 entity'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 entity'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, 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 City of Fayetteville City, North Carolina as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, in the year ended June 30, 2017, the City adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinions are 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 beginning on page C-1, the Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability, the Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll, the Other Postemployment Benefits Retiree Health Plan Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System Schedules of the City's Proportionate Share of Net Pension Liability (Asset) and City of Fayetteville's Contributions on pages G-1 through G-6 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Fayetteville's basic financial statements. The combining and individual fund financial statements and schedules, budgetary schedules, and other supplementary data listed in the table of contents as "Other Supplemental Information," the Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State Single Audit Implementation Act and 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 "Other Supplemental Information" and the Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges are the responsibility of management and were derived from and relate directly to 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, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 January 20, 2018, on our consideration of Fayetteville 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 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 Fayetteville City's internal control over financial reporting and compliance.

*RSM US LLP*

New Bern, North Carolina  
January 20, 2018

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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Comprehensive Annual Financial Report

2017

City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017



City of  
*Fayetteville*  
North Carolina

# Management's Discussion & Analysis

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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## 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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report, and the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$522.8 million (*net position*). Of this amount, \$36.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position decreased by \$6.1 million.
- Net position in the Governmental activities decreased \$16.4 million to \$391.2 million in fiscal year 2017, down from \$407.6 million in fiscal year 2016. By far the largest portion of net assets, \$330.4 million, or 84.4%, reflects the net investment in capital assets less any related debt still outstanding.
- Net position in the Business type activities increased \$10.4 million to \$131.6 million in fiscal year 2017, up from \$121.2 million in fiscal year 2016. The largest portion of net position, \$101.7 million or 77.3%, 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 2017, the City's governmental funds reported an ending fund balance of \$90.6 million, an increase of \$5.3 million in comparison to the prior year. Approximately 61.9% of total fund balance, or \$56.1 million, is nonspendable or restricted.
- At the end of fiscal year 2017, unassigned fund balance for the General Fund was \$21.7 million or 13.3% of the original fiscal year 2018 General Fund budget (\$166.7 million), excluding the county recreation programs (\$4.0 million).
- The City's total debt at fiscal year-end 2017 remained about the same as fiscal year-end 2016.
- During fiscal year 2017, 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,

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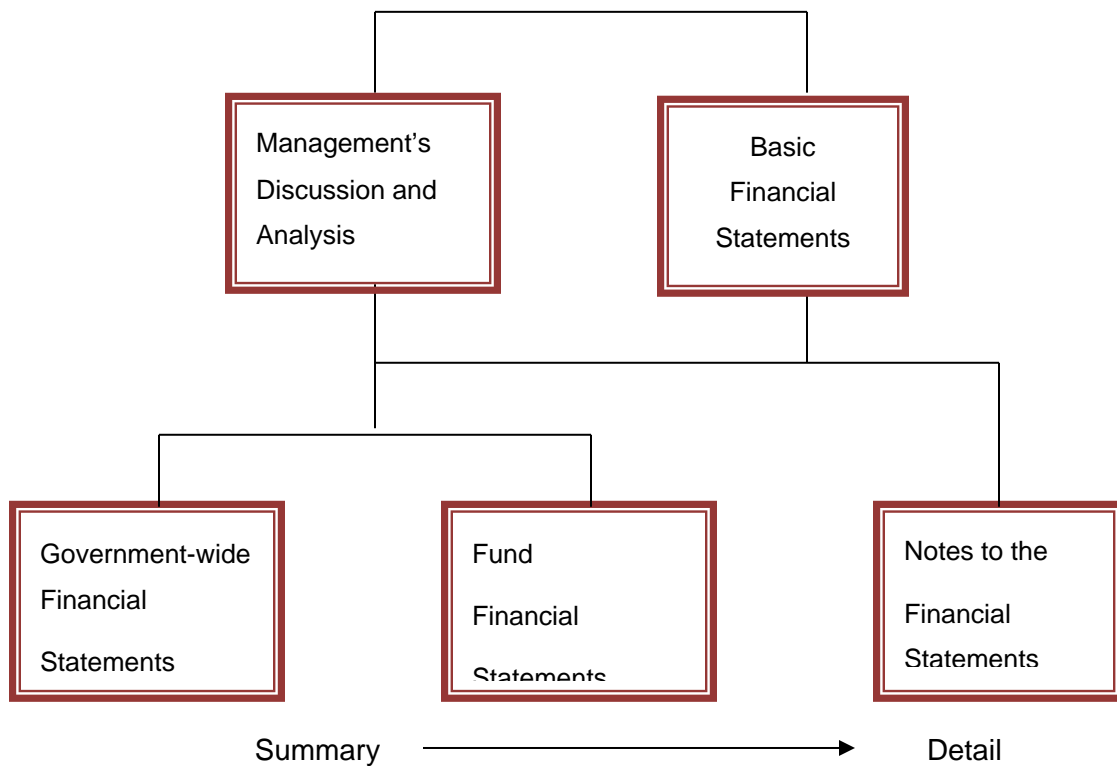
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2) fund financial statements, and 3) notes to the financial statements as shown below. The basic financial statements present two different views of the City, through the use of government-wide statements and fund financial statements. In addition 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.

The Public Works Commission (PWC) is a legally separate authority, and is presented as a discretely presented component unit. The City appoints the PWC Commissioners, issues PWC's debt, maintains ownership of the PWC capital assets and must approve certain contracts.

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

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CITY OF  
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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 North Carolina 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 except for debt service, is presented using the same format as the legally adopted budget. Note A on the bottom of page E-5 provides a reconciliation of differences between expenditure classifications on the budget basis (page E-5) and the modified accrual basis (E-3). The budgetary 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 revenues, expenditures and changes in fund balance, and 4) the difference, or variance, in revenues and expenditures between final budget and actual amounts.

**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, 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 insurance and risk management activities. These services benefit both governmental functions and business type activities. These services have been included within their respective predominant activities in the government-wide financial statements.

**Fiduciary Funds** – Trust funds are used to account for the activities of funds the City holds in trust for others. The City has two 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 that accounts for collections of Red Light Camera fines and distribution of amounts collected to the Cumberland County Schools.

**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 through F-51 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 on pages G-1 through G-6 of this report.



**CITY OF  
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## Government-wide Financial Analysis

Net Position. The following is a summary of net position for the City of Fayetteville at June 30, 2017 with comparative data for June 30, 2016. The City's combined net position decreased \$6.1 million, or -1.1%, from fiscal year 2016 to 2017. Net position may serve over time as one useful indicator of a government's financial condition. The information 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	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 123,948	\$ 129,305	\$ 35,285	\$ 40,120	\$ 159,233	\$ 169,425
Capital assets	359,701	353,262	103,166	110,604	462,867	463,866
Deferred outflows of resources	4,553	22,313	641	3,004	5,194	25,317
<b>Total assets and deferred outflows of resources</b>	<b>488,202</b>	<b>504,880</b>	<b>139,092</b>	<b>153,728</b>	<b>627,294</b>	<b>658,608</b>
Long-term liabilities outstanding	58,602	99,186	12,248	15,332	70,850	114,518
Other liabilities	18,891	12,728	5,146	6,557	24,037	19,285
Deferred inflows of resources	3,068	1,757	448	234	3,516	1,991
<b>Total liabilities and deferred inflows of resources</b>	<b>80,561</b>	<b>113,671</b>	<b>17,842</b>	<b>22,123</b>	<b>98,403</b>	<b>135,794</b>
<b>Net position:</b>						
Net investment in capital assets	338,293	329,435	96,012	101,703	434,305	431,138
Restricted	41,803	54,895	1,338	2,235	43,141	57,130
Unrestricted	27,544	6,879	23,900	27,667	51,444	34,546
<b>Total net position</b>	<b>\$ 407,640</b>	<b>\$ 391,209</b>	<b>\$ 121,250</b>	<b>\$ 131,605</b>	<b>\$ 528,890</b>	<b>\$ 522,814</b>

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$522.8 million as of June 30, 2017. Net position is reported in three categories: net investment in capital assets of \$431.1 million, restricted net position of \$57.1 million, and unrestricted net position of \$34.5 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, automobiles, and equipment), 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.

## CITY OF FAYETTEVILLE

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

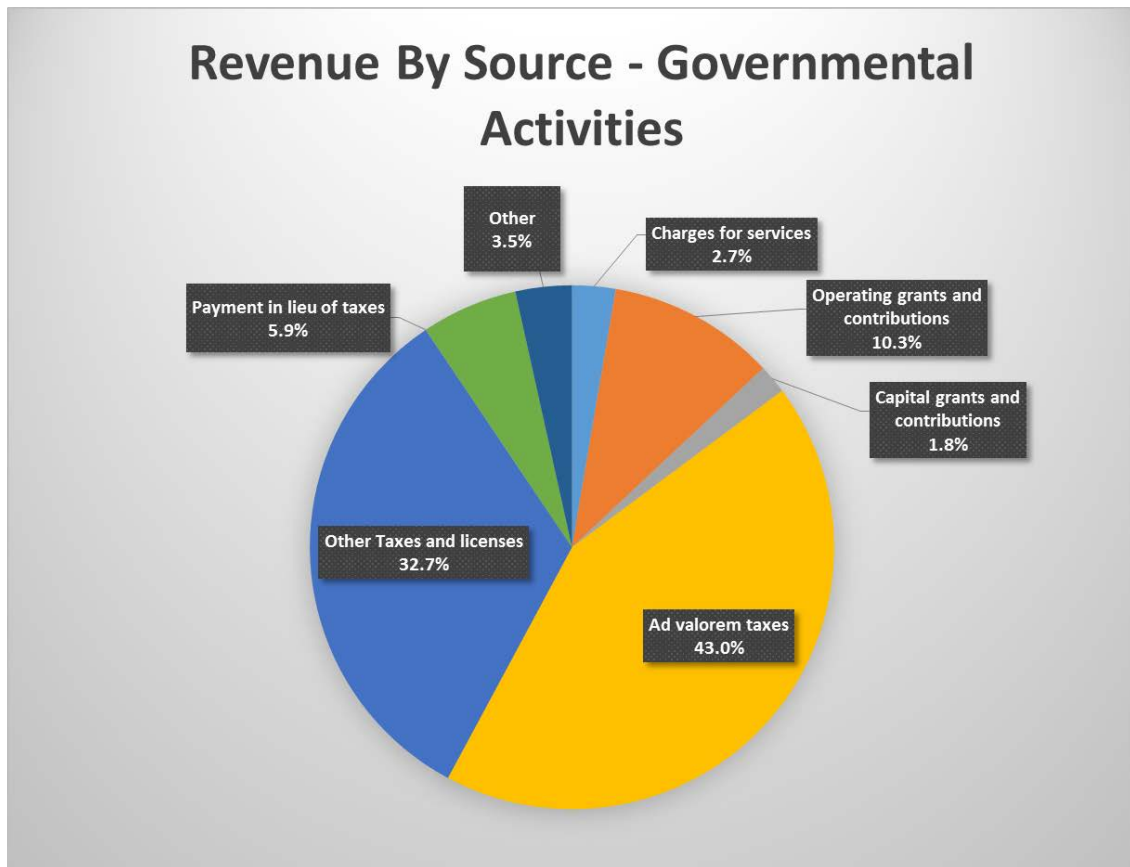
The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2017, \$35.9 million, or 6.9%, of the reported total net position of \$522.8 million, is unrestricted.

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 11,897	\$ 4,479	\$ 15,778	\$ 15,902	\$ 27,675	\$ 20,381
Operating grants and contributions	13,593	17,331	3,379	8,342	16,972	25,673
Capital grants and contributions	8,684	3,001	11,755	8,942	20,439	11,943
<b>General revenues:</b>						
Ad valorem taxes	68,908	72,113	-		68,908	72,113
Other taxes and licenses	53,902	54,831	632	637	54,534	55,468
Payment in lieu of taxes	9,488	9,968			9,488	9,968
Other	2,077	5,824	582	576	2,659	6,400
<b>Total revenues</b>	<b>168,549</b>	<b>167,547</b>	<b>32,126</b>	<b>34,399</b>	<b>200,675</b>	<b>201,946</b>
<b>Expenses:</b>						
Administration	28,126	27,171			28,126	27,171
Public safety	84,191	87,298			84,191	87,298
Transportation	21,400	22,297			21,400	22,297
Economic and physical development	6,574	5,786			6,574	5,786
Recreation and community facilities	14,998	15,922			14,998	15,922
Environmental Protection	536	758			536	758
Interest on long-term debt	709	605			709	605
Stormwater management			4,756	4,662	4,756	4,662
Transit			9,402	10,449	9,402	10,449
Airport			7,235	7,538	7,235	7,538
Environmental Services			10,267	11,763	10,267	11,763
<b>Total expenses</b>	<b>156,534</b>	<b>159,837</b>	<b>31,660</b>	<b>34,412</b>	<b>188,194</b>	<b>194,249</b>
<b>Increase (decrease) in net position</b>						
before transfers	12,015	7,710	466	(13)	12,481	7,697
Transfers	(10,759)	(10,368)	10,759	10,368	-	-
<b>Change in net position</b>	<b>1,256</b>	<b>(2,658)</b>	<b>11,225</b>	<b>10,355</b>	<b>12,481</b>	<b>7,697</b>
Net position, beginning	403,057	407,640	110,025	121,250	513,082	528,890
Prior year adjustment	3,327	(13,773)	-	-	3,327	(13,773)
Net position, beginning as restated	406,384	393,867	110,025	121,250	516,409	515,117
<b>Net position, ending</b>	<b>\$ 407,640</b>	<b>\$ 391,209</b>	<b>\$ 121,250</b>	<b>\$ 131,605</b>	<b>\$ 528,890</b>	<b>\$ 522,814</b>

**Governmental activities:** Revenues for the City's governmental activities were \$167.5 million, while total expenses were \$159.8 million in fiscal year 2017.



Net position for governmental activities, after transfers out, decreased \$2.7 million. Key elements of this change are as follows:

- Ad valorem property tax revenues increased \$3.2 million to \$72.1 million. The increase is largely related to an ad valorem tax rate increase of 1.35 cents, from 48.6 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. Property taxes represent 43.0% of total governmental revenues. The City's fiscal 2017 tax collection rate was 99.34%.
- Other taxes and licenses, which accounted for \$54.8 million, or 32.8% of total governmental revenues, increased \$0.9 million over 2016. This is primarily due to a \$1.2 million increase in sales tax revenue, offset by a \$.3 million decrease in utility sales tax.
- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$17.3 million, an increase of \$3.7 million, which includes \$1.2 million from PWC for economic development. Capital grants and contributions were \$3.0 million, a decline of \$5.6 million from 2016. Most of which was related no donations during 2017 of transportation infrastructure, whereas \$4.4 million of streets, sidewalks and drainage improvements were donated to the City in 2016.

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## CITY OF FAYETTEVILLE

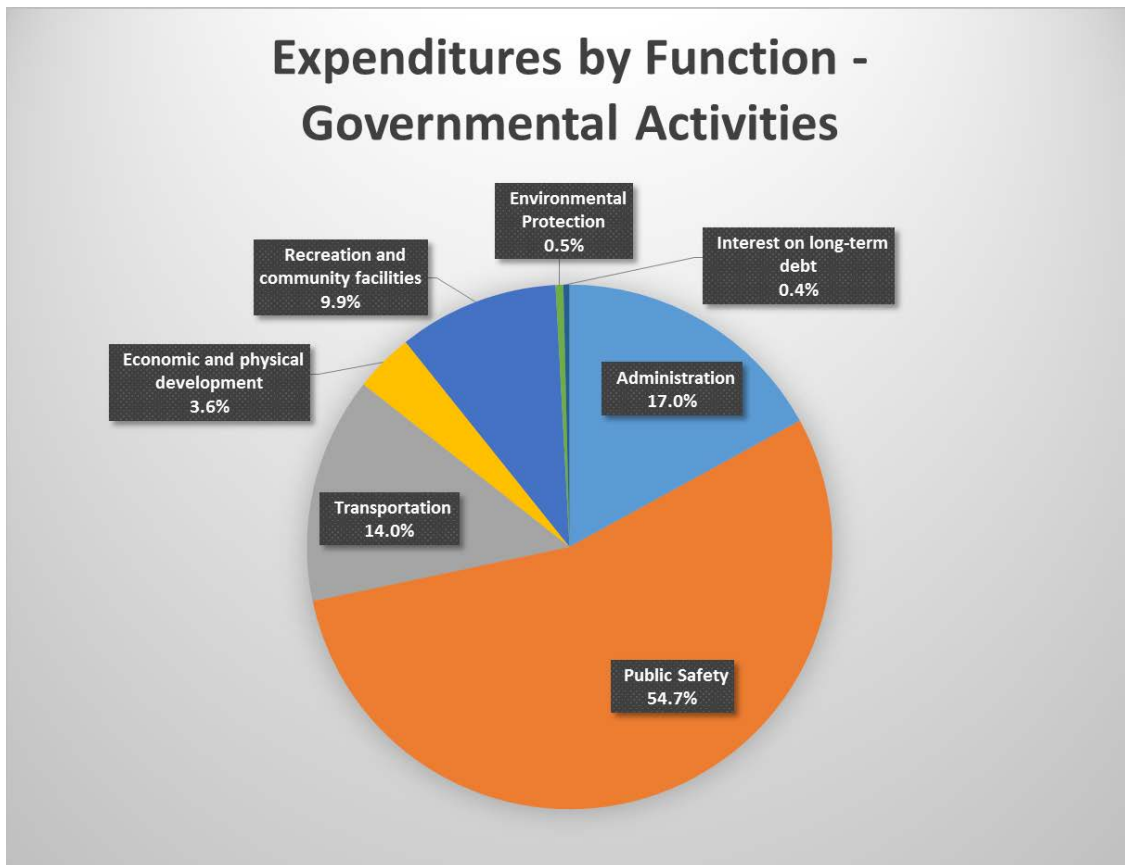
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- Those who directly benefited from service-fee based programs paid \$4.5 million in charges for those services, \$7.4 million less than 2016. The decline relates to reductions in lease payments and reclassifications.

In 2016 lease payments from the City to the City of Fayetteville Finance Corporation, a blended component unit formed for the purpose of issuing bonds to build City facilities, were recorded as charges for services. The Finance Corporation used lease revenue to make debt service payments and retire the bonds. All debt was retired in 2016; thus, the City made no lease payments in 2017.

Also, revenues provided by Cumberland County to support the City-County Parks and Recreation programs reported as charges for services in 2016 are presented as operating grants and contributions in 2017. Indirect cost allocation payments reported as charges for services in 2016 are presented as miscellaneous revenues in 2017.

- Other large revenue sources supporting the governmental activities include \$10.0 million for payments in lieu of taxes from PWC and \$2.2 million of miscellaneous revenues related to indirect cost allocations.



**CITY OF  
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- The cost of all governmental activities this year was \$159.8 million as compared to \$156.5 million in fiscal year 2016. 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.), administrative (city manager, city attorney, finance, human resources, information technology), transportation (street maintenance), and recreation and community facilities.
- The City's four largest governmental programs – public safety (54.6%), administration (17.0%), transportation (13.9%), and recreation and community facilities (10% percent), represent 95.5% of the total governmental activities.

**Business-type activities:** Both revenues and expenses for the City's business-type activities were approximately \$34.4 million in fiscal year 2017. With \$10.4 million of transfers from other funds, net position increased to \$131.6 million in 2017, compared to \$121.2 million in 2016.

	<b>Change in Net Position (in thousands)</b>			
	<b>Transit</b>	<b>Airport</b>	<b>Stormwater Management</b>	<b>Environmental Services</b>
<b>2017</b>	\$ 25,779	\$ 65,783	\$ 33,646	\$ 6,401
<b>2016</b>	21,251	62,911	31,013	6,075
<b>Change</b>	\$ 4,528	\$ 2,872	\$ 2,633	\$ 326

**Transit** - The City, federal, and state agencies continue to subsidize transit operations. Net position increased \$4.5 million in fiscal year 2017 to \$25.8 million. This increase is primarily due to \$5.6 million in federal and state grants for capital projects. Nearly all of transit's net position was its \$25.6 million net investment in transit assets.

**Airport** - Net position of the airport fund at the end of the year amounted to \$65.8 million, an increase of \$2.9 million. The increase is primarily due to \$3.1 million federal in contributions for airport enhancements, \$2.1 million in passenger and customer facility charges, offset by \$2.4 million in operating expenses in excess of operating revenues. Net investment in airport assets was \$50.3 million, or 76.4%, of net position.

**Stormwater Management** - Net position increased in stormwater management activities by \$2.6 million, resulting in a net position of \$33.6 million in fiscal year 2017. Net investment in stormwater assets, which is capital assets less any related debt still outstanding issued to acquire those assets, increased \$0.9 million to \$20.4 million, or 60.7%, of net position.

**Environmental Services** - Net position for the environmental services (solid waste removal and recycling) function increased \$0.3 million in fiscal year 2017 to \$6.4 million. Net investment in assets used to provide solid waste services was \$5.3 million, or 82.8%, of net position. Transfers from the General Fund of \$6.5 million subsidized the environmental services function.

*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.

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## CITY OF FAYETTEVILLE

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**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 2017, unassigned fund balance of the General Fund was \$21.7 million, while total fund balance was \$64.3 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 13.4% of total General Fund expenditures and transfers out, while total fund balance represents 39.9% percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an available fund balance of at least 8 percent of annual General Fund expenditures. The City 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 \$2.4 million during the current fiscal year. This increase can be primarily attributed to:

- Overall General Fund revenues increased \$5.1 million in fiscal year 2017. Ad valorem taxes increased \$2.8 million, sales tax increased \$1.2 million, and PWC made the first of 5 annual \$1.2 million contribution for economic development.
- At \$139.8 million, overall General Fund expenditures remained about the same in 2017 as 2016.
- Net other financing uses of \$17.6 million also remained about the same in 2017 as 2016.

A new major fund, the PWC Assessment Fund, was added to the City's financial statements in 2017. PWC's charter was amended on June 30, 2016 and PWC became a legally separate authority. Prior to the charter change, the City approved PWC's budget and reported its accounts as enterprise fund of the City. The City levies water and sewer assessments for PWS, as PWC does not have the legal authority to levy assessments. PWC administratively handles these assessments throughout the year. Prior to the charter change, these assessments were reported in a water and sewer enterprise fund. However, with the charter change, assessment revenue and intergovernmental expenditures are now being reported in a special revenue fund since the revenue is committed to PWC. The PWC Assessment Fund has \$0 fund balance, as all assessment revenues and interest earnings on assessments is retained by PWC, thus recorded expenditures on the City's financial statements.

At June 30, 2017, the governmental funds of the City reported a combined fund balance of \$90.6 million, reflecting an increase in fund balance of \$5.3 million. In addition to the fund balance increases in the General Fund, described above, the overall increase is primarily due to increases funding for ongoing general government and economic development capital projects that are not yet complete.

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CITY OF  
FAYETTEVILLE

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### *General Fund Budgetary Highlights*

The City Council approved a \$167.5 million general fund budget for fiscal year 2017, which represented a \$7.1 million or 4.4% increase from the original budget for fiscal year 2016.

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; \$0.9 million in increased employer medical contributions; \$3.2 million to fund sewer extension projects to be undertaken by the PWC 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; \$1.7 million to be set aside for future capital funding plan expenditures, including project funding and debt service

Appropriation increases were offset by appropriation reductions. Significant reductions included: 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 \$0.8 million 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 \$0.4 million budgeted in the prior fiscal year for purchasing services that had been provided by PWC.

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 a 1.35 cent tax increase per \$100 value to support future Parks and Recreation bond projects as approved on a March, 2016 bond referendum 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, \$0.9 million in increased sales tax distributions, an increase of \$0.5 million in reimbursements from Cumberland County Schools for administration of the red light.

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 \$6.9 million fund balance appropriation originally budgeted in fiscal year 2016.

During the fiscal year, the City Council approved budget increases of \$16.3 million or 9.7%, bringing the general fund budget for fiscal year 2017 to \$183.8 million. The budget increases primarily related to appropriations of: \$6.9 million for expenditures for which funds were restricted or assigned at June 30, 2016; \$4.0 million for retirement of debt for the Festival Park Plaza building due to its anticipated sale in June, 2017, which did not occur; \$2.5 million for the purchase of land for the downtown stadium and redevelopment site, which did not occur until fiscal 2018; and \$3.3 million for expenditures related to Hurricane Matthew recovery. Additionally, there was a net expenditure budget reduction of \$0.8 million resulting from City charter changes related to PWC, primarily reflecting the elimination of a \$3.2 million transfer from the City for water and sewer projects in the annexation areas and the addition of \$2.2 million transfer to the stadium capital project.

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## CITY OF FAYETTEVILLE

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The increased budget appropriations were primarily funded by additional fund balance appropriations of \$8.1 million, \$5.5 million from proceeds from planned sales of assets including the Festival Park Plaza building, \$2.8 million in federal and state intergovernmental revenues related to Hurricane Matthew recovery, the elimination of a \$12.6 million interfund transfer from the PWC replaced by an \$11.1 million intergovernmental payment in lieu of tax, and a \$1.1 million transfer from the Risk Management fund.

For fiscal 2017, the City operated within the parameters of its authorized budget with no budgetary compliance violations. However, for the new PWC Assessment Fund, there was no City adopted budget. Since the City no longer approves PWC's operating budget, the assessment budget was not approved by the City for the fiscal 2017. This was a transitional oversight that will be addressed in the current year budget.

**Actual Revenues Compared to Final Budget** - General Fund actual revenues were \$3.9 million less than final budgeted amounts, primarily due to \$3.6 million of budgeted federal, state and local grants not being received and \$0.8 million less utility sales tax received than budgeted.

**Actual Expenditures Compared to Budgeted Appropriations** – The City budgets General Fund appropriations by portfolio. As shown on the General Fund Budget and Actual Statement on page E-5, expenditures in each portfolio were less than final budgeted appropriations, with overall actuals being \$19.9 less than budget. The following is an analysis of actual expenditures compared to budget by portfolio.

- Community investment portfolio expenditures were \$6.1 million less than budget.
- Operations portfolio expenditures were \$4.9 million less than budget.
- Support services portfolio expenditures were \$1.8 million less than budget.
- Other appropriations, excluding debt service, were \$0.4 million less than budget.
- Debt service expenditures were \$6.4 million less than budget.

## Capital Asset and Debt Administration

**Capital assets.** The City's capital assets for its governmental and business-type activities as of June 30, 2017, totals \$463.9 million net of accumulated depreciation. These assets include land, construction in progress, infrastructure; buildings; improvements; equipment, furniture, fixtures, computer software, and vehicles.



**CITY OF  
FAYETTEVILLE**

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land and land rights	\$ 39,548	\$ 42,357	\$ 5,511	\$ 5,562	\$ 45,059	\$ 47,919
Construction in progress	12,443	8,986	17,515	28,728	29,958	37,714
Infrastructure	229,505	220,641	43,484	39,618	272,989	260,259
Buildings and improvements	59,317	63,745	2,263	2,434	61,580	66,179
Equipment, furniture and fixtures	6,119	5,578	59	8	6,178	5,586
Computer software	1,196	821	12,653	13,022	13,849	13,843
Vehicles	11,573	11,133	21,682	21,232	33,255	32,365
Total	\$ 359,701	\$ 353,261	\$ 103,167	\$ 110,604	\$ 462,868	\$ 463,865

Major capital asset transactions during the year include the following:

- Hurricane Matthew, a major Category 4 event, entered the City of Fayetteville on October 4, 2016, damaging City owned roads, bridges, dams, buildings, parks and other facilities. FEMA approved 36 projects eligible for reimbursement estimated at \$10.7 million. \$1.4 million was spent in 2017.
- \$4.7 million, of \$12.2 million total project cost, was incurred on a downtown FAST Transit Center, a major public transportation hub.
- \$5.4 million was incurred resurfacing streets and constructing sidewalks and other traffic system improvements.
- \$3.5 million was spent on a significant runway rehabilitation project at the Fayetteville Regional Airport, primarily funded by a state grant.
- \$2.2 million in various stormwater drainage system improvement projects were constructed throughout the City.

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

**Long-term Debt.** The City issues debt to finance the acquisition and construction of many of its capital assets. As of June 30, 2017, the outstanding amount was \$32.7 million, which remained about the same as the prior year. Bonded debt and notes payable decreased and new installment agreements were executed. During the year, the City made regularly scheduled principal and interest payments. Principal payments in 2017 reduced outstanding debt by \$5.3 million. These decreases are offset by two new installment financial agreement totaling \$5.2 million. Outstanding bonded debt was \$10.8 million, of which \$3.35 million is debt general obligation bonds backed by the full faith and credit of the City. The City also has \$21.4 million of installment agreements and \$0.5 million notes payable outstanding. A summary of total long-term debt is shown in Figure 5.

**CITY OF  
FAYETTEVILLE**

**Bonded Debt, Installment Agreements and Notes Payable**

**Figure 5**

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2017	2016	2017	2016	2017
Bonded debt	\$ 4,336,988	\$ 3,497,133	\$7,925,000	\$7,280,000	\$ 12,261,988	\$ 10,777,133
Installment agreements	19,419,617	20,094,321	434,563	1,295,460	19,854,180	21,389,781
Notes payable	300,000	225,000	350,419	325,389	650,419	550,389
Total long-term debt	\$24,056,605	\$23,816,454	\$8,709,982	\$8,900,849	\$32,766,587	\$32,717,303

The City's other long-term obligations are as follows:

- \$27.8 million representing the City's portion of the N.C. Local Government Employers' Retirement System net pension liability, which is managed by the N.C. Department of State Treasurer;
- \$25.6 million net Other Postemployment Benefits (OPEB) net obligation, which is retiree healthcare benefits for employees hired before July 1, 2014;
- \$14.0 million net Law Enforcement Officers' Special Separation Allowance;
- \$8.4 million compensated absences, a liability for the estimated amount of vacation, compensatory time and banked holiday leave to ultimately be paid;
- \$4.9 million PWC Assessments Payable, which is offset by amounts owed to the City.

The City's general obligation bond credit ratings are Aa1 (Moody's Investor Services) and AA+ (Standard & Poor's).

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property. The legal debt margin for the City is approximately \$1.1 billion. The City has \$35 million parks and recreation bonds authorized but unissued at June 30, 2017.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-23 – F-31 of this report.

**Economic Factors and Next Year's Budget and Rates**

The City Council approved a \$167.1 million general fund budget for fiscal year 2018, which represented a slight decrease from the original 2017 budget. The general ad valorem tax rate remained unchanged at 49.95 cents per \$100 value. The estimated revenue neutral rate following in the January 2017 property revaluation process was 52.70 cents. Budgeted transfers for capital projects increased \$4.6 million, which included \$1.5 million for replacement parking and downtown redevelopment site infrastructure, a net increase of \$2.2 million for transportation related projects, and \$0.8 million for design of a fire station and emergency communications center planned; and, a \$0.7 million transfer increase to subsidize Transit Fund operating costs for the new Multimodal Transit Center and the addition of Sunday bus service. These appropriation increases were offset by appropriation reductions, including: the discontinuation of

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## CITY OF FAYETTEVILLE

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an interfund transfer budgeted at \$3.2 million in fiscal year 2017 for water and sewer extension projects undertaken by PWC and; a \$3.8 million reduction in transfers to subsidize the Environmental Services fund resulting from a significant increase in the residential solid waste fee...

The original fiscal year 2018 budget anticipated a \$1.7 million reduction in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2017 budget. The decrease was primary related to a decrease in taxable property assessments following the January 2017 property revaluation. Significant revenue increases anticipated in the original fiscal year 2018 budget as compared to fiscal year 2017 original budget included: intergovernmental revenue increases of \$2.0 million in sales tax distributions, \$11.5 million from the PWC; and an increase of \$2.8 million in anticipated installment financing proceeds to purchase City vehicles and police radio equipment . Revenue decreases anticipated in the original fiscal year 2018 budget include \$0.7 million less utility tax distributions, \$2.7 million less from Cumberland County for the operations of the joint parks and recreation program, \$0.6 million federal revenues primarily reflecting the expiration of law enforcement grants; and PWC interfund transfer reductions of \$12.6 million. The \$5.8 million fund balance appropriation for one-time expenditures for fiscal year 2018 represented a \$2.8 million increase compared to the original \$2.9 million fund balance appropriation originally budgeted in fiscal year 2017.

The City Council has since approved budget increases of \$12.4 million, or 7.4%, bringing the general fund budget for fiscal year 2018 to \$179.5 million. The vast majority of the increases, \$7.9 million, related to appropriations for expenditures for which funds were restricted or assigned at June 30, 2017. Additional appropriations included \$4.1 million for debt service and retirement of the capital lease for Festival Park Plaza due to the delay in the planned sale of the facility. The increases were primarily funded by an additional appropriation of \$6.3 million from fund balance and \$5.5 million in proceeds from planned sale of the Festival Park Plaza building and a redevelopment parcel on Hay Street.

### 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](http://www.cityoffayetteville.org/finance) or send an email to [cspivey@ci.fay.nc.us](mailto:cspivey@ci.fay.nc.us) for more information.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Comprehensive Annual Financial Report 2017



City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017



# Basic Financial Statements

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

Statement of Net Position  
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Fayetteville Public Works Commission
<b>Assets</b>				
Cash and investments	\$ 83,082,977	\$ 27,391,997	\$ 110,474,974	\$ 109,560,762
Accounts receivable (net)	2,336,649	6,710,181	9,046,830	46,108,042
Taxes receivable (net)	1,867,761	-	1,867,761	-
Assessment receivable	6,442,337	-	6,442,337	-
Due from other governments	18,275,306	1,748,819	20,024,125	-
Notes receivable	249,484	-	249,484	-
Inventories	57,332	274,710	332,042	15,677,440
Prepaid items	1,291,070	-	1,291,070	-
Other current assets	-	-	-	2,673,481
Noncurrent portion of note receivable	7,820,924	-	7,820,924	-
Restricted asset - cash and investments	7,736,120	3,838,755	11,574,875	213,975,659
Restricted asset - accounts receivable	118,030	156,123	274,153	2,285,251
Collateral pledged in lieu of deposits	-	-	-	420,921
Property held for resale	27,871	-	27,871	-
Other assets	-	-	-	378,618
Capital assets:				
Land and construction in progress	51,343,179	34,290,442	85,633,621	71,249,775
Other capital assets, net of depreciation	301,918,449	76,313,481	378,231,930	822,113,873
Total capital assets	353,261,628	110,603,923	463,865,551	893,363,648
Total assets	482,567,489	150,724,508	633,291,997	1,284,443,822
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	7,156	-	7,156	5,305,722
Regulatory asset	-	-	-	15,693,819
Pension deferrals	22,306,202	3,003,968	25,310,170	15,561,662
Total deferred outflows of resources	22,313,358	3,003,968	25,317,326	36,561,203
<b>Liabilities</b>				
Accounts payable and accrued expenses	11,246,040	5,125,723	16,371,763	46,624,636
Restricted liabilities - accounts payable	102,628	707	103,335	18,934,456
Restricted unearned deposits	498,420	1,414,393	1,912,813	-
Unearned deposits	-	-	-	842,455
Unearned revenues	880,511	15,296	895,807	-
Long-term liabilities:				
Due within one year	10,150,550	1,772,428	11,922,978	21,496,554
Due in more than one year	89,036,110	13,560,397	102,596,507	315,895,484
Total liabilities	111,914,259	21,888,944	133,803,203	403,793,585
<b>Deferred inflows of resources</b>				
Pension deferrals	1,757,533	234,393	1,991,926	419,936
Total deferred inflows of resources	1,757,533	234,393	1,991,926	419,936
<b>Net position</b>				
Net investment in capital assets	329,434,958	101,703,182	431,138,140	639,157,293
Restricted for:				
Capital projects	-	2,234,132	2,234,132	-
Operating projects	-	1,020	1,020	-
Stabilization by State Statute	47,635,056	-	47,635,056	-
Debt services	-	-	-	1,995,312
Downtown	108,622	-	108,622	-
Recreational and cultural	5,161,145	-	5,161,145	-
Donor restricted	13,265	-	13,265	-
Public Safety	1,584,006	-	1,584,006	-
Economic and Physical Development	10,390	-	10,390	-
Administration	26,439	-	26,439	-
Lake Valley Drive MSD	5,941	-	5,941	-
Renewable energy certificates	-	-	-	6,593,822
PWC projects	-	-	-	139,612,125
Powell Bill	349,930	-	349,930	-
Unrestricted (deficit)	6,879,303	27,666,805	34,546,108	129,433,252
Total net position	\$ 391,209,055	\$ 131,605,139	\$ 522,814,194	\$ 916,791,804

See Notes to Financial Statements

City of Fayetteville, North Carolina

Statement of Activities  
Fiscal Year Ended June 30, 2017

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Fayetteville Public Works Commission
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental:								
Administration	\$ 27,154,946	\$ 1,105,173	\$ 5,893,754	\$ -	\$ (20,156,019)	\$ -	\$ (20,156,019)	\$ -
Public safety	87,298,395	977,480	1,925,656	1,583,563	(82,811,696)	-	(82,811,696)	-
Transportation	22,297,364	150,317	5,372,792	1,234,697	(15,539,558)	-	(15,539,558)	-
Economic and physical development	5,785,839	510,298	1,706,081	149,452	(3,420,008)	-	(3,420,008)	-
Recreation and community facilities	15,921,506	1,735,367	2,432,942	33,564	(11,719,633)	-	(11,719,633)	-
Environmental protection	757,612	-	-	-	(757,612)	-	(757,612)	-
Interest on long-term debt	604,659	-	-	-	(604,659)	-	(604,659)	-
Total governmental activities	<u>159,820,321</u>	<u>4,478,635</u>	<u>17,331,225</u>	<u>3,001,276</u>	<u>(135,009,185)</u>	<u>-</u>	<u>(135,009,185)</u>	<u>-</u>
Business-type:								
Stormwater management	4,662,158	6,866,159	42,261	177,509	-	2,423,771	2,423,771	-
Transit	10,449,142	1,373,694	3,497,224	5,615,750	-	37,526	37,526	-
Airport	7,537,690	4,724,908	2,242,093	3,148,014	-	2,577,325	2,577,325	-
Environmental services	11,763,127	2,938,196	2,560,822	-	-	(6,264,109)	(6,264,109)	-
Total business-type activities	<u>34,412,117</u>	<u>15,902,957</u>	<u>8,342,400</u>	<u>8,941,273</u>	<u>-</u>	<u>(1,225,487)</u>	<u>(1,225,487)</u>	<u>-</u>
Total primary government	<u>\$ 194,232,438</u>	<u>\$ 20,381,592</u>	<u>\$ 25,673,625</u>	<u>\$ 11,942,549</u>	<u>(135,009,185)</u>	<u>(1,225,487)</u>	<u>(136,234,672)</u>	<u>-</u>
<b>Component units:</b>								
Fayetteville Public Works Commission	<u>\$ 290,142,249</u>	<u>\$ 322,721,879</u>	<u>\$ 1,463,287</u>	<u>\$ 8,715,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,758,807</u>
General revenues:								
Ad valorem taxes					72,112,845	-	72,112,845	-
Sales tax					39,922,499	-	39,922,499	-
Utilities sales tax					9,665,455	-	9,665,455	-
Telecommunications sales tax					1,317,997	-	1,317,997	-
Piped natural gas sales tax					333,141	-	333,141	-
Video franchise tax					2,238,983	-	2,238,983	-
Vehicle license tax					639,089	636,467	1,275,556	-
Privilege license					16,989	-	16,989	-
Vehicle gross receipts tax					698,234	-	698,234	-
Payment in lieu of taxes					9,966,765	-	9,966,765	-
Unrestricted grants and contributions					1,536,981	-	1,536,981	-
Interest earned on investments					810,961	179,472	990,433	1,739,044
Micellaneous					3,593,019	403,307	3,996,326	-
Gain (loss) on sale of capital assets					(133,937)	(6,681)	(140,618)	(4,719,440)
Transfers					(10,367,645)	10,367,645	-	-
Total general revenues and transfers					<u>132,351,376</u>	<u>11,580,210</u>	<u>143,931,586</u>	<u>(2,980,396)</u>
Change in net position					(2,657,809)	10,354,723	7,696,914	39,778,411
Net position, beginning					407,640,484	121,250,416	528,890,900	877,013,393
Prior year adjustment					(13,773,620)	-	(13,773,620)	-
Net position, beginning as restated					<u>393,866,864</u>	<u>121,250,416</u>	<u>515,117,280</u>	<u>877,013,393</u>
Net position, ending					<u>\$ 391,209,055</u>	<u>\$ 131,605,139</u>	<u>\$ 522,814,194</u>	<u>\$ 916,791,804</u>

See Notes to Financial Statements



City of Fayetteville, North Carolina

Balance Sheet  
Governmental Funds  
June 30, 2017

	General	PWC Assessment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 48,103,223	\$ -	\$ 15,418,309	\$ 63,521,532
Accounts receivable	1,305,706	-	612,871	1,918,577
Taxes receivable	1,723,223	-	-	1,723,223
Due from other governments	15,980,206	-	2,295,100	18,275,306
Assessments receivable	897,141	5,545,196	-	6,442,337
Interfund receivable	275,696	-	-	275,696
Inventory	57,332	-	-	57,332
Prepays	1,115,857	-	-	1,115,857
Restricted cash and investments	5,171,866	-	2,564,254	7,736,120
Restricted accounts receivable	116,997	-	1,033	118,030
Notes receivable	-	-	8,070,408	8,070,408
Property held for resale	-	-	27,871	27,871
<b>Total assets</b>	<b>\$ 74,747,247</b>	<b>\$ 5,545,196</b>	<b>\$ 28,989,846</b>	<b>\$ 109,282,289</b>
<b>Liabilities, deferred inflows of resources, and Fund balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 6,883,082	\$ 208,846	\$ 1,577,216	\$ 8,669,144
Restricted accounts payable	-	-	102,628	102,628
Restricted unearned deposits	498,420	-	-	498,420
Prepaid taxes	9,944	-	-	9,944
Unearned revenue	6,410	132,725	723,307	862,442
Interfund payable	-	-	275,696	275,696
<b>Total liabilities</b>	<b>7,397,856</b>	<b>341,571</b>	<b>2,678,847</b>	<b>10,418,274</b>
<b>Deferred inflows of resources</b>				
Taxes receivable	1,664,468	-	-	1,664,468
Accounts receivable	229,870	-	-	229,870
Assessment receivable	1,147,520	5,203,625	-	6,351,145
<b>Total deferred inflows of resources</b>	<b>3,041,858</b>	<b>5,203,625</b>	<b>-</b>	<b>8,245,483</b>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	57,332	-	-	57,332
Prepays	1,115,857	-	-	1,115,857
Restricted:				
Stabilization by State Statute	23,362,174	-	24,272,882	47,635,056
For streets - Powell Bill	-	-	349,930	349,930
For downtown	108,622	-	-	108,622
For Lake Valley Drive MSD	5,941	-	-	5,941
For county recreation	4,408,310	-	-	4,408,310
Donations	13,265	-	-	13,265
Administration	-	-	26,439	26,439
Public safety	-	-	1,584,006	1,584,006
Recreation and community facilities	-	-	752,835	752,835
Economic and physical development	-	-	10,390	10,390
Committed:				
Law Enforcement Officers' Separation Allowance	4,672,755	-	-	4,672,755
Administration	-	-	2,732,095	2,732,095
Transportation	-	-	1,314,491	1,314,491
Economic and physical development	-	-	1,182,899	1,182,899
Recreation and community facilities	-	-	1,093,603	1,093,603
Assigned:				
Subsequent years expenditures	3,454,259	-	-	3,454,259
Special purposes	2,927,980	-	-	2,927,980
Capital projects	2,531,973	-	-	2,531,973
Unassigned	21,649,065	-	(7,008,571)	14,640,494
<b>Total fund balances</b>	<b>64,307,533</b>	<b>-</b>	<b>26,310,999</b>	<b>90,618,532</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 74,747,247</b>	<b>\$ 5,545,196</b>	<b>\$ 28,989,846</b>	<b>\$ 109,282,289</b>

See Notes to Financial Statements

**City of Fayetteville, North Carolina**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds to the Statement of Net Position**  
**June 30, 2017**

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds	\$	90,618,532
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	25,886,657
Right of way		16,470,451
Construction in progress		8,986,071
Infrastructure		473,280,174
Buildings and improvements		114,093,214
Furniture and equipment		37,051,127
Vehicles		37,316,791
Accumulated depreciation		<u>(359,822,857)</u>
		353,261,628
Accrued tax penalties receivable are not available to pay current year expenditures and, therefore, are not recorded in the funds.		144,538
Accrued federal subsidy receivable is associated with accrued interest payable and therefore not recorded in the funds.		28,030
Liabilities for earned revenues are considered deferred inflows of resources in fund statements		8,245,483
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.		17,549,378
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:		
General obligation bonds	\$	(3,497,133)
Unamortized premium		(20,013)
Notes payable		(225,000)
Capital leases		(20,091,680)
Assessments Due PWC		(4,852,042)
Accrued compensated absences		(7,740,969)
Net pension liability (LGERS)		(25,391,449)
Net pension liability (LEOSSA)		(13,966,229)
Net OPEB obligation		<u>(23,191,463)</u>
		(98,975,978)
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.		7,156
Accrued interest payable on the Statement of Net Position		(139,287)
Contributions to LGERS pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.		5,558,855
Pension (LGERS) related deferrals		14,801,923
Contributions to LEOSSA pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.		376,210
Pension (LEOSSA) related deferrals		<u>(267,413)</u>
Net position of governmental activities	\$	<u><u>391,209,055</u></u>
See Notes to Financial Statements		

City of Fayetteville, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Fiscal Year Ended June 30, 2017

	General	PWC Assessment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 71,974,909	\$ -	\$ -	\$ 71,974,909
Other taxes	1,354,312	-	-	1,354,312
Unrestricted intergovernmental	64,981,821	-	-	64,981,821
Restricted intergovernmental	11,373,230	-	5,000,872	16,374,102
Assessment revenue	-	1,162,394	595,893	1,758,287
Permits and fees	2,200,113	-	-	2,200,113
Sales and services	4,478,635	-	-	4,478,635
Interest	388,571	301,716	123,988	814,275
Miscellaneous	3,026,897	-	566,122	3,593,019
Total revenues	159,778,488	1,464,110	6,286,875	167,529,473
<b>Expenditures</b>				
Administration	28,703,743	1,464,110	1,762,316	31,930,169
Public safety	80,517,400	-	2,440,166	82,957,566
Transportation	9,247,648	-	7,423,086	16,670,734
Economic and physical development	2,686,717	-	2,764,181	5,450,898
Recreation and community facilities	13,193,130	-	667,546	13,860,676
Environmental protection	403,579	-	138,101	541,680
Debt service:				
Principal	4,314,552	-	169,217	4,483,769
Interest	618,193	-	9,474	627,667
Debt issuance cost	70,738	-	-	70,738
Total expenditures	139,755,700	1,464,110	15,374,087	156,593,897
Revenues over (under) expenditures	20,022,788	-	(9,087,212)	10,935,576
<b>Other financing sources (uses)</b>				
Sales of capital assets	169,922	-	-	169,922
Issuance of debt	2,440,977	-	1,800,000	4,240,977
Transfers in	1,067,080	-	10,208,243	11,275,323
Transfers out	(21,261,651)	-	(42,080)	(21,303,731)
Total other financing sources (uses)	(17,583,672)	-	11,966,163	(5,617,509)
<b>Net change in fund balances</b>	2,439,116	-	2,878,951	5,318,067
<b>Fund balances</b>				
Beginning	61,868,417	-	23,432,048	85,300,465
Ending	\$ 64,307,533	\$ -	\$ 26,310,999	\$ 90,618,532

See Notes to Financial Statements

**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  
Fiscal Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds \$ 5,318,067

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. 15,906,532

Depreciation expense (22,042,244)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets. (303,859)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Decrease in deferred taxes	4,978,346
Decrease in accrued interest receivable	(3,314)
Increase in accrued tax penalties	11,632

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds.

Proceeds from capital leases	(4,240,977)
Principal payments on long-term debt	4,481,128
Change in assessments due PWC	(4,852,042)
Change in net OPEB obligation	(1,473,542)
Change in compensated absences	(488,488)

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:

Net LGERS pension expense	(1,110,549)
Net LEOSSA pension expense	(757,926)
Change in accrued interest payable	64,844
Amortization of bond premium	41,906
Amortization of bond issuance costs	(10,363)

Internal service fund is used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. 1,823,040

Change in net position of governmental activities \$ (2,657,809)

See Notes to Financial Statements

City of Fayetteville, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 71,325,888	\$ 71,325,888	\$ 71,974,909	\$ 649,021
Other taxes	1,263,030	1,263,030	1,354,312	91,282
Intergovernmental	67,140,659	81,030,094	76,355,051	(4,675,043)
Functional revenues	6,938,186	7,287,429	6,678,748	(608,681)
Interest	275,800	275,800	388,571	112,771
Miscellaneous	2,532,480	2,532,480	3,026,897	494,417
<b>Total revenues</b>	<b>149,476,043</b>	<b>163,714,721</b>	<b>159,778,488</b>	<b>(3,936,233)</b>
<b>Expenditures</b>				
Current:				
Community investment	14,081,780	19,486,620	13,402,718	6,083,902
Operations	95,803,171	99,025,058	94,144,333	4,880,725
Support services	13,941,588	15,197,693	13,414,673	1,783,020
Other appropriations	10,508,411	13,006,468	12,650,743	355,725
Parking	352,581	355,210	329,547	25,663
Central business tax district	145,659	145,659	62,584	83,075
Lake Valley Drives MSD	1,823	1,823	-	1,823
Law enforcement officer's special separation allowance	1,106,219	1,106,219	747,619	358,600
Debt service:				
Principal	6,610,276	10,635,276	4,314,552	6,320,724
Interest	659,388	643,888	618,193	25,695
Debt issuance costs	-	85,000	70,738	14,262
<b>Total expenditures</b>	<b>143,210,896</b>	<b>159,688,914</b>	<b>139,755,700</b>	<b>19,933,214</b>
<b>Revenues over (under) expenditures</b>	<b>6,265,147</b>	<b>4,025,807</b>	<b>20,022,788</b>	<b>15,996,981</b>
<b>Other financing sources (uses)</b>				
Sales of capital assets	110,000	5,585,000	169,922	5,415,078
Issuance of debt	2,355,977	2,355,977	2,440,977	(85,000)
Transfers from other funds	12,611,000	1,090,000	1,067,080	22,920
Transfers to other funds	(24,275,488)	(24,126,263)	(21,261,651)	(2,864,612)
Appropriated fund balance	2,933,364	11,069,479	-	11,069,479
<b>Total other financing sources (uses)</b>	<b>(6,265,147)</b>	<b>(4,025,807)</b>	<b>(17,583,672)</b>	<b>13,557,865</b>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	2,439,116	<u>\$ 2,439,116</u>
Fund balance, beginning			61,868,417	
Fund balance, ending			<u>\$ 64,307,533</u>	

Note A - Reconciliation of difference between actual expenditure classifications on a budgetary basis and on a GAAP basis.

Portfolio:	Function:						
	Administration	Public Safety	Environmental Protection	Transportation	Economic and Physical Development	Recreation and Community Facilities	Total
Community investment	\$ 591,170	\$ 2,708,903	\$ -	\$ 7,478,512	\$ 2,624,133	\$ -	\$ 13,402,718
Operations	2,047,157	77,060,878	403,579	1,439,589	-	13,193,130	94,144,333
Support services	13,414,673	-	-	-	-	-	13,414,673
Other appropriations	12,650,743	-	-	-	-	-	12,650,743
Parking	-	-	-	329,547	-	-	329,547
Central Business tax District	-	-	-	-	62,584	-	62,584
Law enforcement officer's special separation allowance	-	747,619	-	-	-	-	747,619
Totals	<u>\$ 28,703,743</u>	<u>\$ 80,517,400</u>	<u>\$ 403,579</u>	<u>\$ 9,247,648</u>	<u>\$ 2,686,717</u>	<u>\$ 13,193,130</u>	<u>\$ 134,752,217</u>

See Notes to Financial Statements

City of Fayetteville, North Carolina

Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Transit Fund	Airport Fund	Storm Water Management Fund	Environmental Services Fund	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 351,670	\$ 11,741,085	\$ 14,865,517	\$ 433,725	\$ 27,391,997	\$ 19,561,445
Accounts receivable	2,875,755	3,381,591	310,378	142,457	6,710,181	390,042
Due from other governments	147,379	229,455	28,846	1,343,139	1,748,819	-
Inventories	271,207	3,503	-	-	274,710	-
Prepaid expenses	-	-	-	-	-	175,213
Total unrestricted current assets	3,646,011	15,355,634	15,204,741	1,919,321	36,125,707	20,126,700
Restricted current assets:						
Restricted cash and investments	-	2,079,516	1,414,747	344,492	3,838,755	-
Restricted accounts receivable	-	156,123	-	-	156,123	-
Total restricted current assets	-	2,235,639	1,414,747	344,492	3,994,878	-
Total current assets	3,646,011	17,591,273	16,619,488	2,263,813	40,120,585	20,126,700
Noncurrent assets:						
Capital assets, net	25,667,827	50,299,929	27,680,952	6,955,215	110,603,923	-
Total noncurrent assets	25,667,827	50,299,929	27,680,952	6,955,215	110,603,923	-
<b>Total assets</b>	29,313,838	67,891,202	44,300,440	9,219,028	150,724,508	20,126,700
<b>Deferred outflows of resources</b>						
Pension related deferrals	1,301,422	363,266	492,041	847,239	3,003,968	89,174
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued liabilities	1,901,215	1,538,915	968,771	716,822	5,125,723	2,437,609
Current portion of long-term debt	235,790	104,601	765,886	666,151	1,772,428	4,352
Total current liabilities	2,137,005	1,643,516	1,734,657	1,382,973	6,898,151	2,441,961
Current liabilities to be paid from restricted assets:						
Accounts payable and accrued liabilities	-	707	-	-	707	-
Unearned deposits	-	800	1,413,593	-	1,414,393	-
Total current liabilities to be paid from restricted assets	-	1,507	1,413,593	-	1,415,100	-
Total current liabilities	2,137,005	1,645,023	3,148,250	1,382,973	8,313,251	2,441,961
Noncurrent liabilities:						
Net OPEB liability	1,095,810	364,444	472,625	327,345	2,260,224	105,523
Net pension liability	1,502,618	420,321	570,963	985,442	3,479,344	100,807
Unearned revenue	-	15,296	-	-	15,296	8,125
Long-term debt	-	-	6,915,359	905,470	7,820,829	-
Total noncurrent liabilities	2,598,428	800,061	7,958,947	2,218,257	13,575,693	214,455
<b>Total liabilities</b>	4,735,433	2,445,084	11,107,197	3,601,230	21,888,944	2,656,416
<b>Deferred inflows of resources</b>						
Pension deferrals	103,765	26,656	39,458	64,514	234,393	10,080
<b>Net position</b>						
Net investment in capital assets	25,667,827	50,299,929	20,401,060	5,334,366	101,703,182	-
Restricted						
Capital projects	-	2,234,132	-	-	2,234,132	-
Operating projects	-	-	1,020	-	1,020	-
Unrestricted	108,235	13,248,667	13,243,746	1,066,157	27,666,805	17,549,378
<b>Total net position</b>	\$ 25,776,062	\$ 65,782,728	\$ 33,645,826	\$ 6,400,523	\$ 131,605,139	\$ 17,549,378

See Notes to Financial Statements

City of Fayetteville, North Carolina

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Fiscal Year Ended June 30, 2017

	Transit Fund	Airport Fund	Storm Water Management Fund	Environmental Services Fund	Total	Internal Service Funds
<b>Operating revenues</b>						
Charges for services	\$ 1,279,096	\$ 4,541,794	\$ 6,833,895	\$ 2,725,556	\$ 15,380,341	\$ -
Other revenue from operations	94,598	183,114	32,264	212,640	522,616	265,690
Interfund charges and employee contributions	-	-	-	-	-	19,459,180
<b>Total operating revenues</b>	<b>1,373,694</b>	<b>4,724,908</b>	<b>6,866,159</b>	<b>2,938,196</b>	<b>15,902,957</b>	<b>19,724,870</b>
<b>Operating xpenses</b>						
Salaries and employee benefits	5,912,599	1,632,931	2,153,832	3,695,916	13,395,278	381,527
Other operating expenses	3,176,381	1,486,764	1,529,003	7,120,122	13,312,270	17,312,073
Depreciation and amortization	1,360,162	3,985,881	800,393	942,391	7,088,827	-
<b>Total operating expenses</b>	<b>10,449,142</b>	<b>7,105,576</b>	<b>4,483,228</b>	<b>11,758,429</b>	<b>33,796,375</b>	<b>17,693,600</b>
<b>Operating income (loss)</b>	<b>(9,075,448)</b>	<b>(2,380,668)</b>	<b>2,382,931</b>	<b>(8,820,233)</b>	<b>(17,893,418)</b>	<b>2,031,270</b>
<b>Nonoperating revenues (expenses)</b>						
Interest earned on investments	1,507	85,178	88,482	4,305	179,472	-
Federal and State grants	3,497,224	122,140	42,261	2,255,107	5,916,732	-
Passenger facility Charges	-	900,294	-	-	900,294	-
Customer facility Charges	-	1,219,659	-	-	1,219,659	117,228
Miscellaneous revenue	-	208,920	120,500	73,887	403,307	13,779
Gain (loss) on disposal of asset	860	-	-	(7,541)	(6,681)	-
County revenue	-	-	-	305,715	305,715	-
Vehicle fee revenue	636,467	-	-	-	636,467	-
Interest expense	-	-	(178,930)	(4,698)	(183,628)	-
Miscellaneous expense	-	(432,114)	-	-	(432,114)	-
<b>Total net nonoperating revenues</b>	<b>4,136,058</b>	<b>2,104,077</b>	<b>72,313</b>	<b>2,626,775</b>	<b>8,939,223</b>	<b>131,007</b>
<b>Capital contributions</b>	<b>5,615,750</b>	<b>3,148,014</b>	<b>177,509</b>	<b>-</b>	<b>8,941,273</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>676,360</b>	<b>2,871,423</b>	<b>2,632,753</b>	<b>(6,193,458)</b>	<b>(12,922)</b>	<b>2,162,277</b>
<b>Other Financing sources (uses)</b>						
Transfers in	3,848,497	-	-	6,519,148	10,367,645	803,071
Transfers out	-	-	-	-	-	(1,142,308)
<b>Total other financing sources (uses)</b>	<b>3,848,497</b>	<b>-</b>	<b>-</b>	<b>6,519,148</b>	<b>10,367,645</b>	<b>(339,237)</b>
<b>Change in net position</b>	<b>4,524,857</b>	<b>2,871,423</b>	<b>2,632,753</b>	<b>325,690</b>	<b>10,354,723</b>	<b>1,823,040</b>
<b>Net position, beginning</b>	<b>21,251,205</b>	<b>62,911,305</b>	<b>31,013,073</b>	<b>6,074,833</b>	<b>121,250,416</b>	<b>15,726,338</b>
<b>Net position, ending</b>	<b>\$ 25,776,062</b>	<b>\$ 65,782,728</b>	<b>\$ 33,645,826</b>	<b>\$ 6,400,523</b>	<b>\$ 131,605,139</b>	<b>\$ 17,549,378</b>

City of Fayetteville, North Carolina

Statement of Cash Flows  
Proprietary Funds  
Fiscal Year Ended June 30, 2017

	Enterprise Funds					Internal Service Funds
	Transit Fund	Airport Fund	Storm Water Management Fund	Environmental Services Fund	Total	
<b>Operating activities</b>						
Cash received from customers	\$ 2,446,714	\$ 1,373,975	\$ 7,193,226	\$ 1,894,123	\$ 12,908,038	\$ 19,635,236
Cash received for insurance reimbursements	-	54,836	-	-	54,836	-
Cash paid to or on behalf of employees for services	(5,752,726)	(1,603,902)	(2,103,392)	(3,618,255)	(13,078,275)	(371,275)
Cash paid for goods and services	(3,429,249)	(93,549)	(1,431,556)	(7,250,556)	(12,204,910)	(18,809,302)
Net cash provided by (used in) operating activities	(6,735,261)	(268,640)	3,658,278	(8,974,688)	(12,320,311)	454,659
<b>Noncapital financing activities</b>						
Transfers in	3,848,497	-	-	6,519,148	10,367,645	803,071
Intergovernmental contributions	4,133,029	1,999,244	163,782	2,634,709	8,930,764	131,007
Transfers out	-	-	-	-	-	(1,142,308)
Net cash provided by noncapital financing activities	7,981,526	1,999,244	163,782	9,153,857	19,298,409	(208,230)
<b>Capital and related financing activities</b>						
Proceeds from sale of capital assets	860	-	-	88,875	89,735	-
Contributed capital received	5,615,750	3,148,014	177,509	-	8,941,273	-
Acquisition and construction of capital assets	(6,512,712)	(4,456,943)	(2,264,957)	(1,387,494)	(14,622,106)	-
Proceeds from capital leases	-	-	-	1,004,000	1,004,000	-
Principal paid on debt maturities	-	-	(670,030)	(143,103)	(813,133)	-
Interest paid on debt maturities	-	-	(75,671)	(4,698)	(80,369)	-
Net cash provided by (used in) capital and related financing activities	(896,102)	(1,308,929)	(2,833,149)	(442,420)	(5,480,600)	-
<b>Investing Activities</b>						
Interest and dividends	1,507	85,178	88,482	4,305	179,472	-
Net increase (decrease) in cash and cash equivalents	351,670	506,853	1,077,393	(258,946)	1,676,970	246,429
<b>Cash and Cash Equivalents</b>						
Beginning	-	13,313,748	15,202,871	1,037,163	29,553,782	19,315,016
Ending	\$ 351,670	\$ 13,820,601	\$ 16,280,264	\$ 778,217	\$ 31,230,752	\$ 19,561,445

See Notes to Financial Statements



**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2017**

	Enterprise Funds					Internal Service Funds
	Transit Fund	Airport Fund	Storm Water Management Fund	Environmental Services Fund	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss)	\$ (9,075,448)	\$ (2,380,668)	\$ 2,382,931	\$ (8,820,233)	\$ (17,893,418)	\$ 2,031,270
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,360,162	3,985,881	800,393	942,391	7,088,827	-
Change in assets and liabilities:						
Accounts receivable	1,073,020	(3,295,397)	125,367	(1,044,098)	(3,141,108)	(89,634)
Inventories	(32,130)	91	-	69,681	37,642	-
Prepaid items	-	-	-	-	-	42,193
Accounts payable and accrued expenses	(220,738)	1,393,124	97,447	(200,115)	1,069,718	(1,539,422)
Customer deposits payable	-	(700)	201,700	-	201,000	-
Net OPEB obligation	89,074	25,487	33,949	58,662	207,172	6,165
Net pension liability	65,880	18,493	24,635	42,482	151,490	4,472
Compensated absences	4,919	(14,951)	(8,144)	(23,483)	(41,659)	(385)
Net cash provided by (used in) operating activities	<u>\$ (6,735,261)</u>	<u>\$ (268,640)</u>	<u>\$ 3,658,278</u>	<u>\$ (8,974,713)</u>	<u>\$ (12,320,336)</u>	<u>\$ 454,659</u>

See Notes to Financial Statements

City of Fayetteville, North Carolina

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2017

	Private-purpose Trusts	Agency Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,380,101	\$ 131,320
Total assets	<u>1,380,101</u>	<u>\$ 131,320</u>
<b>Liabilities</b>		
Intergovernmental payable	-	\$ 131,320
Total liabilities	<u>-</u>	<u>\$ 131,320</u>
<b>Net position</b>		
Held in trust for benefits and other purposes	<u>1,380,101</u>	
<b>Total net position</b>	<u>\$ 1,380,101</u>	

See Notes to Financial Statements

City of Fayetteville, North Carolina

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2017

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	<u>Private-purpose Trusts</u>
<b>Additions</b>	
Contributions	\$ 132,873
Investment earnings	36,966
<b>Total additions</b>	<u>169,839</u>
<b>Deductions</b>	
Benefit payments and premiums	172,186
<b>Total deductions</b>	<u>172,186</u>
<b>Change in net position</b>	<u>(2,347)</u>
<b>Total net position - beginning</b>	<u>1,382,448</u>
<b>Total net position - ending</b>	<u>\$ 1,380,101</u>

See Notes to Financial Statements

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Comprehensive Annual Financial Report

# 2017

City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017



City of  
*Fayetteville*  
North Carolina

# Notes to Financial Statements

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**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, wastewater and storm water utilities, transit, airport, and solid waste collection and recycling. The City receives substantial revenues from Federal and State sources. Ad valorem taxes on the City of Fayetteville's citizens represent a significant portion of the general government revenues.

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

**A - Reporting Entity**

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

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

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

***Fayetteville Public Works Commission***

The Fayetteville Public Works Commission was chartered by the North Carolina General Assembly in 1905. The charter has been amended by the General Assembly since then, most recently on June 30, 2016. 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.

***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 typically presented in the accompanying financial statements as a nonmajor special revenue fund, however, the fund had no assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance and had no activity in the current year. Therefore, no statements are presented in the current year.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

***City of Fayetteville Linear Park, Inc.***

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

**B - Basis of Presentation**

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

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

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

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented, even though the fiduciary funds are 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.

**PWC Assessment Fund:** The PWC Assessment Fund accounts for the fees assessed by the City for PWC since PWC does not have the power to assess the citizens.

The City reports the following nonmajor governmental funds:



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**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 Recreational and Cultural Bond fund accounts for resources used for the acquisition and construction of facilities, such as parks, recreation centers and museums that are funded nearly wholly with bond proceeds.

The City reports the following major enterprise funds:

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

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

**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 Environmental Services Fund:** This fund accounts for residential solid waste collection and recycling services operations and capital asset acquisition

The City reports the following other fund types:

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Private-Purpose Trust Funds:** These funds are used to account for resources legally held in trust for use by others. The Police Benefit and Firefighter'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 or assets the City holds on behalf of others. The City maintains the Red Light Camera agency fund with accounts for collections of "red light camera" fines in excess of City expenses for the program by agreement with Cumberland County School Board on a monthly basis.

**C - Measurement Focus and Basis of Accounting**

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

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

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

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 enterprise funds are charges to customers for sales and services. Operating expenses for the City's enterprisey 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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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 outflows 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. All taxes including those dedicated for specific purposes are reported as general revenues.

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

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

***Deposits and Investments***

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

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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 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 Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued 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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

***Cash and Cash Equivalents***

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

***Ad Valorem Taxes Receivable***

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

***Receivables***

The receivables in the general fund consist primarily of sales taxes and utility taxes due from the State, which total \$10,336,683 and \$2,928,052, respectively. In addition, motor vehicle ad valorem taxes totaling \$691,919 were also due from the State.

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

***Allowance for Uncollectible Receivables***

The City recorded an allowance for uncollected receivables of \$1,467,555 in the federal and state financial assistance fund related to loans associated with grants or other financial assistance that have been awarded.

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**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, 2017:

General Fund	
Taxes receivable	\$ 971,025
Accounts receivable	440,180
Assessments receivable	546,775
Special Revenue Funds	
Notes receivable	1,467,555
Assessments receivable	375,155
Enterprise Funds	
Transit Fund - Accounts receivable	85,278
Airport Fund - Accounts receivable	12,596
Storm Water Management Fund - Accounts receivable	8,446
Solid Waste Recycling Fund	87,053
Accounts receivable	<u>                    </u>
Total	<u><u>\$ 3,994,063</u></u>

***Interfund Receivables and Payables***

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

***Inventories***

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

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 1. Summary of Significant Accounting Policies (Continued)**

***Restricted Assets, Restricted Liabilities and Restricted Net Position***

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

The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-12 and F-13. 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.

Governmental Activities	Externally Restricted
Restricted Cash and Investments	
General Fund	
For downtown	\$ 108,622
For county recreation	4,408,310
For capital assets - unexpended capital lease proceeds	648,993
For Lake Valley Drive MSD	5,941
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	709,116
General Government Fund	
Unexpended grant proceeds	27,046
Public Safety Fund	
Unexpended grant proceeds	367
Transportation Fund	
For downtown	103,048
For Powell Bill	452,558
Recreational and Cultural Fund	
Unexpended grant proceeds	1,232,119
Recreational and Cultural Bond Fund	40,000
Total governmental activities - restricted cash and investments	\$ 7,736,120
Restricted receivables	
General Fund	
For county recreation	\$ 116,997
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	331
Recreational and Cultural Safety Fund	
Unexpended grant proceeds	702
Total governmental activities - restricted accounts receivable	\$ 118,030
Restricted unearned deposits (General Fund)	\$ 498,420
Restricted accounts payable (Transportation Fund)	\$ 102,628

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 1. Summary of Significant Accounting Policies (Continued)**

Business-Type Activities	Externally Restricted
Restricted cash and investments	
Storm Water fund	
Unexpended bond proceeds	\$ 108
Unearned bond deposits	1,414,639
Airport Fund	
Rental deposits	800
Unexpended grant proceeds	2,078,716
Environmental Services Fund	
Unexpended debt proceeds	344,492
Total business type activities - restricted cash and investments	\$ 3,838,755
Restricted accounts receivable - unexpended grant proceeds (Airport Fund)	\$ 156,123
Restricted unearned deposit	
Airport Fund	\$ 800
Storm Water Fund	1,413,593
Total business type activities - restricted unearned deposits	\$ 1,414,393
Restricted accounts payable - unearned grant proceeds (Airport Fund)	\$ 707

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
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 received prior to June 30, 2015 are recorded at estimated fair value at the date of acquisition. Contributed utility assets received after June 30, 2015 are recorded at acquisition value. 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, 2017

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**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 and balance sheet 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 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.

***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 governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, are recognized 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.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

***Fund Balances***

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Restricted for Lake Valley Drive MSD – portion of fund balance available to pay for drainage improvements in the Lake Valley Drive Municipal Service 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 public safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures and external grantors.

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

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

Restricted for administration – portion of fund balance that is restricted for the City Hall improvement plan.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

Committed for Law Enforcement Officer’s Separation Allowance – portion of fund balance that will be used for Law Enforcement Officer’s Separation Allowance obligations.

Committed for Administration – portion of fund balance committed by City Council for the construction of specific assets held in the capital project funds.

Committed for Transportation - portion of fund balance committed by City Council for the construction of specific assets for transportation held in the capital project funds.

Committed for Economic and Physical Development - portion of fund balance committed by City Council for the construction of specific assets for economic development held in the capital project funds.

Committed for Recreational and community facilities - portion of fund balance committed by City Council for the construction of specific assets for recreational facilities held in the capital project funds.

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 2017 - 2018 budget ordinance that is not already classified as restricted or committed.

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

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

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

***Fund Balance Policy***

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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

***Pensions***

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

**F - Use of Estimates**

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

**G - Upcoming Pronouncements**

*GASB Statement No. 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. 81, "Irrevocable Split-Interest Agreements."* The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2016.

*GASB Statement No. 83, "Certain Asset Retirement Obligations."* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

*GASB Statement No. 84, "Fiduciary Activities."* This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB Statement No. 85, "Omnibus 2017."* This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

*GASB Statement No. 86, "Certain Debt Extinguishment Issues."* The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB issued Statement No. 87, "Leases." The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

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

**H - Pronouncements Implemented**

*GASB Statement No. 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 have provisions that are effective for fiscal years beginning after June 15, 2015 and June 30, 2016.

*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.

*GASB Statement No 77, "Tax Abatement Disclosures."* This statements requires governments to disclose certain tax abatements. Disclosure would include 1. The names of the governments that entered into the agreements; 2. the specific taxes being abated; and 3. the gross dollar amount of taxes abated during the period. The provisions in Statement 77 are effective for fiscal years beginning after December 14, 2015.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. Summary of Significant Accounting Policies (Continued)**

*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.

*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.

*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 the employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**Note 2. Cash, Cash Equivalents and Investments**

**A - Deposits**

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

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

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**Note 2. Cash, Cash Equivalents and Investments (Continued)**

At June 30, 2017, the City's demand deposits had a carrying amount of \$3,242,640 and a bank balance of \$5,548,959. Of the bank balance, Federal Deposit Insurance covered \$250,000 and the remainder was covered by collateral under the Pooling Method.

At June 30, 2017, the City had certificates of deposit totaling \$5,000,000. The entire amount was covered by collateral under the Pooling Method.

The Firefighter's Fund had deposits totaling \$1,380,101

The City had \$11,328 in the petty cash and change funds.

**B - Investments**

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

At June 30, 2017, the City investment balances were as follows:

Investments Type	Valuation Measurement Method	Book Value	Less than 6 Months	6 Mos - 1 Yr	1-3 Years	Rating
U.S. Government Agencies: Federal Home Loan Mortgage Corporation	Fair Value - Level 2	\$ 6,972,670	-	-	\$ 6,972,670	AA+
U.S. Government Agencies: Federal Farm Credit Bank	Fair Value - Level 2	2,987,430	-	-	2,987,430	AA+
U.S. Government Agencies: Federal Home Loan Bank	Fair Value - Level 2	14,779,242	-	-	14,779,242	AA+
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	54,240,114	-	54,240,114	-	Unrated
NC Capital Management Trust - Government Portfolio	Amortized Cost	34,948,791	34,948,791	-	-	AAAm
		<u>\$ 113,928,247</u>	<u>\$ 34,948,791</u>	<u>\$ 54,240,114</u>	<u>\$ 24,739,342</u>	

All investments valued at fair value are measured using the market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Fair Value Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets or identical assets. Fair Value Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities 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. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and the NC Capital Management Trust Term Portfolio was unrated as of June 30, 2017. The City's investments in US Agencies (Federal Home Loan Bank,

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**Note 2. Cash, Cash Equivalents and Investments (Continued)**

Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2017.

**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 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 versus 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. This investment is 12.97% of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$	113,928,247
Cash (demand deposits)		3,242,640
Certificates of deposit		5,000,000
Firefighter's Relief Fund CDs		1,379,055
Petty cash		11,328
Total cash and investments	\$	123,561,270

Totals per Statement of Net Position

Cash and investments - unrestricted	\$	110,474,974
Cash and investments - restricted		11,574,875
Agency		131,320
Private-purpose trust cash and investments		1,380,101
Total cash and investments	\$	123,561,270

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

**Primary Government**

	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Governmental activities:					
Capital assets not being depreciated					
Land and land rights	\$ 39,547,856	\$ 2,802,196	\$ -	\$ 7,056	\$ 42,357,108
Construction in progress	12,443,140	7,768,658	(20,956)	(11,204,771)	8,986,071
Total capital assets not being depreciated	<u>51,990,996</u>	<u>10,570,854</u>	<u>(20,956)</u>	<u>(11,197,715)</u>	<u>51,343,179</u>
Capital assets being depreciated:					
Infrastructure	469,197,993	1,260,351	-	2,821,830	473,280,174
Buildings and improvements	105,739,750	769,371	(381,607)	7,965,700	114,093,214
Equipment, furniture and fixtures	30,365,493	645,121	(547,376)	409,085	30,872,328
Computer software	6,163,616	154,583	-	-	6,318,199
Vehicles	37,239,835	2,506,252	(2,430,396)	1,100	37,316,791
Total capital assets being depreciated	<u>648,706,687</u>	<u>5,335,678</u>	<u>(3,359,379)</u>	<u>11,197,715</u>	<u>661,880,706</u>
Less accumulated depreciation for:					
Infrastructure	(239,692,489)	(12,948,064)	-	-	(252,640,553)
Buildings and improvements	(46,422,610)	(4,303,856)	352,162	26,510	(50,347,794)
Equipment, furniture and fixtures	(24,247,302)	(1,762,647)	545,328	170,651	(25,293,970)
Computer software	(4,967,294)	(390,192)	-	(139,505)	(5,496,991)
Vehicles	(25,666,790)	(2,637,485)	2,195,717	(74,391)	(26,182,949)
Total accumulated depreciation	<u>(340,996,485)</u>	<u>\$ (22,042,244)</u>	<u>\$ 3,093,205</u>	<u>\$ (16,735)</u>	<u>(359,962,257)</u>
Total capital assets being depreciated, net	<u>307,710,202</u>				<u>301,918,449</u>
General governmental activity capital assets, net	<u>\$ 359,701,198</u>				<u>\$ 353,261,628</u>

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

Administration	\$ 702,632
Public safety	4,166,072
Environmental protection	206,432
Transportation	13,426,037
Economic and physical development	1,002,569
Recreation and community facilities	2,538,502
Total depreciation expense	<u>\$ 22,042,244</u>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 3. Capital Assets (Continued)**

	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance</b>
	<b>June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2017</b>
Business-type activities:					
Capital assets not being depreciated					
Land and land rights	\$ 5,510,904	\$ 51,074	\$ -	\$ -	\$ 5,561,978
Construction in progress	17,514,685	11,242,151	-	(28,372)	28,728,464
Total capital assets not being depreciated	23,025,589	11,293,225	-	(28,372)	34,290,442
Capital assets being depreciated:					
Buildings and improvements	90,223,843	6,355	-	4	90,230,202
Equipment, furniture and fixtures	8,512,441	764,367	-	15,498	9,292,306
Computer software	374,807	-	-	(15,507)	359,300
Vehicles	25,980,051	2,457,702	(876,601)	(16,727)	27,544,425
Infrastructure	39,107,426	100,457	-	28,369	39,236,252
Total capital assets being depreciated	164,198,568	3,328,881	(876,601)	11,637	166,662,485
Less accumulated depreciation for:					
Buildings and improvements	(46,739,966)	(3,873,571)	-	-	(50,613,537)
Equipment, furniture and fixtures	(6,249,031)	(608,984)	-	-	(6,858,015)
Computer software	(315,817)	(35,211)	-	-	(351,028)
Vehicles	(13,327,317)	(1,992,245)	780,185	16,735	(14,522,642)
Infrastructure	(17,424,967)	(578,815)	-	-	(18,003,782)
Total accumulated depreciation	(84,057,098)	\$ (7,088,826)	\$ 780,185	\$ 16,735	(90,349,004)
Total capital assets being depreciated, net	80,141,470				76,313,481
Business-type activity capital assets, net	\$ 103,167,059				\$ 110,603,923

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

Storm water management	\$ 800,393
Transportation	1,360,162
Airport	3,985,881
Environmental services	942,390
Total depreciation expense	\$ 7,088,826

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 3. Capital Assets (Continued)**

***PWC (discretely presented component unit)***

	Balance June 30, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
PWC:					
Capital assets not being depreciated:					
Land and land rights	\$ 16,761,084	\$ 114,178	\$ -	\$ 318,281	\$ 17,193,543
Construction in progress	76,763,522	71,751,876	(2,980,040)	(91,479,126)	54,056,232
Total Capital assets not being depreciated	<u>93,524,606</u>	<u>71,866,054</u>	<u>(2,980,040)</u>	<u>(91,160,845)</u>	<u>71,249,775</u>
Capital assets being depreciated:					
Electric utility system	438,152,326	291,012	(4,479,717)	21,278,384	455,242,005
Water system	347,786,389	245,197	(3,909,158)	23,811,240	367,933,668
Sewer system	481,119,846	121,508	-	44,926,341	526,167,695
Buildings	55,352,064	269,736	(12)	48,515	55,670,303
Equipment and machinery	30,717,413	1,096,078	(437,283)	336,418	31,712,626
Intangibles	25,584,049	981,975	(32,087)	337,674	26,871,611
Computer equipment	22,620,280	923,365	(60,741)	422,273	23,905,177
Vehicles	16,439,444	1,448,712	(394,912)	-	17,493,244
Office equipment	1,795,174	47,142	(41,332)	-	1,800,984
Total Capital assets being depreciated	<u>1,419,566,985</u>	<u>5,424,725</u>	<u>(9,355,242)</u>	<u>91,160,845</u>	<u>1,506,797,313</u>
Less accumulated depreciation for:					
Electric utility system	(249,058,385)	(11,906,434)	2,689,359	-	(258,275,460)
Water system	(128,546,645)	(9,511,009)	1,132,012	-	(136,925,642)
Sewer system	(185,282,318)	(10,500,881)	-	-	(195,783,199)
Buildings	(26,295,725)	(1,414,019)	-	-	(27,709,744)
Equipment and machinery	(20,066,038)	(1,211,867)	422,995	294	(20,854,616)
Intangibles	(15,641,688)	(1,674,937)	32,087	-	(17,284,538)
Computer equipment	(14,967,857)	(1,512,158)	60,741	-	(16,419,274)
Vehicles	(8,935,248)	(1,305,260)	362,420	-	(9,878,088)
Office equipment	(1,556,985)	(37,205)	41,311	-	(1,552,879)
Total accumulated depreciation:	<u>(650,350,889)</u>	<u>\$ (39,073,770)</u>	<u>\$ 4,740,925</u>	<u>\$ 294</u>	<u>(684,683,440)</u>
Total capital assets being depreciated, net	<u>769,216,096</u>				<u>822,113,873</u>
PWC Capital assets, net	<u>\$ 862,740,702</u>				<u>\$ 893,363,648</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, 2017

**Note 4. Accounts Payable**

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2017:

	General	PWC Assessment	Nonmajor Governmental	Internal Service	Subtotal	Transportation	Airport	Storm Water Management	Environmental Services
Accounts payable	\$ 5,388,244	\$ 208,846	\$ 1,526,138	\$ 997,031	\$ 8,120,259	\$ 614,588	\$ 84,742	\$ 521,937	\$ 665,146
Incurrd but not reported	-	-	-	1,440,578	1,440,578	-	-	-	-
Contracts payable	101,098	-	22,799	-	123,897	612,188	1,242,164	280,889	-
Interest payable	-	-	-	-	-	-	-	95,095	356
Retainage payable	13,272	-	130,907	-	144,179	594,856	192,215	44,586	-
Salaries and benefits payable	1,380,468	-	-	-	1,380,468	79,583	20,501	26,264	51,320
<b>Total</b>	<b>\$ 6,883,082</b>	<b>\$ 208,846</b>	<b>\$ 1,679,844</b>	<b>\$ 2,437,609</b>	<b>11,209,381</b>	<b>\$ 1,901,215</b>	<b>\$ 1,539,622</b>	<b>\$ 968,771</b>	<b>\$ 716,822</b>
Adjustment for interest payable					139,287				
					<u>\$ 11,348,668</u>				
Reconciliation to accounts payable on the financial statements:									
Unrestricted	\$ 6,883,082	\$ 208,846	\$ 1,577,216	\$ 2,437,609	\$ 11,106,753	\$ 1,901,215	\$ 1,538,915	\$ 968,771	\$ 716,822
Restricted	-	-	102,628	-	102,628	-	707	-	-
	<u>\$ 6,883,082</u>	<u>\$ 208,846</u>	<u>\$ 1,679,844</u>	<u>\$ 2,437,609</u>	<u>11,209,381</u>	<u>\$ 1,901,215</u>	<u>\$ 1,539,622</u>	<u>\$ 968,771</u>	<u>\$ 716,822</u>
Adjustment for interest payable					139,287				
					<u>\$ 11,348,668</u>				

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**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, 2017 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 3.8% and 4.25%.	\$ 3,350,000
\$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>147,133</u>
	3,497,133
Add: Unamortized Premium	<u>20,013</u>
Total governmental general obligation bonds	<u>\$ 3,517,146</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, 2017 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>\$ 7,280,000</u>
Total revenue bonds	<u>\$ 7,280,000</u>

Interest expense related to the revenue and general obligation bonds totaled \$404,673 for the year ended June 30, 2017 and of that amount, \$56,077 was capitalized during the year.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**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, 2017
Series 2011 Stormwater System	3.135%	8/11/2011	8/1/2026	\$ 10,595,000	\$ 7,280,000

Revenue bond debt service requirements to maturity are as follows:

**Storm water revenue bonds**

Year Ended	Principal	Interest	Totals
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	755,000	134,413	889,413
2023-2027	3,720,000	297,355	4,017,355
	<u>\$ 7,280,000</u>	<u>\$ 1,194,670</u>	<u>\$ 8,474,670</u>

As of June 30, 2017, 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 Trustee – NCCMT	\$ 16,280,156 <u>108</u>
Total	<u>\$ 16,280,264</u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$8,474,670 as of June 30, 2017. 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, 2017) 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, 2017

**Note 5. Long-Term Obligations (Continued)**

Income Available for Debt Service		
Stormwater fee revenues	\$ 6,833,895	
Other operating revenues	32,264	
Nonoperating revenue (expense)	340,270	
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest	-	
Unrealized gain/loss on investments	(15,061)	
	(15,061)	
Total revenues		7,191,368
Operating expenses	4,483,228	
Less adjustments for:		
Depreciation	(800,393)	
Change in OPEB accrual	(33,950)	
Total current expenses		3,648,885
<b>Income Available for Debt Service</b>		<b>3,542,483</b>
Unrestricted Cash, 6/30/14 (prior year)	12,434,588	
15% of unrestricted cash		1,865,188
Total resources available for debt service		\$ 5,407,671
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds – Principal	\$ 645,000	
Series 2011 Revenue Bonds – Interest	243,433	
	243,433	\$ 888,433
<b>Total Available Resources Debt Service Coverage – Parity Indebtedness</b>		<b>6.09</b>
<b>Revenue Bond Covenant Requirement</b>		<b>1.20</b>
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	645,000	
Series 2011 Revenue Bonds – Interest	243,433	
	243,433	\$ 913,463
<b>Income Available for Debt Service Debt Service Coverage – All Indebtedness</b>		<b>3.88</b>
<b>Revenue Bond Covenant Requirement</b>		<b>1.00</b>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**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 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 1.54% and 2.05% to 2.05% paid semi-annually.	\$ <u>225,000</u>
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**Business-type activities**

\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	150,964
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\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	<u>174,425</u>
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Total business-type notes payable	<u>325,389</u>
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Total notes payable	<u>\$ 550,388</u>
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Interest expense related to the notes payable obligations totaled \$4,477 for the year ended June 30, 2017.



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 5. Long-Term Obligations (Continued)**

**D - Installments Agreements (City)**

The City has entered into installments 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**

Recreation Center and Fire Station 15 installment obligations payable in various semi-annual installments of approximately \$184,381 in 2018 including fixed interest rate of 4.19%.	\$ 1,871,922
2015 Vehicles installment obligations payable in various monthly installments of approximately \$90,916 in 2018 including fixed interest of 1.2123%.	2,181,981
Radio equipment installment obligations payable in annual installments of approximately \$829,887 in 2018 including interest of 1.772%.	1,659,773
Downtown Parking Deck installment obligations payable in various semi-annual installments of approximately \$281,782 in 2018 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%.	4,142,822
Festival Park Plaza installment obligations payable in various semi-annual installments of approximately \$231,817 in 2018 including variable rate interest estimated at 1.85%.	4,395,324
2016 Vehicles installment obligations payable in various semi-annual installments of approximately \$241,875 in 2018 including interest of 1.322%.	1,451,247
Fire Station 19 installment obligations payable in various semi-annual installments of approximately \$99,891 in 2018 including variable rate interest estimated at 1.41%.	1,714,287
City Hall Renovations installment obligations payable in various semi-annual installments of approximately \$150,576 in 2018 including fixed rate interest of 3.05%.	2,485,612
2017 Vehicles installment obligations payable in various semi-annual Installments of approximately \$609,990 in 2018 including fixed rate interest of 1.57%.	2,439,962
	22,343,729
Less: amount representing interest	(2,252,049)
Present value of the minimum lease payments	\$ 20,091,680

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**Note 5. Long-Term Obligations (Continued)**

**Business-Type Activities**

2015 Vehicles installment obligations payable in monthly installments of approximately \$12,298 in 2018 including interest of 1.2123%	\$ 295,155
2017 Vehicles installment obligations payable in semi-annual installments of approximately \$21,662 in 2018 including interest of 1.57%	1,039,790
	1,334,945
Less: amount representing interest	(39,485)
Present value of the minimum lease payments	1,295,460
Total capital lease obligations	\$ 21,389,781

**Business-type activities**

The following is an analysis of leased property under capital leases as of June 30, 2017:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 4,150,195	\$ 1,512,324	\$ 2,637,872
Vehicles	8,905,135	2,847,174	6,057,961
Buildings and improvement	20,171,342	3,677,834	16,493,508
Total	\$ 33,226,672	\$ 8,037,332	\$ 25,189,341

Interest expense related to the capital lease obligations totaled \$389,098 for the year ended June 30, 2017.

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 5. Long-Term Obligations (Continued)**

**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, 2017.

	Balance June 30, 2016 as restated	Increases	Decreases	Balance June 30, 2017	Current Portion
Governmental activities					
General obligation debt	\$ 4,336,988	\$ -	\$ 839,855	\$ 3,497,133	\$ 529,474
Notes payable	300,000	-	75,000	225,000	75,000
Installment agreements	19,419,617	4,240,977	3,568,914	20,091,680	4,279,734
PWC assessment	-	4,852,039	-	4,852,039	-
Compensated absences	7,257,218	7,099,655	6,611,551	7,745,322	5,266,342
Net pension liability (LGERS)	5,411,668	20,080,591	-	25,492,259	-
Net pension liability (LEOSSA)	13,773,620	192,609	-	13,966,229	-
Net OPEB Obligation	21,817,278	1,479,707	-	23,296,985	-
	<u>72,316,389</u>	<u>\$ 37,945,578</u>	<u>\$ 11,095,320</u>	<u>99,166,647</u>	<u>10,150,550</u>
Add: Unamortized premium	59,279			20,013	-
Total governmental activities	<u>\$ 72,375,668</u>			<u>\$ 99,186,660</u>	<u>\$ 10,150,550</u>

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Business-type activities					
Revenue bonds	\$ 7,925,000	\$ -	\$ 645,000	\$ 7,280,000	\$ 665,000
Notes payable	350,419	-	25,030	325,389	25,030
Installment agreements	434,563	1,004,000	143,103	1,295,460	389,990
Compensated absences	734,067	854,947	896,606	692,408	692,408
Net pension liability (LGERS)	751,191	2,728,153	-	3,479,344	-
Net OPEB Obligation	2,053,052	207,172	-	2,260,224	-
	<u>\$ 12,248,292</u>	<u>\$ 4,794,272</u>	<u>\$ 1,709,739</u>	<u>\$ 15,332,825</u>	<u>\$ 1,772,428</u>

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**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		Note Payable		Construction and Improvement Installment Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 529,474	\$ 143,798	\$ 75,000	\$ 3,443	\$ 1,365,896	\$ 380,327
2019	439,473	123,044	75,000	2,201	1,378,383	340,817
2020	439,093	105,465	75,000	769	1,391,267	295,039
2021	439,093	87,901	-	-	1,404,560	248,617
2022	425,000	69,913	-	-	1,418,275	202,144
2023-2037	1,225,000	102,000	-	-	5,587,716	594,286
	<u>3,497,133</u>	<u>632,121</u>	<u>225,000</u>	<u>6,413</u>	<u>12,546,097</u>	<u>2,061,230</u>
Add: Unamortized premium	20,013	-	-	-	-	-
	<u>\$ 3,517,146</u>	<u>\$ 632,121</u>	<u>\$ 225,000</u>	<u>\$ 6,413</u>	<u>\$ 12,546,097</u>	<u>\$ 2,061,230</u>

Year Ended	Vehicle and Equipment Installment Obligations		Total Debt Due	
	Principal	Interest	Principal	Interest
2018	\$ 2,913,838	\$ 100,778	\$ 4,884,208	\$ 628,345
2019	2,956,342	58,275	4,849,199	524,337
2020	1,072,521	21,218	2,977,881	422,491
2021	602,882	7,108	2,446,535	343,626
2022	-	-	1,843,275	272,057
2023-2037	-	-	6,815,357	696,286
	<u>7,545,583</u>	<u>187,379</u>	<u>23,816,455</u>	<u>2,887,142</u>
Add: Unamortized premium	-	-	20,013	-
	<u>\$ 7,545,583</u>	<u>\$ 187,379</u>	<u>\$ 23,836,468</u>	<u>\$ 2,887,142</u>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**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	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 665,000	\$ 223,055	\$ 25,030	\$ -	\$ 389,990	\$ 17,535
2019	690,000	202,051	25,030	-	395,620	11,905
2020	715,000	180,184	25,030	-	252,932	7,016
2021	735,000	157,612	25,030	-	256,918	3,029
2022	755,000	134,413	25,030	-	-	-
2023-2037	3,720,000	297,355	200,239	-	-	-
	<u>\$ 7,280,000</u>	<u>\$ 1,194,670</u>	<u>\$ 325,389</u>	<u>\$ -</u>	<u>\$ 1,295,460</u>	<u>\$ 39,485</u>

Year Ended	Total Debt Due	
	Principal	Interest
2018	\$ 1,080,020	\$ 240,590
2019	1,110,650	213,956
2020	992,962	187,200
2021	1,016,948	160,641
2022	780,030	134,413
2023-2037	3,920,239	297,355
	<u>\$ 8,900,849</u>	<u>\$ 1,234,155</u>

**G - Legal Debt Margin (City)**

The legal debt margin of the City at June 30, 2017 approximated \$1,091,100,000.

**H - Authorized but Un-issued Debt (City)**

At June 30, 2017, the City had \$35,000,000 Parks and Recreation bonds authorized but un-issued.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 5. Long-Term Obligations (Continued)**

**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, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Business-type activities					
General obligation debt	\$ 1,068,013	\$ -	\$ 375,146	\$ 692,867	\$ 175,526
Revenue bonds	280,340,000	-	17,220,000	263,120,000	17,765,000
Notes payable	25,241,350	1,115,543	1,320,882	25,036,011	1,389,023
Compensated absences	3,634,125	5,925,242	5,801,124	3,758,243	2,167,005
Net pension liability (LRS)	2,229,045	9,755,366	-	11,984,411	-
Net OPEB Obligation	8,552,147	760,283	170,147	9,142,283	-
	<u>321,064,680</u>	<u>\$ 17,556,434</u>	<u>\$ 24,887,299</u>	313,733,815	21,496,554
Add: Unamortized premium	25,706,846			23,660,136	-
Less: Unamortized discount	(3,061)			(1,913)	-
Total business-type activities	<u>\$ 346,768,465</u>			<u>\$ 337,392,038</u>	<u>\$ 21,496,554</u>

PWC has pledged future utility revenues, net of specified operating expenses to repay \$357,110,000 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 \$370,050,976. Principal and interest paid for the current year and total customer revenues were \$27,270,462 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, 2017.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**Note 5. Long-Term Obligations (Continued)**

**J – Net Investment in Capital Assets**

	City		PWC
	Government Activities	Business-Type Activities	
Capital Assets, Net	\$ 353,261,628	\$ 110,603,923	\$ 893,363,648
Less: Long term debt related to capital assets	(23,813,813)	(8,900,849)	(288,848,878)
Less: Unamortized bond premium	(20,013)	-	(23,660,136)
Less: Deferred loss related to unspent bond proceeds	-	-	(475,647)
Less: Retainage related to capital assets	-	-	(591,306)
Add: Unamortized bond discount	-	-	1,913
Add: Unspent bond/lease proceeds	-	108	54,061,977
Add: Unamortized bond refunding charges	7,156	-	5,305,722
Total Net Investment in Capital Assets	<u>\$ 329,434,958</u>	<u>\$ 101,703,182</u>	<u>\$ 639,157,293</u>

**Note 6. Unearned Revenue**

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

Amounts arising from cash:	
Unearned revenue (General)	\$ 6,410
Unearned grant receipts (Capital Projects)	723,207
Unearned assessments	132,725
Prepaid retiree insurance premiums (Internal Service)	8,125
Unearned revenue (Enterprise)	15,296
Total	<u>\$ 885,763</u>

In addition, the City had \$498,420 and \$1,414,393 of restricted unearned revenue in the general fund and enterprise

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**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 pension deferrals including the contribution to the pension plan during the year ended June 30, 2017.

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 \$7,156 (net of amortization) from the 2002 and 2009 General Obligation Refunding Bonds and the 2005 Revenue Refunding Bonds are also reported as unamortized bond refunding charges in the statement of net position.

City pension plan contributions subsequent to the measurement date and changes in proportion and differences between City contributions and the proportional share of contributions were also reported as deferred outflows of resources on the statement of net position at June 30, 2017. The amounts reported totaled \$21,928,178 and \$3,003,968 for governmental activities and business-type activities, respectively, for LGERS.

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

	Unavailable Revenue
Taxes receivable, net (General)	\$ 1,664,468
Accounts and notes receivable (General)	229,870
Special assessments receivable, net (General)	1,147,520
	\$ 3,041,858

Deferred outflows and inflows of resources in the government-wide financial statements are:

	Outflows	Inflows
Deferred charge on refunding	\$ 7,156	\$ -
Pension deferrals LGERS	24,932,146	1,722,697
Pension deferrals LEOSSA	378,024	269,229
	\$ 25,317,326	\$ 1,991,926



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**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, 2017), general liability (up to \$350,000 per occurrence), workers' compensation (\$750,000 per occurrence), public officials liability (up to \$500,000 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, 2017, a liability for incurred but not reported claims of \$2,007,032 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City is presented below.

	2017	2016
Liability, beginning	\$ 3,897,947	\$ 3,501,066
Current year claims and changes in estimate	14,408,199	15,701,172
Actual claim payments	(16,299,114)	(15,304,291)
Liability, ending	\$ 2,007,032	\$ 3,897,947

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.

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**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 \$213.2 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, environmental protection, Linear Park, electric, water and wastewater, storm water, transit and airport projects. At June 30, 2017, cumulative expenditures to date totaled approximately \$133.7 million leaving an unexpended balance of \$79.5 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**

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

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**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'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, 2017, was 8.00% of compensation for law enforcement officers and 7.32% for general employees and firefighters. Contribution rates are 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. Contributions to the pension plan from the City and PWC were \$6,365,576 and \$4,791,848, respectively, for the year ended June 30, 2017.

*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  
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**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, 2017, the City reported a liability of \$28,971,603 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City'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, 2016, the City's proportion was 1.36508%, which was a decrease of 0.00812% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$7,632,084. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 544,326	\$ 1,015,196
Changes of assumptions	1,984,294	-
Net difference between projected and actual earnings on pension plan investments	16,017,630	-
Changes in proportion and differences between City contributions and proportionate share of contributions	20,320	707,501
County contributions subsequent to the measurement date	6,365,576	-
Total	\$ 24,932,146	\$ 1,722,697

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Employee Retirement Systems (Continued)**

The City reported \$6,365,576 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 outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 2,466,783
2019	2,468,886
2020	7,413,593
2021	4,494,650
2022	-
Thereafter	-
	\$ 16,843,912

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Salary increases	0.0 to 7.75%, including inflation and productivity factor
Investment rate of return	7.25%, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. 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**  
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**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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
Total	<u>100.00%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.00%. 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**  
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**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%, 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%) or one percentage point higher (8.25%) 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)	\$ 68,763,052	\$ 28,971,603	\$ (4,265,233)

*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 under the age of 62 who have completed at least 30 years of creditable service, or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% 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, 2016, the Separation Allowance's membership consisted of:

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Employee Retirement Systems (Continued)**

**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.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

**Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	3.50 to 7.35%, including inflation and productivity factor
Discount Rate	3.86%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

**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. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid 631,137 as benefits came due for the reporting period.



City of Fayetteville, North Carolina  
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**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, 2017, the City reported a total pension liability of \$13,966,229. The total pension liability was measured as of December 31, 2016, based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$759,744.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	269,229
City benefit payments and plan administration expense made subsequent to the measurement date	376,210	-
<b>Total</b>	<b>\$ 376,210</b>	<b>\$ 269,229</b>

\$376,210 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 51,380
2019	51,380
2020	51,380
2021	51,380
2022	51,380
Thereafter	12,329
	<b>\$ 269,229</b>

\$376,210 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Employee Retirement Systems (Continued)**

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 3.86%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current rate:

	1% Decrease 2.86%	Current Discount Rate 3.86%	1% Increase 4.86%
Total pension liability	\$ 15,107,048	\$ 13,966,229	\$ 12,922,481

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Beginning balance	\$ 13,773,620
Service cost	663,903
Interest on the total pension liability	480,452
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumption or other inputs	(320,609)
Benefit payments	(631,137)
Other changes	-
Ending balance of the total pension liability December 31, 2016	<u>\$ 13,966,229</u>

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Employee Retirement Systems (Continued)**

**C - Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the Plan.

The City contributed \$1,228,624 for the year ended June 30, 2017.

**D - NC 401(k) Plan**

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 \$518,597 for the year ended June 30, 2017.

**E - Firefighters' and Rescue Squad Workers' Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the City, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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 Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. 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](http://www.osc.nc.gov).

City of Fayetteville, North Carolina  
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**Note 10. Employee Retirement Systems (Continued)**

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefits will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. The City's proportionate share of the State's contribution is \$117,174.

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2017, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$44,796. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the City recognized pension expense of \$34,377 and revenue of \$34,377 for support provided by the State. At June 30, 2017, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	Not applicable
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Employee Retirement Systems (Continued)**

*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.

*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.

**Note 11. Other Postemployment Benefits (OPEB)**

**A - Primary Government**

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

Membership in the healthcare and life insurance benefit plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	606
Active plan members	
Law Enforcement Officers	407
Firefighters	330
General Employees	<u>767</u>
Total	<u><u>2,110</u></u>

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

City of Fayetteville, North Carolina  
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**Note 11. Other Postemployment Benefits (OPEB) (Continued)**

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 \$1,384,002 or 1.80% of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$12,404,206 for all employees and retirees for the policy ending June 30, 2017. Retiree members contributed \$362,753 or 0.47% 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.

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

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2017, 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)	\$ 3,028,210
Interest on net OPEB obligation	954,813
Adjustment to annual required contribution	(912,143)
	3,070,880
Contributions made	(1,384,002)
Increase (decrease) in net OPEB obligation	1,686,878
Net OPEB obligation, beginning of year	23,870,331
Net OPEB obligation, end of year	\$ 25,557,209

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 through 2017 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$3,633,457	33.63%	\$ 21,201,805
2016	3,745,763	31.80%	23,870,331
2017	3,070,880	45.10%	25,557,209

City of Fayetteville, North Carolina  
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 June 30, 2017

**Note 11. Other Postemployment Benefits (OPEB) (Continued)**

*Funded Status and Funding Progress.* As of June 30, 2017 the plan was not funded. The most recent actuarial valuation was December 31, 2015. 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.

**Note 12. Interfund Balances and Activity**

***Transfers to/from Other Funds***

Transfers to/from other funds at June 30, 2017, consist of the following:

Transfer out:	Transfer in					Total
	General	NonMajor Governmental	Transit	Environmental Services	Internal Service	
General	\$ -	\$ 10,090,935	\$ 3,848,497	\$ 6,519,148	\$ 803,071	\$ 21,261,650
Non Major Governmental	42,080	-	-	-	-	42,080
Internal Service	1,025,000	117,308	-	-	-	1,142,309
	<u>\$ 1,067,080</u>	<u>\$ 10,208,243</u>	<u>\$ 3,848,497</u>	<u>\$ 6,519,148</u>	<u>\$ 803,071</u>	<u>\$ 22,446,039</u>

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

Transfers totaling \$10,090,935 were made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$5,733,173 for transportation projects including street resurfacing and improvements, street lighting and sidewalk improvements, and transportation and railroad crossing

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**Note 12. Interfund Balances and Activity (Continued)**

improvement project commitments under municipal agreements; \$1,223,790 for general government projects including major facility maintenance projects and computer replacements; \$56,100 for recreation and cultural projects consisting of splash pads and playground equipment improvements; \$39,851 for a public safety project; and \$2,460,600 for economic development. Additionally, transfers to special revenue funds included \$577,530 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.

**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	\$	64,307,533
Less:		
Nonspendable		
Inventories		57,332
Prepays		1,115,857
Restricted		
Stabilization by State Statute		23,362,174
Downtown		108,622
Lake Valley Drive MSD		5,941
Cumberland County Recreation District		4,408,310
Donations		13,265
Committed		
Law Enforcement Officer's Separation Allowance		4,672,755
Assigned		
Subsequent years expenditures		3,454,259
Specific purpose assignments		2,927,980
Capital funding plan		2,531,973
Working capital/fund balance policy		16,304,634
Remaining fund balance	<u>\$</u>	<u>5,344,431</u>

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
\$ 19,924,671	\$ 6,383,376	\$ 13,541,295



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 14. Changes in Accounting Principle Restatements**

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016) As a result, net position for the governmental activities decreased \$13,773,620.

As discussed in note 1, PWC's charter was amended on June 30, 2016 and PWC became a legally separate authority. PWC does not have the legal authority to levy assessments; therefore the existing assessment receivables and related interest receivables are reported under the City. Previously these receivables were reported in an enterprise fund however the receivables are now being reported in a special revenue fund since the revenue is committed to PWC. Due to the change in the reporting fund type, the accounting changed from reporting the receivables under the accrual basis of accounting to a modified accrual basis of accounting.

**Note 15. Related Party Transactions**

PWC operates as a discretely presented component unit of the City of Fayetteville, North Carolina. As such, the Commission provides fleet maintenance, electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,815,723 in 2017. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions with PWC amounted to \$9,703,478 in 2017, consisting primarily of payments in lieu of taxes from PWC to the City. Balances due to/from PWC at June 30, 2017, were as follows:

Receivables (due from PWC)	<u>\$</u> <u>356,635</u>
Payables (due to PWC)	\$ 122,019
Assessments (due to PWC)	5,151,228
Assessments interest (due to PWC)	<u>261,243</u>
Total due to PWC	<u>\$</u> <u>5,534,490</u>

**Note 16. Stewardship, Compliance, and Accountability**

**Noncompliance with North Carolina General Statutes**

As discussed in Note 14, PWC's charter was amended on June 30, 2016 and PWC became a legally separate authority. Prior to the charter change, the City approved PWC's budget and reported its accounts as enterprise fund of the City. The City levies water and sewer assessments for PWS, as PWC does not have the legal authority to levy assessments. PWC administratively handles these assessments throughout the year. Prior to the charter change, these assessments were reported for in a water and sewer enterprise fund. However, with the charter change, assessment revenue and intergovernmental expenditures are now being reported in a special revenue fund since the revenue is committed to PWC. Since the City no longer approves PWC's operating budget, the assessment budget was not approved by the City for the fiscal year ended June 30, 2017. This was a transitional oversight that will be addressed in the current year budget.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

- Law enforcement officers' special separation allowance – schedule of changes in total pension liability
- Law enforcement officers' special separation allowance – schedule of total pension liability as a percentage of covered payroll
- Other post-employment benefit retiree healthcare plan – schedule of funding progress
- Other Postemployment Benefits - schedule of employer contributions
- Local Government Employees' Retirement System - proportionate share of net pension liability (asset)
- Local Government Employees' Retirement System - City of Fayetteville's contributions

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Schedule of Changes in Total Pension Liability**

	<u><b>2017</b></u>
Beginning balance	\$ 13,773,620
Service cost	663,903
Interest on the total pension liability	480,452
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(320,609)
Benefit payments	(631,137)
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 13,966,229</u></u>

The amount presented for each fiscal year were determined as of the prior fiscal year ending December 31.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	<u>2017</u>
Total pension liability	\$ 13,966,229
Covered payroll	25,442,283
Total pension liability as a percentage of covered payroll	54.89%

Notes to the schedules:

The City of Fayetteville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Other Post-Employment Benefits-Retiree Healthcare Plan  
Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
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%

This schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Actual Amount Contributed</b>	<b>Percentage of Annual Required Contribution</b>
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**

**City's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Four Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	1.36508%	1.37320%	1.91929%	1.86080%
City's proportion of the net pension liability (asset) (\$)	\$ 28,971,603	\$ 6,162,839	\$ (11,318,942)	\$ 22,429,786
City's covered-employee payroll	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002	\$ 104,285,543
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.07%	8.26%	-10.54%	21.51%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Local Government Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,365,576	\$ 5,145,668	\$ 9,552,218	\$ 7,417,597
Contributions in relation to the contractually require contribution	6,365,576	5,145,668	9,552,218	7,417,597
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002	\$ 104,285,543
Contributions as a percentage of covered- employee payroll	7.49%	6.90%	8.89%	7.11%

\*The amounts presented for each fiscal year were determined as of the priolr year ending June 30. This schedule is intended to show information for ten years, additional years will be displayed as it becomes available.



# Supplementary Information

## Combining and Individual Fund Financial Statements and Schedules

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

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





# Governmental Funds

- General Fund
- PWC Assessment 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 on net income.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# General Fund

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

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

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

Comparative Balance Sheets  
General Fund

June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 48,103,223	\$ 50,371,188
Taxes receivable	1,723,223	1,854,147
Accounts receivable	1,305,706	3,128,136
Due from other governments	15,980,206	14,230,492
Assessments receivable	897,141	1,088,335
Interfund receivable	275,696	-
Inventory	57,332	49,027
Prepaid items	1,115,857	23,610
Restricted accounts receivable	116,997	301,943
Restricted cash and investments	5,171,866	6,535,280
<b>Total assets</b>	<b>\$ 74,747,247</b>	<b>\$ 77,582,158</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,883,082	\$ 12,049,135
Restricted unearned deposits	498,420	396,601
Unearned revenue	6,410	23,786
Prepaid taxes	9,944	6,874
<b>Total liabilities</b>	<b>7,397,856</b>	<b>12,476,396</b>
<b>Deferred inflows of resources</b>		
Taxes receivable	1,664,468	1,740,614
Accounts receivable	229,870	177,318
Assessment receivable	1,147,520	1,319,413
<b>Total deferred inflows of resources</b>	<b>3,041,858</b>	<b>3,237,345</b>
<b>Fund balances:</b>		
Nonspendable:		
Inventory	57,332	49,027
Prepaid items	1,115,857	23,610
Restricted:		
Stabilization by State statute	23,362,174	19,050,127
For downtown	108,622	64,296
For Lake Valley Drive MSD	5,941	3,667
For county recreation	4,408,310	5,172,248
Donations	13,265	14,581
Committed:		
Law Enforcement Officers' Special Separation	4,672,755	3,774,601
Assigned:		
Subsequent years expenditures	3,454,259	2,933,364
Special purposes	2,927,980	7,073,344
Capital projects	2,531,973	639,066
Unassigned	21,649,065	23,070,486
<b>Total fund balances</b>	<b>64,307,533</b>	<b>61,868,417</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 74,747,247</b>	<b>\$ 77,582,158</b>

City of Fayetteville, North Carolina

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

For the Fiscal Year Ended June 30, 2017  
With Comparative Actual Statements for the Year Ended June 30, 2016  
(Page 1 of 5)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Revenues</b>				
<b>Ad valorem taxes</b>				
Current year	\$ 70,693,008	\$ 708,343	\$ 71,401,351	\$ 68,490,739
Prior year	402,100	(47,974)	354,126	426,370
Interest and penalties	230,780	(11,348)	219,432	259,438
<b>Total ad valorem taxes</b>	<u>71,325,888</u>	<u>649,021</u>	<u>71,974,909</u>	<u>69,176,547</u>
<b>Other taxes</b>				
Vehicle license tax	624,570	14,519	639,089	635,258
Privilege license	15,640	1,349	16,989	17,118
Gross receipts tax on rental property	622,820	75,414	698,234	657,643
<b>Total other taxes</b>	<u>1,263,030</u>	<u>91,282</u>	<u>1,354,312</u>	<u>1,310,019</u>
<b>Unrestricted intergovernmental</b>				
Local option sales tax	39,808,142	114,357	39,922,499	38,764,144
Payment in lieu of taxes	9,966,770	(5)	9,966,765	9,487,800
Telecommunications sales tax	1,343,600	(25,603)	1,317,997	1,332,117
Utilities sales tax	10,494,900	(829,445)	9,665,455	9,969,227
Piped natural gas sales tax	368,300	(35,159)	333,141	319,945
Video franchise fee	2,217,700	21,283	2,238,983	2,243,219
Beer and wine tax	980,900	(38,739)	942,161	916,625
County - other	343,413	(51,154)	292,259	298,275
Local - public safety	322,010	(44,328)	277,682	321,964
Local - other	17,088	7,791	24,879	12,279
<b>Total unrestricted intergovernmental</b>	<u>65,862,823</u>	<u>(881,002)</u>	<u>64,981,821</u>	<u>63,665,595</u>
<b>Restricted intergovernmental</b>				
Federal - public safety	2,780,588	(1,816,291)	964,297	838,436
Federal - other	234,207	255,403	489,610	86,727
Powell Bill allocation	5,393,778	(20,986)	5,372,792	5,453,054
State - other	698,912	(555,062)	143,850	20,801
State - public safety	94,000	184,775	278,775	120,368
County recreation	3,724,350	(1,363,579)	2,360,771	3,029,551
County - other	1,041,436	(478,301)	563,135	585,626
Local - other	1,200,000	-	1,200,000	88,695
<b>Total restricted intergovernmental</b>	<u>15,167,271</u>	<u>(3,794,041)</u>	<u>11,373,230</u>	<u>10,223,258</u>
<b>Permits and fees</b>	<u>2,726,750</u>	<u>(526,637)</u>	<u>2,200,113</u>	<u>2,377,031</u>
<b>Sales and services</b>				
Property leases	651,879	45,423	697,302	674,212
Engineering/planning services	491,900	(70,733)	421,167	483,072
Public safety services	1,067,917	(1,306)	1,066,611	1,128,708
Recreation and cultural services	1,643,621	91,746	1,735,367	1,713,507
Parking revenues	139,884	10,433	150,317	137,010
Other fees and services	565,478	(157,607)	407,871	313,073
<b>Total sales and services</b>	<u>4,560,679</u>	<u>(82,044)</u>	<u>4,478,635</u>	<u>4,449,582</u>
<b>Miscellaneous</b>				
Refunds and sundry	319,441	339,898	659,339	502,955
Indirect cost allocation	1,981,439	254,295	2,235,734	2,072,504
Special use assessment	231,600	(99,776)	131,824	503,715
<b>Total miscellaneous</b>	<u>2,532,480</u>	<u>494,417</u>	<u>3,026,897</u>	<u>3,079,174</u>

City of Fayetteville, North Carolina

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

For the Fiscal Year Ended June 30, 2017  
With Comparative Actual Statements for the Year Ended June 30, 2016  
(Page 2 of 5)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Revenues (continued)</b>				
Interest earned on investments	\$ 275,800	\$ 112,771	\$ 388,571	\$ 378,688
<b>Total revenues</b>	<b>163,714,721</b>	<b>(3,936,233)</b>	<b>159,778,488</b>	<b>154,659,894</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Community investment</b>				
<b>Community development</b>				
Salaries and employee benefits	240,390	(3,215)	243,605	183,904
Other operating expenditures	3,555,804	3,257,576	298,228	212,241
Capital outlay	-	-	-	200
Payments to agencies	35,353	-	35,353	35,353
	<u>3,831,547</u>	<u>3,254,361</u>	<u>577,186</u>	<u>431,698</u>
<b>Economic and business development</b>				
Salaries and employee benefits	286,319	26,483	259,836	179,559
Other operating expenditures	617,097	117,021	500,076	582,367
Payments to agencies	471,472	359,031	112,441	371,302
Cost redistribution	-	-	-	(157,500)
	<u>1,374,888</u>	<u>502,535</u>	<u>872,353</u>	<u>975,728</u>
<b>Engineering</b>				
Salaries and employee benefits	1,465,611	3,009	1,462,602	1,350,486
Other operating expenditures	692,626	400,604	292,022	331,245
Capital outlay	254,387	103,993	150,394	25,023
	<u>2,412,624</u>	<u>507,606</u>	<u>1,905,018</u>	<u>1,706,754</u>
<b>Human relations</b>				
Salaries and employee benefits	297,160	7,053	290,107	185,098
Other operating expenditures	49,739	6,316	43,423	52,816
Payments to agencies	27,866	-	27,866	11,325
	<u>374,765</u>	<u>13,369</u>	<u>361,396</u>	<u>249,239</u>
<b>Permitting and inspections</b>				
Salaries and employee benefits	1,911,304	398,433	1,512,871	1,698,199
Other operating expenditures	103,288	47,228	56,060	169,082
Capital outlay	23,965	-	23,965	29,275
	<u>2,038,557</u>	<u>445,661</u>	<u>1,592,896</u>	<u>1,896,556</u>
<b>Planning and code enforcement</b>				
Salaries and employee benefits	803,860	57,365	746,495	840,785
Other operating expenditures	489,700	120,188	369,512	400,088
	<u>1,293,560</u>	<u>177,553</u>	<u>1,116,007</u>	<u>1,240,873</u>
<b>Planning and development</b>				
Salaries and employee benefits	1,101,083	49,048	1,052,035	1,027,924
Other operating expenditures	235,292	114,357	120,935	129,546
Payments to agencies	10,000	8,377	1,623	514
	<u>1,346,375</u>	<u>171,782</u>	<u>1,174,593</u>	<u>1,157,984</u>
<b>Real estate</b>				
Salaries and employee benefits	207,284	2,102	205,182	237,268
Other operating expenditures	50,646	26,252	24,394	15,813
Capital outlay	22,376	22,178	198	336
	<u>280,306</u>	<u>50,532</u>	<u>229,774</u>	<u>253,417</u>

City of Fayetteville, North Carolina

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

For the Fiscal Year Ended June 30, 2017  
With Comparative Actual Statements for the Year Ended June 30, 2016  
(Page 3 of 5)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Streets</b>				
Salaries and employee benefits	\$ 2,816,899	\$ 25,028	\$ 2,791,871	\$ 2,781,317
Other operating expenditures	2,903,850	354,439	2,549,411	2,053,036
Capital outlay	813,249	581,036	232,213	259,210
	<u>6,533,998</u>	<u>960,502</u>	<u>5,573,495</u>	<u>5,093,563</u>
<b>Total community investment</b>	<u>19,486,620</u>	<u>6,083,901</u>	<u>13,402,718</u>	<u>13,005,812</u>
<b>Operations</b>				
<b>Police</b>				
Salaries and employee benefits	41,553,888	589,168	40,964,720	39,724,161
Other operating expenditures	8,703,118	620,997	8,082,121	7,539,404
Capital outlay	2,141,345	496,162	1,645,183	2,947,549
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	-	-	-	(1,104)
	<u>52,401,351</u>	<u>1,706,327</u>	<u>50,695,024</u>	<u>50,213,010</u>
<b>Fire</b>				
Salaries and employee benefits	22,071,307	24,750	22,046,557	21,216,657
Other operating expenditures	3,908,957	288,767	3,620,190	4,450,424
Capital outlay	1,947,202	1,173,095	774,107	723,206
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>27,852,466</u>	<u>1,486,612</u>	<u>26,365,854</u>	<u>26,315,287</u>
<b>Parks and recreation</b>				
Salaries and employee benefits	8,361,397	231,299	8,130,098	8,005,908
Other operating expenditures	5,102,222	643,111	4,459,111	4,268,744
Capital outlay	721,770	297,100	424,670	995,461
Payments to agencies	179,250	-	179,250	179,250
	<u>14,364,639</u>	<u>1,171,511</u>	<u>13,193,129</u>	<u>13,449,363</u>
<b>Cemeteries</b>				
Salaries and employee benefits	118,297	576	117,721	115,614
Other operating expenditures	69,687	8,249	61,438	24,467
	<u>187,984</u>	<u>8,825</u>	<u>179,159</u>	<u>140,081</u>
<b>Urban forestry</b>				
Salaries and employee benefits	176,342	2,324	174,018	168,181
Other operating expenditures	54,582	4,180	50,402	26,926
	<u>230,924</u>	<u>6,504</u>	<u>224,420</u>	<u>195,107</u>
<b>Public buildings</b>				
Salaries and employee benefits	879,300	1,804	877,496	900,463
Other operating expenditures	1,227,916	58,253	1,169,663	892,672
Capital outlay	120,000	120,000	-	129,056
	<u>2,227,216</u>	<u>180,057</u>	<u>2,047,159</u>	<u>1,922,191</u>
<b>Right of Way maintenance</b>				
Salaries and employee benefits	845,699	(7,450)	853,149	673,808
Other operating expenditures	500,293	82,806	417,487	358,741
Capital outlay	414,486	245,534	168,952	107,630
	<u>1,760,478</u>	<u>320,890</u>	<u>1,439,588</u>	<u>1,140,179</u>
<b>Total operations</b>	<u>99,025,058</u>	<u>4,880,726</u>	<u>94,144,333</u>	<u>93,375,218</u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
With Comparative Actual Statements for the Year Ended June 30, 2016  
For the Fiscal Year Ended June 30, 2017

(Page 4 of 5)

Expenditures (continued)	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Support services and administration</b>				
<b>Budget and evaluation</b>				
Salaries and employee benefits	\$ 450,602	\$ 27,737	\$ 422,865	\$ 418,523
Other operating expenditures	20,168	1,343	18,825	50,207
	<u>470,770</u>	<u>29,080</u>	<u>441,690</u>	<u>468,730</u>
<b>Corporate communications</b>				
Salaries and employee benefits	710,282	508	709,774	667,551
Other operating expenditures	217,277	13,055	204,222	222,265
Capital outlay	39,653	-	39,653	-
Inventory	95,900	4,877	91,023	108,032
Cost redistribution	(134,400)	(10,891)	(123,509)	(157,827)
	<u>928,712</u>	<u>7,549</u>	<u>921,163</u>	<u>840,021</u>
<b>City attorney</b>				
Salaries and employee benefits	964,358	2,428	961,930	892,630
Other operating expenditures	624,723	246,550	378,173	508,501
	<u>1,589,081</u>	<u>248,978</u>	<u>1,340,103</u>	<u>1,401,131</u>
<b>Executive</b>				
Salaries and employee benefits	1,870,134	29,553	1,840,581	1,985,013
Other operating expenditures	254,756	59,466	195,290	456,040
Capital outlay	9,045	(17,999)	27,044	31,731
	<u>2,133,935</u>	<u>71,020</u>	<u>2,062,915</u>	<u>2,472,784</u>
<b>Finance</b>				
Salaries and employee benefits	1,738,350	200,521	1,537,829	1,367,002
Other operating expenditures	1,377,518	330,164	1,047,354	1,074,299
	<u>3,115,868</u>	<u>530,685</u>	<u>2,585,183</u>	<u>2,441,301</u>
<b>Human resources development</b>				
Salaries and employee benefits	1,012,424	133,120	879,304	921,750
Other operating expenditures	220,033	63,573	156,460	189,272
Capital outlay	4,934	3	4,931	-
	<u>1,237,391</u>	<u>196,696</u>	<u>1,040,695</u>	<u>1,111,022</u>
<b>Information technology</b>				
Salaries and employee benefits	2,121,733	90,451	2,031,282	1,981,692
Other operating expenditures	2,819,478	426,981	2,392,497	2,275,684
Capital outlay	80,709	73,810	6,899	38,987
Cost redistribution	(70,000)	2,560	(72,560)	(72,560)
	<u>4,951,920</u>	<u>593,802</u>	<u>4,358,118</u>	<u>4,223,803</u>
<b>Legislative</b>				
Salaries and employee benefits	462,148	15,221	446,927	436,751
Other operating expenditures	307,868	89,989	217,879	447,369
	<u>770,016</u>	<u>105,210</u>	<u>664,806</u>	<u>884,120</u>
<b>Total support services and administration</b>	<u>15,197,693</u>	<u>1,783,020</u>	<u>13,414,673</u>	<u>13,842,912</u>
<b>Other appropriations</b>				
<b>General government</b>				
Salaries and employee benefits	1,355,842	95,164	1,260,678	1,403,349
Other operating expenditures	1,530,277	89,852	1,440,425	11,664,384
Inventory	891,980	14,789	877,191	882,458
Capital outlay	2,627,500	127,500	2,500,000	-
Payments to agencies	7,549,849	53,761	7,496,088	-
Cost redistribution	(948,980)	(25,341)	(923,639)	(925,413)
<b>Total other appropriations</b>	<u>13,006,468</u>	<u>355,725</u>	<u>12,650,743</u>	<u>13,024,778</u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual - General Fund  
 With Comparative Actual Statements for the Year Ended June 30, 2016  
 For the Fiscal Year Ended June 30, 2017

(Page 5 of 5)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Expenditures (continued)</b>				
<b>Parking</b>				
Other operating expenditures	\$ 355,210	\$ 25,663	\$ 329,547	\$ 331,048
<b>Central business tax district</b>				
Salaries and employee benefits	24,947	892	24,055	143,746
Other operating expenditures	120,712	82,183	38,529	-
<b>Total central business tax district</b>	<b>145,659</b>	<b>83,075</b>	<b>62,584</b>	<b>143,746</b>
<b>Lake Valley Drive MSD</b>				
Other operating expenditures	1,823	1,823	-	-
<b>Law Enforcement Officers' Special Separation Allowance</b>				
Salaries and employee benefits	1,106,219	358,600	747,619	622,970
<b>Debt service</b>				
<b>Community investment</b>				
Principal	381,197	-	381,197	369,466
Interest	87,942	23,054	64,888	53,417
	469,139	23,054	446,085	422,883
<b>Other appropriations</b>				
Principal	10,254,079	6,320,724	3,933,355	4,140,450
Interest	555,946	-	553,305	663,172
Issuance cost	85,000	14,262	70,738	-
	10,895,025	6,337,627	4,557,398	4,803,622
<b>Total debt service</b>	<b>11,364,164</b>	<b>6,360,681</b>	<b>5,003,483</b>	<b>5,226,505</b>
<b>Total expenditures</b>	<b>159,688,914</b>	<b>19,933,214</b>	<b>139,755,700</b>	<b>139,572,989</b>
<b>Revenues over (under) expenditures</b>	<b>4,025,807</b>	<b>15,996,981</b>	<b>20,022,788</b>	<b>15,086,905</b>
<b>Other financing sources (uses)</b>				
Sale of capital assets	5,585,000	(5,415,078)	169,922	140,302
Appropriated fund balance	11,069,479	(11,069,479)	-	-
Transfers in	1,090,000	(22,920)	1,067,080	2,544,257
Transfers (out) - community investment	(6,884,505)	171,653	(6,712,852)	(6,561,649)
Transfers (out) - operations	(2,287,415)	1,903,774	(383,641)	(2,334,150)
Transfers (out) - support services and administration	(884,441)	-	(884,441)	(1,208,085)
Transfers (out) - other appropriations	(14,069,902)	789,185	(13,280,717)	(11,541,493)
Proceeds from loans	2,355,977	85,000	2,440,977	1,878,677
<b>Total other financing sources (uses)</b>	<b>(4,025,807)</b>	<b>(13,557,865)</b>	<b>(17,583,672)</b>	<b>(17,082,141)</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 2,439,116</b>	<b>\$ 2,439,116</b>	<b>\$ (1,995,236)</b>
<b>Fund balance</b>				
Beginning of year - July 1, previously reported			\$ 61,868,417	\$ 60,536,708
Restatement			-	3,326,945
Fund balance - beginning restated			61,868,417	63,863,653
End of year - June 30			<u>\$ 64,307,533</u>	<u>\$ 61,868,417</u>



# PWC Assessment Fund

The PWC Assessment Fund is a Special Revenue fund of the City and is used to account for water and sewer fees assessed by the City for PWC since PWC does not have the power to assess the citizens. The revenue is committed to PWC.

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

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

Year Ended June 30, 2017

	Budget	Variance Positive (Negative)	2017 Actual
<b>Revenues</b>			
Assessment revenue	\$ -	\$ 1,162,394	\$ 1,162,394
Interest income	-	301,716	301,716
<b>Total revenues</b>	-	1,464,110	1,464,110
<b>Expenditures</b>			
Intergovernmental expense - assessment	-	1,464,110	1,464,110
<b>Total expenditures</b>	-	1,464,110	1,464,110
<b>Revenues over (under) expenditures</b>	\$ -	\$ -	\$ -

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**Comprehensive Annual Financial Report**

**2017**

City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017

City of  
**Fayetteville**  
North Carolina



# Nonmajor Governmental Funds

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2017

	Government Fund Types		
	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,561,150	\$ 13,857,159	\$ 15,418,309
Accounts receivable	344,622	268,249	612,871
Due from other governments	651,049	1,644,051	2,295,100
Restricted cash and investments	709,116	1,855,138	2,564,254
Restricted accounts receivable	331	702	1,033
Notes receivable	8,070,408	-	8,070,408
Property held for resale	27,871	-	27,871
<b>Total assets</b>	<b>\$ 11,364,547</b>	<b>\$ 17,625,299</b>	<b>\$ 28,989,846</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 285,027	\$ 1,292,189	\$ 1,577,216
Unearned revenue	975	722,332	723,307
Restricted accounts payable	-	102,628	102,628
Interfund payable	-	275,696	275,696
<b>Total liabilities</b>	<b>286,002</b>	<b>2,392,845</b>	<b>2,678,847</b>
Fund balances:			
Restricted:			
Stabilization by State Statute	12,289,394	11,983,488	24,272,882
Administration	-	26,439	26,439
Public safety	1,584,006	-	1,584,006
Powell Bill	-	349,930	349,930
Recreation and community facilities	-	752,835	752,835
Economic and physical development	10,390	-	10,390
Committed:			
Administration	-	2,732,095	2,732,095
Transportation	-	1,314,491	1,314,491
Economic and physical development	-	1,182,899	1,182,899
Recreation and community facilities	29,347	1,064,256	1,093,603
Unassigned	(2,834,592)	(4,173,979)	(7,008,571)
<b>Total fund balances</b>	<b>11,078,545</b>	<b>15,232,454</b>	<b>26,310,999</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,364,547</b>	<b>\$ 17,625,299</b>	<b>\$ 28,989,846</b>

City of Fayetteville, North Carolina

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Non-major Governmental Funds  
 Year Ended June 30, 2017

	Government Funds		
	Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
<b>Revenues</b>			
Restricted intergovernmental	\$ 3,639,022	\$ 1,361,850	\$ 5,000,872
Local	-	595,893	595,893
Miscellaneous	106,471	459,651	566,122
Interest earned on investments	117,589	6,399	123,988
<b>Total revenues</b>	<b>3,863,082</b>	<b>2,423,793</b>	<b>6,286,875</b>
<b>Expenditures</b>			
Current:			
Administration	-	1,762,316	1,762,316
Public safety	1,650,410	789,756	2,440,166
Transportation	-	7,423,086	7,423,086
Economic and physical development	2,020,186	743,995	2,764,181
Recreation and community facilities	86,092	581,454	667,546
Environmental protection	138,101	-	138,101
Debt service:			
Principal	167,374	1,843	169,217
Interest	9,474	-	9,474
<b>Total expenditures</b>	<b>4,071,637</b>	<b>11,302,450</b>	<b>15,374,087</b>
<b>Revenues over (under) expenditures</b>	<b>(208,555)</b>	<b>(8,878,657)</b>	<b>(9,087,212)</b>
<b>Other financing sources (uses)</b>			
Transfers in	580,420	9,627,823	10,208,243
Transfers out	-	(42,080)	(42,080)
Issuance of debt	-	1,800,000	1,800,000
<b>Total other financing sources (uses)</b>	<b>580,420</b>	<b>11,385,743</b>	<b>11,966,163</b>
<b>Net change in fund balance</b>	<b>371,865</b>	<b>2,507,086</b>	<b>2,878,951</b>
<b>Fund balances</b>			
Beginning	10,706,680	12,725,368	23,432,048
Ending	<b>\$ 11,078,545</b>	<b>\$ 15,232,454</b>	<b>\$ 26,310,999</b>



# Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of special 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
- Linear Park Fund

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

Combining Balance Sheet  
Non-major Special Revenue Funds  
June 30, 2017

	911 Emergency Telephone Systems Fund	Federal and State Financial Assistance Fund	Linear Park Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,046,536	\$ 485,267	\$ 29,347	\$ 1,561,150
Accounts receivable, net	68,944	275,661	17	344,622
Due from other governments	-	650,952	97	651,049
Restricted accounts receivable	-	331	-	331
Restricted cash and equivalents	-	709,116	-	709,116
Notes receivable	-	8,070,408	-	8,070,408
Property held for resale	-	27,871	-	27,871
<b>Total assets</b>	<b>\$ 1,115,480</b>	<b>\$ 10,219,606</b>	<b>\$ 29,461</b>	<b>\$ 11,364,547</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 94,090	\$ 190,937	\$ -	\$ 285,027
Unearned revenue	-	975	-	975
<b>Total liabilities</b>	<b>94,090</b>	<b>191,912</b>	<b>-</b>	<b>286,002</b>
Fund balances:				
Restricted:				
Stabilization by State Statute	136,109	12,153,171	114	12,289,394
Public safety	885,281	698,725	-	1,584,006
Economic and physical development	-	10,390	-	10,390
Committed				
Recreation and community facilities	-	-	29,347	29,347
Unassigned	-	(2,834,592)	-	(2,834,592)
<b>Total fund balances</b>	<b>1,021,390</b>	<b>10,027,694</b>	<b>29,461</b>	<b>11,078,545</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,115,480</b>	<b>\$ 10,219,606</b>	<b>\$ 29,461</b>	<b>\$ 11,364,547</b>

City of Fayetteville, North Carolina

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Non-major Special Revenue Funds  
 Year Ended June 30, 2017

	911 Emergency Telephone Systems Fund	Federal and State Financial Assistance Fund	Linear Park Fund	Totals
<b>Revenues</b>				
Restricted intergovernmental	\$ 819,348	\$ 2,819,674	\$ -	\$ 3,639,022
Miscellaneous	-	104,121	2,350	106,471
Interest earned on investments	5,824	111,628	137	117,589
<b>Total revenues</b>	<b>825,172</b>	<b>3,035,423</b>	<b>2,487</b>	<b>3,863,082</b>
<b>Expenditures</b>				
Operating				
Public safety	940,122	710,288	-	1,650,410
Recreation and community facilities	-	80,189	5,903	86,092
Economic and physical development	-	2,020,186	-	2,020,186
Environmental protection	-	138,101	-	138,101
Debt Service				
Principal	92,374	75,000	-	167,374
Interest	4,997	4,477	-	9,474
<b>Total expenditures</b>	<b>1,037,493</b>	<b>3,028,241</b>	<b>5,903</b>	<b>4,071,637</b>
<b>Revenues over (under) expenditures</b>	<b>(212,321)</b>	<b>7,182</b>	<b>(3,416)</b>	<b>(208,555)</b>
<b>Other financing sources (uses)</b>				
Transfers in	2,890	577,530	-	580,420
<b>Revenues and other financing sources (uses) over (under) expenditures expenditures</b>	<b>(209,431)</b>	<b>584,712</b>	<b>(3,416)</b>	<b>371,865</b>
<b>Fund balances</b>				
Beginning	1,230,821	9,442,982	32,877	10,706,680
Ending	\$ 1,021,390	\$ 10,027,694	\$ 29,461	\$ 11,078,545

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - 911 Emergency Telephone Systems

Year Ended June 30, 2017  
(With Comparative Actual Amounts For Year Ended June 30, 2016)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Revenues</b>				
Restricted intergovernmental	\$ 819,348	\$ -	\$ 819,348	\$ 856,110
Interest earned on investments	1,845	3,979	5,824	6,954
<b>Total revenues</b>	<u>821,193</u>	<u>3,979</u>	<u>825,172</u>	<u>863,064</u>
<b>Expenditures</b>				
Public safety				
Other operating expenditures	1,013,026	72,904	940,122	858,990
<b>Debt service</b>				
Principal	92,374	-	92,374	90,766
Interest	4,997	-	4,997	6,605
<b>Total debt service</b>	<u>97,371</u>	<u>-</u>	<u>97,371</u>	<u>97,371</u>
<b>Total expenditures</b>	<u>1,110,397</u>	<u>72,904</u>	<u>1,037,493</u>	<u>956,361</u>
<b>Revenues over (under) expenditures</b>	<u>(289,204)</u>	<u>76,883</u>	<u>(212,321)</u>	<u>(93,297)</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	289,204	(289,204)	-	-
Transfer from General Fund	-	2,890	2,890	3,305
<b>Total other financing sources (uses)</b>	<u>289,204</u>	<u>(286,314)</u>	<u>2,890</u>	<u>3,305</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (209,431)</u>	<u>(209,431)</u>	<u>(89,992)</u>
<b>Fund balance</b>				
Beginning			1,230,821	1,320,813
Ending			<u>\$ 1,021,390</u>	<u>\$ 1,230,821</u>

City of Fayetteville, North Carolina

Schedule of Revenue, Expenditures and Changes in Fund Balance  
Budget and Actual - Federal and State Financial Assistance Fund

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants	\$ 11,645,349	\$5,556,909	\$ 20,000	\$ 2,492,151	\$ 8,029,060
State grants	3,790,443	2,063,456	-	320,409	2,383,865
County	48,608	55,116	-	7,114	62,230
Miscellaneous	1,541,130	21,376	1,250	104,121	124,247
Interest earned on investments	98,443	413,610	-	111,628	525,238
<b>Total revenues</b>	<b>17,123,973</b>	<b>8,110,467</b>	<b>21,250</b>	<b>3,035,423</b>	<b>11,124,640</b>
<b>Expenditures</b>					
Public safety	7,024,482	4,774,711	-	710,288	5,484,999
Economic and physical development	7,309,357	2,194,791	-	2,020,186	4,214,977
Environmental protection	2,052,550	-	-	138,101	138,101
Recreation and community facilities	1,330,587	768,889	21,250	80,189	827,828
<b>Total expenditures</b>	<b>17,716,976</b>	<b>7,738,391</b>	<b>21,250</b>	<b>2,948,764</b>	<b>10,665,905</b>
Debt service					
Principal	150,000	75,000	-	75,000	150,000
Interest	11,284	5,284	-	4,477	9,761
<b>Total debt service</b>	<b>161,284</b>	<b>80,284</b>	<b>-</b>	<b>79,477</b>	<b>159,761</b>
<b>Total expenditures</b>	<b>17,878,260</b>	<b>7,818,675</b>	<b>21,250</b>	<b>3,028,241</b>	<b>10,825,666</b>
<b>Revenues over (under) expenditures</b>	<b>(754,287)</b>	<b>291,792</b>	<b>-</b>	<b>7,182</b>	<b>298,974</b>
<b>Other financing sources (uses)</b>					
Sale of capital assets	7,720	7,720	-	-	7,720
Transfers in	1,120,222	597,669	-	577,530	1,175,199
Transfers out	(373,655)	(373,288)	-	-	(373,288)
<b>Total other financing sources (uses)</b>	<b>754,287</b>	<b>232,101</b>	<b>-</b>	<b>577,530</b>	<b>809,631</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 523,893</b>	<b>\$ -</b>	<b>584,712</b>	<b>\$ 1,108,605</b>
<b>Fund balance</b>					
Beginning				9,442,982	
Ending				<u>\$ 10,027,694</u>	

City of Fayetteville, North Carolina

Schedule of Expenditures by Project  
Budget and Actual - Federal and State Financial Assistance Fund

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Expenditures by project:</b>					
<b>Public safety</b>					
Federal and State Forfeiture	\$ 4,324,248	\$ 3,679,973	\$ -	\$ 300,152	\$ 3,980,125
Juvenile Restitution	465,167	291,316	-	65,184	356,500
Cumberland County STARS Drug Treatment	265,285	237,900	-	-	237,900
2016 Dogwood Festival	6,111	5,683	-	-	5,683
Fire - USAR equipment training	45,000	-	-	44,937	44,937
Fire - USAR equipment	30,000	-	-	29,879	29,879
Cumberland Community Foundation	18,000	17,782	-	-	17,782
Youth Growth Stock Trust	7,000	6,978	-	-	6,978
2014 FPD City-wide gang prevention	68,368	57,026	-	-	57,026
2014 Cumberland County STARS	74,805	62,410	-	-	62,410
2015 Cumberland County STARS	74,254	45,680	-	25,015	70,695
Educating kids about gun violence	55,850	45,536	-	7,000	52,536
Fayetteville Police Activities League	21,000	15,686	-	-	15,686
Fayetteville cyber crime project	40,000	-	-	37,757	37,757
FY14 violent gang and gun crime reduction	298,132	181,086	-	84,122	265,208
2015 National Sexual Assault Initiative	363,090	52,855	-	86,950	139,805
2016 National Sexual Assault Initiative	793,372	-	-	29,292	29,292
Fayetteville transparency	74,800	74,800	-	-	74,800
<b>Total public safety</b>	<b>7,024,482</b>	<b>4,774,711</b>	<b>-</b>	<b>710,288</b>	<b>5,484,999</b>
<b>Economic and physical development</b>					
Community Development Block Grant	3,586,470	1,404,509	-	1,289,918	2,694,427
NC Rural Economic Development	-	99,342	-	-	99,342
HOME	3,232,574	635,569	-	518,716	1,154,285
Fort Bragg Force Reduction	299,563	28,333	-	211,552	239,885
Downtown Public Art Project	34,500	20,811	-	-	20,811
Badges for Baseball 2015 FPD	6,250	6,227	-	-	6,227
Disaster recovery program	150,000	-	-	-	-
<b>Total economic and physical development</b>	<b>7,309,357</b>	<b>2,194,791</b>	<b>-</b>	<b>2,020,186</b>	<b>4,214,977</b>
<b>Environmental protection</b>					
Cross Creek Debris Removal	713,853	-	-	138,101	138,101
Multi-Creek Debris Removal	993,000	-	-	-	-
Cross Creek Cemetery Bank	345,697	-	-	-	-
<b>Total environmental protection</b>	<b>2,052,550</b>	<b>-</b>	<b>-</b>	<b>138,101</b>	<b>138,101</b>
<b>Recreation and community facilities</b>					
Wayfinding signage	500,586	398,812	-	-	398,812
Badges for Baseball 2015	-	21,250	21,250	-	-
Big Cross Creek Multiuse Trail	800,000	327,136	-	80,189	407,325
Tree Inventory Phase II	30,001	21,691	-	-	21,691
<b>Total recreation and community facilities</b>	<b>1,330,587</b>	<b>768,889</b>	<b>21,250</b>	<b>80,189</b>	<b>827,828</b>
<b>Total expenditures by project</b>	<b>\$ 17,716,976</b>	<b>\$ 7,738,391</b>	<b>\$ 21,250</b>	<b>\$ 2,948,764</b>	<b>\$ 10,665,905</b>

City of Fayetteville, North Carolina

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

From Inception and the Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues</b>				
Restricted intergovernmental	\$ 130,000	\$ 130,000	\$ -	\$ 130,000
Miscellaneous	1,922,325	1,923,100	2,350	1,925,450
Interest earned on investments	47,108	47,353	137	47,490
<b>Total revenues</b>	<b>2,099,433</b>	<b>2,100,453</b>	<b>2,487</b>	<b>2,102,940</b>
<b>Expenditures</b>				
Current:				
Recreational and community facilities				
Linear Park	2,149,512	2,117,755	5,903	2,123,658
<b>Total expenditures</b>	<b>2,149,512</b>	<b>2,117,755</b>	<b>5,903</b>	<b>2,123,658</b>
<b>Revenues over (under) expenditures</b>	<b>(50,079)</b>	<b>(17,302)</b>	<b>(3,416)</b>	<b>(20,718)</b>
<b>Other financing sources</b>				
Transfer from general fund	50,079	50,179	-	50,179
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 32,877</b>	<b>(3,416)</b>	<b>\$ 29,461</b>
<b>Fund balance</b>				
Beginning			32,877	
Ending			<u>32,877</u>	<u>\$ 29,461</u>



# Capital Project Funds

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

The following comprise the City's Capital Project Funds:

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

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

Combining Balance Sheet  
Non-major Capital Project Funds  
June 30, 2017

	General Government Fund	Public Safety Fund	Transportation Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Totals
<b>Assets</b>							
Cash and investments	\$ 3,972,896	\$ -	\$ 5,249,051	\$ 3,459,040	\$ 1,176,172	\$ -	\$ 13,857,159
Accounts receivable	-	2,862	226,542	13,562	23,330	1,953	268,249
Due from other governments	115,154	544,704	984,193	-	-	-	1,644,051
Restricted cash and investments	27,046	367	555,606	-	1,232,119	40,000	1,855,138
Restricted accounts receivable	-	-	-	-	702	-	702
<b>Total assets</b>	<b>\$ 4,115,096</b>	<b>\$ 547,933</b>	<b>\$ 7,015,392</b>	<b>\$ 3,472,602</b>	<b>\$ 2,432,323</b>	<b>\$ 41,953</b>	<b>\$ 17,625,299</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenses	\$ 662,796	\$ 381	\$ 479,759	\$ 71,234	\$ 72,144	\$ 5,875	\$ 1,292,189
Unearned revenue	100,000	-	103,048	-	479,284	40,000	722,332
Restricted accounts payable and accrued expenses	-	-	102,628	-	-	-	102,628
Interfund payable	-	131,083	-	-	-	144,613	275,696
<b>Total liabilities</b>	<b>762,796</b>	<b>131,464</b>	<b>685,435</b>	<b>71,234</b>	<b>551,428</b>	<b>190,488</b>	<b>2,392,845</b>
<b>Fund balances:</b>							
<b>Restricted:</b>							
Stabilization by State Statute	593,766	3,772,422	4,665,536	2,218,469	62,321	670,974	11,983,488
Administration	26,439	-	-	-	-	-	26,439
Recreation and community facilities	-	-	-	-	752,835	-	752,835
Streets - Powell Bill	-	-	349,930	-	-	-	349,930
<b>Committed:</b>							
Administration	2,732,095	-	-	-	-	-	2,732,095
Transportation	-	-	1,314,491	-	-	-	1,314,491
Economic and physical development	-	-	-	1,182,899	-	-	1,182,899
Recreation and community facilities	-	-	-	-	1,064,256	-	1,064,256
Unassigned	-	(3,355,953)	-	-	1,483	(819,509)	(4,173,979)
<b>Total fund balances</b>	<b>3,352,300</b>	<b>416,469</b>	<b>6,329,957</b>	<b>3,401,368</b>	<b>1,880,895</b>	<b>(148,535)</b>	<b>15,232,454</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 4,115,096</b>	<b>\$ 547,933</b>	<b>\$ 7,015,392</b>	<b>\$ 3,472,602</b>	<b>\$ 2,432,323</b>	<b>\$ 41,953</b>	<b>\$ 17,625,299</b>

**City of Fayetteville, North Carolina**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Capital Project Funds**  
**Year Ended June 30, 2017**

	General Government Fund	Public Safety Fund	Transportation Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Totals
<b>Revenues</b>							
Restricted intergovernmental	\$ -	\$ 12,311	\$ 1,234,697	\$ 94,340	\$ 20,502	\$ -	\$ 1,361,850
Local	-	527,709	-	55,122	13,062	-	595,893
Miscellaneous	116,100	-	89,959	-	253,592	-	459,651
Interest earned on investments	-	-	(10)	(42)	6,451	-	6,399
<b>Total revenues</b>	<b>116,100</b>	<b>540,020</b>	<b>1,324,646</b>	<b>149,420</b>	<b>293,607</b>	<b>-</b>	<b>2,423,793</b>
<b>Expenditures</b>							
Administration	1,762,316	-	-	-	-	-	1,762,316
Public Safety	-	789,756	-	-	-	-	789,756
Transportation	-	-	7,423,086	-	-	-	7,423,086
Economic and physical development	-	-	-	743,995	-	-	743,995
Recreational and cultural	-	-	-	-	432,919	148,535	581,454
<b>Total expenditures</b>	<b>1,762,316</b>	<b>789,756</b>	<b>7,423,086</b>	<b>743,995</b>	<b>432,919</b>	<b>148,535</b>	<b>11,300,607</b>
<b>Debt service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,843</b>	<b>-</b>	<b>-</b>	<b>1,843</b>
<b>Revenues over (under) expenditures</b>	<b>(1,646,216)</b>	<b>(249,736)</b>	<b>(6,098,440)</b>	<b>(596,418)</b>	<b>(139,312)</b>	<b>(148,535)</b>	<b>(8,878,657)</b>
<b>Other financing sources (uses)</b>							
Capital lease proceeds	1,800,000	-	-	-	-	-	1,800,000
Transfers in	1,220,790	39,851	5,733,173	2,460,600	173,409	-	9,627,823
Transfers out	-	-	-	(40,000)	(2,080)	-	(42,080)
<b>Total other financing sources (uses)</b>	<b>3,020,790</b>	<b>39,851</b>	<b>5,733,173</b>	<b>2,420,600</b>	<b>171,329</b>	<b>-</b>	<b>11,385,743</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>1,374,574</b>	<b>(209,885)</b>	<b>(365,267)</b>	<b>1,824,182</b>	<b>32,017</b>	<b>(148,535)</b>	<b>2,507,086</b>
<b>Fund balance</b>							
Beginning	1,977,726	626,354	6,695,224	1,577,186	1,848,878	-	12,725,368
Ending	\$ 3,352,300	\$ 416,469	\$ 6,329,957	\$ 3,401,368	\$ 1,880,895	\$ (148,535)	\$ 15,232,454

City of Fayetteville, North Carolina

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants and contributions	\$ 1,752,900	\$ 1,519,776	\$ -	\$ -	\$ 1,519,776
Miscellaneous	152,500	-	-	116,100	116,100
<b>Total revenues</b>	<b>1,905,400</b>	<b>1,519,776</b>	<b>-</b>	<b>116,100</b>	<b>1,635,876</b>
<b>Expenditures</b>					
Administration					
Computer replacements	3,352,285	2,807,549	-	212,689	3,020,238
Enterprise-wide GIS	477,162	173,282	-	1,425	174,707
Disaster recovery system	927,318	523,683	-	56,901	580,584
Laserfiche Rio System	162,899	161,711	-	-	161,711
Uninterruptible power supply	58,650	37,878	-	-	37,878
Virtual server expansion	192,034	53,669	-	57,850	111,519
Wireless network expansion	266,622	185,520	-	73,868	259,388
Building projects	7,439,083	3,396,389	-	787,028	4,183,417
Parking lot projects	35,756	392,702	392,702	-	-
Energy Efficiency Conservation					
Block Grant (ARRA)	1,645,400	1,512,276	-	-	1,512,276
Internet telephone system	405,000	215,805	-	170,500	386,305
Time and attendance system	589,000	487,013	-	74,802	561,815
E-mail system upgrade	255,052	162,300	-	54,625	216,925
External website for the City	200,000	108,172	-	19,269	127,441
Org Performance Mgmt System	81,980	79,264	-	1,424	80,688
Plans review software	108,500	-	-	-	-
JDE/Laserfiche integration	15,000	-	-	-	-
Laserfiche quickfields	16,410	-	-	-	-
LSDBE tracking software	64,500	-	-	-	-
Alexander street facilities rennovation	290,000	-	-	251,935	251,935
<b>Total expenditures</b>	<b>16,582,651</b>	<b>10,297,213</b>	<b>392,702</b>	<b>1,762,316</b>	<b>11,666,827</b>
<b>Revenues under expenditures</b>	<b>(14,677,251)</b>	<b>(8,777,437)</b>	<b>(392,702)</b>	<b>(1,646,216)</b>	<b>(10,030,951)</b>
<b>Other financing sources (uses)</b>					
Capital lease proceeds	3,094,000	-	-	1,800,000	1,800,000
Transfers in	12,327,518	11,499,430	392,702	1,220,790	12,327,518
Transfers out	(744,267)	(744,267)	-	-	(744,267)
<b>Total other financing sources (uses)</b>	<b>14,677,251</b>	<b>10,755,163</b>	<b>392,702</b>	<b>3,020,790</b>	<b>13,383,251</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,977,726</b>	<b>\$ -</b>	<b>1,374,574</b>	<b>\$ 3,352,300</b>
<b>Fund balance</b>					
Beginning				1,977,726	
Ending				<u>3,352,300</u>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - Public Safety Capital Project Fund

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants and contributions	\$ 807,933	\$ 999,498	\$ 328,221	\$ 12,311	\$ 683,588
Local	530,000	2,102	-	527,709	529,811
Interest earned on investments	-	78	-	-	78
<b>Total revenues</b>	<b>1,337,933</b>	<b>1,001,678</b>	<b>328,221</b>	<b>540,020</b>	<b>1,213,477</b>
<b>Expenditures</b>					
Public Safety					
Fire station #12	4,100,000	46,318	-	243,980	290,298
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
Justice Assistance Grant	208,204	408,571	328,221	3,734	84,084
Homeland Security	30,000	29,990	-	-	29,990
FPD Glassdoor Initiative	1,060,000	532,102	-	527,520	1,059,622
Enhanced security systems	251,851	69,851	-	-	69,851
Police 800MHz radio lease	4,209,433	3,508,729	-	2,193	3,510,922
Fire hazardous materials response equipment	27,400	27,373	-	-	27,373
Fire call notification and paging system	94,527	94,527	-	-	94,527
Fire Homeland Security mobile command	12,329	-	-	12,329	12,329
Total public safety	<b>16,803,661</b>	<b>11,021,657</b>	<b>328,221</b>	<b>789,756</b>	<b>11,483,192</b>
<b>Revenues over (under) expenditures</b>	<b>(15,465,728)</b>	<b>(10,019,979)</b>	<b>-</b>	<b>(249,736)</b>	<b>(10,269,715)</b>
<b>Other financing sources (uses)</b>					
Issuance of debt	13,673,819	8,929,925	-	-	8,929,925
Transfers in	4,143,593	4,068,092	-	39,851	4,107,943
Transfers out	(2,351,684)	(2,351,684)	-	-	(2,351,684)
<b>Total other financing sources (uses)</b>	<b>15,465,728</b>	<b>10,646,333</b>	<b>-</b>	<b>39,851</b>	<b>10,686,184</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 626,354</b>	<b>\$ -</b>	<b>(209,885)</b>	<b>\$ 416,469</b>
<b>Fund balance</b>					
Beginning				626,354	
Ending				<u>\$ 416,469</u>	

City of Fayetteville, North Carolina

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants and contributions	\$ 4,790,407	\$ -	\$ -	\$ 926,022	\$ 926,022
State grants and contributions	2,194,128	1,740,239	1,740,239	308,675	308,675
Miscellaneous	28,826	85,967	39,712	89,959	136,214
Interest earned on investments	6,524	6,599	-	(10)	6,589
<b>Total revenues</b>	<b>7,019,885</b>	<b>1,832,805</b>	<b>1,779,951</b>	<b>1,324,646</b>	<b>1,377,500</b>
<b>Expenditures</b>					
Transportation					
Thoroughfare streetlights	225,000	23,959	-	17,905	41,864
Sidewalks	1,908,089	325,985	314,381	497,269	508,873
Downtown railroad enhancements	-	460,241	460,241	-	-
Transportation improvements	14,094,640	12,998,429	9,308,756	5,466,851	9,156,524
Rowan Street bridge	382,655	-	-	-	-
Other bridge replacements	1,300,000	124,989	-	67,533	192,522
Railroad cabinet relocation	146,744	144,726	-	(53,963)	90,763
Hurricane Matthew repairs	5,333,244	-	-	1,427,491	1,427,491
<b>Total expenditures</b>	<b>23,390,372</b>	<b>14,078,329</b>	<b>10,083,378</b>	<b>7,423,086</b>	<b>11,418,037</b>
<b>Revenues over (under) expenditures</b>	<b>(16,370,487)</b>	<b>(12,245,524)</b>	<b>(8,303,427)</b>	<b>(6,098,440)</b>	<b>(10,040,537)</b>
<b>Other financing sources (uses)</b>					
Transfers in	16,603,547	20,677,880	9,807,499	5,733,173	16,603,554
Transfers out	(233,060)	(1,737,132)	(1,504,072)	-	(233,060)
<b>Total other financing sources (uses)</b>	<b>16,370,487</b>	<b>18,940,748</b>	<b>8,303,427</b>	<b>5,733,173</b>	<b>16,370,494</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 6,695,224</b>	<b>\$ -</b>	<b>(365,267)</b>	<b>\$ 6,329,957</b>
<b>Fund balance</b>					
Beginning				6,695,224	
Ending				<u>6,329,957</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 the Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues</b>				
Restricted intergovernmental				
Federal grants and contributions	\$ 1,251,150	\$ 1,251,150	\$ -	\$ 1,251,150
State grants and contributions	94,340	-	94,340	94,340
County	250,243	250,242	-	250,242
Local	92,105	-	55,122	55,122
Interest earned on investments	13,900	13,846	(42)	13,804
<b>Total revenues</b>	<b>1,701,738</b>	<b>1,515,238</b>	<b>149,420</b>	<b>1,664,658</b>
<b>Expenditures</b>				
Economic and physical development				
Texfi Project	895,724	686,003	111,628	797,631
HOPE VI	6,526,000	5,982,318	1,117	5,983,435
Downtown parking deck	5,570,054	5,569,958	-	5,569,958
Military Business Park	1,251,150	1,251,150	-	1,251,150
Murchison Road redevelopment	1,625,000	914,106	31,368	945,474
Dr. EE Smith House restoration	275,600	-	3,986	3,986
Redevelopment Fund	200,000	-	-	-
Affordable Housing	60,000	21,891	37,182	59,073
Downtown baseball stadium	33,000,000	-	464,374	464,374
Ray Avenue revitalization	94,340	-	94,340	94,340
Downtown redevelopment site	110,000	-	-	-
<b>Total expenditures</b>	<b>49,607,868</b>	<b>14,425,426</b>	<b>743,995</b>	<b>15,169,421</b>
<b>Debt service</b>				
Principal	151,844	150,000	1,843	151,843
Interest	242,002	242,002	-	242,002
<b>Total debt service</b>	<b>393,846</b>	<b>392,002</b>	<b>1,843</b>	<b>393,845</b>
<b>Total expenditures</b>	<b>50,001,714</b>	<b>14,817,428</b>	<b>745,838</b>	<b>15,563,266</b>
<b>Revenues over (under) expenditures</b>	<b>(48,299,976)</b>	<b>(13,302,190)</b>	<b>(596,418)</b>	<b>(13,898,608)</b>
<b>Other financing sources</b>				
Issuance of debt	36,950,000	5,950,000	-	5,950,000
Transfers in	11,389,976	8,929,376	2,460,600	11,389,976
Transfers out	(40,000)	-	(40,000)	(40,000)
<b>Total other financing sources (uses)</b>	<b>48,299,976</b>	<b>14,879,376</b>	<b>2,420,600</b>	<b>17,299,976</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,577,186</b>	<b>1,824,182</b>	<b>\$ 3,401,368</b>
<b>Fund balance</b>				
Beginning			1,577,186	
Ending			<u>3,401,368</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 the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants and contributions	\$ 1,150,142	\$ 250,000	\$ -	\$ 20,307	\$ 270,307
State grants and contributions	18,891,250	18,370,521	-	195	18,370,716
Local	102,293	529,203	441,000	13,062	101,265
Miscellaneous	607,953	720,104	149	253,592	973,547
Interest earned on investments	503,958	558,053	-	6,451	564,504
<b>Total revenues</b>	<b>21,255,596</b>	<b>20,427,881</b>	<b>441,149</b>	<b>293,607</b>	<b>20,280,339</b>
<b>Expenditures</b>					
Recreational and community facilities					
Freedom Park	541,345	535,676	-	4,545	540,221
NC State Veterans Park	3,092,641	2,326,095	-	-	2,326,095
Western Area Neighborhood Park	-	854,676	854,676	-	-
NC State Veterans Park #2	14,050,000	13,788,248	-	-	13,788,248
Playground equipment and improvements	634,007	984,839	435,527	61,179	610,491
Reid Ross track facility	176,404	174,346	-	-	174,346
Rec Trac Software	61,153	31,841	-	16,152	47,993
Cape Fear River Trail Phase 2	4,839,345	3,840,098	-	36,443	3,876,541
Cape Fear River Trail connector	286,392	-	-	976	976
NCFS Forestry Program	30,191	-	-	28,182	28,182
Aquatic Center at Westover	2,095,000	2,067,660	-	13,693	2,081,353
Tree Project	159,826	561	-	34,268	34,829
Mazarick Park play area	55,000	-	-	5,638	5,638
Douglas Byrd concession stand	117,309	-	-	117,309	117,309
College Lakes Aquatic Center	2,778,000	2,695,501	-	66,621	2,762,122
Hurricane Matthew repairs	328,452	-	-	47,913	47,913
<b>Total expenditures</b>	<b>29,245,065</b>	<b>27,299,541</b>	<b>1,290,203</b>	<b>432,919</b>	<b>26,442,257</b>
<b>Revenues over (under) expenditures</b>	<b>(7,989,469)</b>	<b>(6,871,660)</b>	<b>(849,054)</b>	<b>(139,312)</b>	<b>(6,161,918)</b>
<b>Other financing sources (uses)</b>					
Issuance of debt	-	2,356	-	-	2,356
Sale of capital assets	695,353	738,695	-	-	738,695
Transfers in	7,325,271	8,010,642	851,134	173,409	7,332,917
Transfers out	(31,155)	(31,155)	(2,080)	(2,080)	(31,155)
<b>Total other financing sources (uses)</b>	<b>7,989,469</b>	<b>8,720,538</b>	<b>849,054</b>	<b>171,329</b>	<b>8,042,813</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,848,878</b>	<b>-</b>	<b>32,017</b>	<b>\$ 1,880,895</b>
<b>Fund balance</b>					
Beginning				1,848,878	
Ending				<u>1,880,895</u>	

City of Fayetteville, North Carolina

Schedule of Revenue, Expenses and Changes in Fund Balance  
Budget and Actual - Recreational and Cultural Bond Fund

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -
State grants and contributions	250,000	-	-	-	-
Local	-	-	-	-	-
Miscellaneous	40,000	-	-	-	-
Interest earned on investments	-	-	-	-	-
<b>Total revenues</b>	<b>290,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
Recreational and community facilities					
Bond program implementation	100,000	-	-	95,775	95,775
Brentwood School Park	100,000	-	-	2,752	2,752
Clark Park improvements	175,000	-	-	5,794	5,794
Mazarick Park improvements	50,000	-	-	-	-
Seabrook Park improvements	100,000	-	-	34,414	34,414
D. Gilmore Therapeutic Rec Center	200,000	-	-	1,952	1,952
Massey Hill Recreation Center	365,000	-	-	5,272	5,272
Kiwanis splash pad	428,125	-	-	976	976
Cliffdale splash pad	428,125	-	-	-	-
E.E. Miller splash pad	428,125	-	-	800	800
Massey Hill splash pad	428,125	-	-	800	800
Western Senior Center	620,000	-	-	-	-
Downtown skate park	300,000	-	-	-	-
<b>Total expenditures</b>	<b>3,722,500</b>	<b>-</b>	<b>-</b>	<b>148,535</b>	<b>148,535</b>
<b>Revenues under expenditures</b>	<b>(3,432,500)</b>	<b>-</b>	<b>-</b>	<b>(148,535)</b>	<b>(148,535)</b>
<b>Other financing sources</b>					
Issuance of debt	3,432,500	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,432,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(148,535)</b>	<b>\$ (148,535)</b>
<b>Fund balance</b>					
Beginning				-	
Ending				<u>\$ (148,535)</u>	





# Proprietary Funds

- Enterprise Funds
- Internal Service Funds

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriated for accountability purposes.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Enterprise Funds

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

The following comprise the City's Enterprise Funds:

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

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

Year Ended June 30, 2017  
(With Comparative Actual Amounts For Year Ended June 30, 2016)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Operating revenues</b>				
Charges for services	\$ 6,834,232	\$ (10,550)	\$ 6,823,682	\$ 6,764,496
Other revenue from operations	23,150	9,114	32,264	22,941
<b>Total operating revenues</b>	<b>6,857,382</b>	<b>(1,436)</b>	<b>6,855,946</b>	<b>6,787,437</b>
<b>Operating expenditures</b>				
Salaries and employee benefits	2,285,656	182,126	2,103,530	2,140,491
Other operating expenditures	1,799,675	346,363	1,453,312	1,483,645
Capital outlay	78,257	57,735	20,522	-
Cost redistribution	75,000	-	75,000	75,000
<b>Total operating expenditures</b>	<b>4,238,588</b>	<b>586,224</b>	<b>3,652,364</b>	<b>3,699,136</b>
<b>Operating income (loss)</b>	<b>2,618,794</b>	<b>584,788</b>	<b>3,203,582</b>	<b>3,088,301</b>
<b>Nonoperating revenues (expenditures)</b>				
Miscellaneous	120,500	-	120,500	120,650
Interest earned on investments	12,630	13,511	26,141	24,031
Federal and State grants	120,000	(77,739)	42,261	-
Principal payments	(670,030)	-	(670,030)	(650,030)
Interest expense	(243,433)	1	(243,432)	(263,183)
<b>Total nonoperating revenues (expenditures)</b>	<b>(660,333)</b>	<b>(64,227)</b>	<b>(724,560)</b>	<b>(768,532)</b>
<b>Revenues over (under) expenditures</b>	<b>1,958,461</b>	<b>520,561</b>	<b>2,479,022</b>	<b>2,319,769</b>
<b>Other financing sources (uses)</b>				
Transfers out	(3,425,820)	-	(3,425,820)	(1,891,440)
Appropriated fund balance	1,467,359	(1,467,359)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,958,461)</b>	<b>(1,467,359)</b>	<b>(3,425,820)</b>	<b>(1,891,440)</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (946,798)</b>	<b>\$ (946,798)</b>	<b>\$ 428,329</b>
<b>Reconciliation of change in net position</b>				
Total revenues			\$ 7,044,848	\$ 6,932,118
Total expenditures			7,991,646	6,503,789
<b>Subtotal</b>			<b>(946,798)</b>	<b>428,329</b>
Depreciation			(800,393)	(847,371)
Change in accrued vacation			8,144	3,424
Net OPEB expense			(33,950)	(56,289)
LGERS expense			(24,634)	38,686
Principal payment			670,030	650,030
Capital outlay			20,522	
Unearned revenue			10,213	5,414
Bad debt expense			(553)	(684)
Capitalized interest			56,077	60,852
Accrued interest			8,425	8,164
<b>Subtotal</b>			<b>(86,119)</b>	<b>(137,774)</b>
<b>Change in net position</b>			<b>\$ (1,032,917)</b>	<b>\$ 290,555</b>

City of Fayetteville, North Carolina

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

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
<b>Restricted intergovernmental</b>					
State grants	\$ 1,183,372	\$ 131,991	\$ -	\$ 177,509	\$ 309,500
Local	-	10,499	-	-	10,499
Interest earned on investments	49,719	169,100	-	64,557	233,657
<b>Total revenues</b>	<b>1,233,091</b>	<b>311,590</b>	<b>-</b>	<b>242,066</b>	<b>553,656</b>
<b>Expenditures</b>					
Environmental protection					
Annexation area improvements	313,853	3,132,645	2,818,792	-	313,853
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	630,435	646,533	16,099	-	630,434
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	3,781,090	988,084	14,620	82,024	1,055,488
Summerhill	1,053,818	1,053,818	-	-	1,053,818
Regiment	65,000	-	-	7,676	7,676
Spruce St - Phase II	815,000	-	-	87,988	87,988
Godfrey Outfall	1,001,545	58,700	-	134,006	192,706
Anson Pond	322,791	322,791	-	-	322,791
Buckhead Creek Watershed	888,121	817,139	-	18,886	836,025
Roxie Ave Phase I	1,402,800	78,899	-	104,603	183,502
N. Edgewater Drive	-	51,909	51,909	-	-
Seabrook Phase II	-	65,366	65,366	-	-
Buckhead Kingsford	1,824,146	1,572,453	-	192,512	1,764,965
Bonnie Doone (West Outfall 3)	625,407	37,094	-	150,158	187,252
Murray Hill Rd repair	-	574,044	574,044	-	-
Coventry Rd culvert stream imp	1,238,847	276	-	14,853	15,129
Brigadoon Lane Infiltration Basin	576,377	-	-	-	-
Boonie Doone Area 12	142,350	-	-	22,514	22,514
Westmont Drive	-	42,344	42,344	-	-
Boonie Doone Area 5	1,539,272	-	-	53,923	53,923
Godfrey Outfall Phase II	398,220	-	-	-	-
Ferncreek Norwood	112,350	2,911	-	20,921	23,832
Branson Creek Restoration at Murray Hill	154,477	149,653	-	1,600	151,253
Emergency Repair at McGilvary St	278,984	4,963	-	17,274	22,237
Spot Repair Program	864,260	180,199	-	370,211	550,410
Person St Innovation Stormwater Greenscape	563,531	140,061	-	411,952	552,013
Beaver Creek Watershed Study	420,000	-	-	-	-
Broyhill Drive Drainage Imp	192,490	-	-	-	-
Bonnie Doone, Area 2	589,050	-	-	-	-
Dry Detention Sycamore Dairy Rd	268,000	-	-	-	-
Stormwater drainage miscellaneous	2,711,737	890,246	-	499,473	1,389,719
<b>Total expenditures</b>	<b>28,558,058</b>	<b>16,592,505</b>	<b>3,583,174</b>	<b>2,190,574</b>	<b>15,199,905</b>
<b>Revenues over (under) expenditures</b>	<b>(27,324,967)</b>	<b>(16,280,915)</b>	<b>(3,583,174)</b>	<b>(1,948,508)</b>	<b>(14,646,249)</b>
<b>Other financing sources (uses)</b>					
Transfers in	16,729,967	16,748,962	3,583,174	3,425,820	16,591,608
Bond proceeds	10,595,000	10,595,000	-	-	10,595,000
<b>Total other financing sources (uses)</b>	<b>27,324,967</b>	<b>27,343,962</b>	<b>3,583,174</b>	<b>3,425,820</b>	<b>27,186,608</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 11,063,047</b>	<b>\$ -</b>	<b>\$ 1,477,312</b>	<b>\$ 12,540,359</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of revenues over expenditures				\$ 1,477,312	
Capital outlay				2,190,574	
Capitalized interest				(2,216)	
<b>Change in net position</b>				<b>\$ 3,665,670</b>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)  
Transit Fund

Year Ended June 30, 2017  
(With Comparative Actual Amounts for Year Ended June 30, 2016)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Operating revenues</b>				
Charges for services	\$ 1,350,817	\$ (71,721)	\$ 1,279,096	\$ 1,322,587
Other revenue from operations	216,148	(121,550)	94,598	71,422
<b>Total operating revenues</b>	<u>1,566,965</u>	<u>(193,271)</u>	<u>1,373,694</u>	<u>1,394,009</u>
<b>Operating expenditures</b>				
Salaries and employee benefits	5,892,093	131,883	5,760,210	5,495,751
Other operating expenditures	2,677,314	18,969	2,658,345	2,261,550
Capital outlay	194,558	100,167	94,391	15,207
<b>Total operating expenditures</b>	<u>8,763,965</u>	<u>251,019</u>	<u>8,512,946</u>	<u>7,772,508</u>
<b>Operating income (loss)</b>	<u>(7,197,000)</u>	<u>57,748</u>	<u>(7,139,252)</u>	<u>(6,378,499)</u>
<b>Nonoperating revenues</b>				
Interest earned on investments	-	1,507	1,507	875
Federal grants	2,514,477	(154,996)	2,359,481	1,980,054
State grants	761,366	51,432	812,798	760,616
Vehicle fee revenue	630,380	9,319	639,699	639,714
<b>Total nonoperating revenues</b>	<u>3,906,223</u>	<u>(92,738)</u>	<u>3,813,485</u>	<u>3,381,259</u>
<b>Revenues over (under) expenditures</b>	<u>(3,290,777)</u>	<u>(34,990)</u>	<u>(3,325,767)</u>	<u>(2,997,240)</u>
<b>Other financing sources (uses)</b>				
Transfers in	3,753,363	95,134	3,848,497	3,294,639
Transfers out	(519,720)	70,460	(449,260)	(278,091)
Proceeds from sale of assets	6,000	(5,140)	860	81
Appropriated fund balance	51,134	(51,134)	-	-
<b>Total other financing sources (uses)</b>	<u>3,290,777</u>	<u>109,320</u>	<u>3,400,097</u>	<u>3,016,629</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 74,330</u>	<u>\$ 74,330</u>	<u>\$ 19,389</u>
<b>Reconciliation of change in net position:</b>				
Total revenues			\$ 9,036,536	\$ 8,069,988
Total expenditures			(8,962,206)	(8,050,599)
<b>Subtotal</b>			<u>74,330</u>	<u>19,389</u>
Depreciation			(1,360,162)	(1,172,272)
Net OPEB expense			(89,073)	(138,699)
LGERS expense			(65,880)	97,315
Change in inventory			(14,335)	13,561
Change in accrued vacation			(4,919)	(22,679)
Bad debt expense			(10,447)	(18,058)
Unearned revenue			(3,232)	(7,641)
Capital outlay			94,391	15,207
Proceeds from sale of assets			(860)	(81)
Gain (loss) on disposal of assets			860	81
<b>Subtotal</b>			<u>(1,453,657)</u>	<u>(1,233,266)</u>
<b>Change in net position</b>			<u>\$ (1,379,327)</u>	<u>\$ (1,213,877)</u>

City of Fayetteville, North Carolina

Schedule of Changes in the Status of  
Transit Capital Project Fund

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Federal grants	\$ 18,103,871	\$ 11,252,875	\$ -	\$ 5,060,335	\$ 16,313,210
State grants	1,858,171	1,304,826	71,457	555,416	1,788,785
Miscellaneous	-	43,000	-	-	43,000
<b>Total revenues</b>	<b>19,962,042</b>	<b>12,600,701</b>	<b>71,457</b>	<b>5,615,751</b>	<b>18,144,995</b>
<b>Expenditures</b>					
Improvements & Enhancements (no grant)	466,909	422,529	-	1,026	423,555
FTA Capital 90.469	3,348,926	3,303,465	-	45,438	3,348,903
FTA Capital 90.514	2,874,240	2,721,569	-	152,668	2,874,237
FTA 04.0055 Multimodal Transit Center	10,018,750	6,041,453	-	3,933,126	9,974,579
FTA 04.0054 Veterans Website	38,900	17,634	-	5,965	23,599
FTA Capital 90.548	503,140	209,015	-	169,750	378,765
FTA 57.x022 Sidewalk New Freedom	121,300	118,690	-	1,281	119,971
FTA 90.567 MMTC Downtown	2,344,375	1,439,083	-	785,968	2,225,051
FTA 90.567 Other Capital	105,000	15,799	-	68,097	83,896
NCDOT 15-AT-004 Advanced Tech	-	79,398	79,398	-	-
NCDOT 16-AT-004 Advanced Tech	188,225	13,842	-	104,262	118,104
FTA 16.X011 Sidewalks	120,750	28,372	-	92,378	120,750
FTA 90.592 FY15 Capital	727,000	483	-	668,190	668,673
FTA NC-2016-030 FY17 MMTC	291,000	-	-	191,720	191,720
MMTC Tenant Improvements	237,159	-	-	-	-
FTA NC-2016-030 FY17	400,800	-	-	314,996	314,996
FTA NC-2016-021 FY17	840,000	-	-	-	-
FTA NC-2017-031 FY17 capital	854,752	-	-	-	-
<b>Total expenditures</b>	<b>23,481,226</b>	<b>14,411,332</b>	<b>79,398</b>	<b>6,534,865</b>	<b>20,866,799</b>
<b>Revenues over (under) expenditures</b>	<b>(3,519,184)</b>	<b>(1,810,631)</b>	<b>(7,941)</b>	<b>(919,114)</b>	<b>(2,721,804)</b>
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets	-	6,250	-	-	6,250
Transfers in	4,554,844	4,128,262	7,941	377,310	4,497,631
Transfers out	(1,035,660)	(1,035,660)	-	-	(1,035,660)
<b>Total other financing sources (uses)</b>	<b>3,519,184</b>	<b>3,098,852</b>	<b>7,941</b>	<b>377,310</b>	<b>3,468,221</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,288,221</b>	<b>\$ -</b>	<b>\$ (541,804)</b>	<b>\$ 746,417</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of expenditures over revenues				\$ (541,804)	
Capital outlay				6,534,865	
Non-capitalizable items				(116,545)	
<b>Change in net position</b>				<b>\$ 5,876,516</b>	



City of Fayetteville, North Carolina

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

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues</b>				
Federal grants	\$ 2,051,366	\$ 603,751	\$ 288,122	\$ 891,873
State grants	166,557	92,743	36,823	129,566
<b>Total revenues</b>	<u>2,217,923</u>	<u>696,494</u>	<u>324,945</u>	<u>1,021,439</u>
<b>Expenditures</b>				
Transportation	2,515,888	787,176	369,226	1,156,402
<b>Total expenditures</b>	<u>2,515,888</u>	<u>787,176</u>	<u>369,226</u>	<u>1,156,402</u>
<b>Revenues over (under) expenditures</b>	<u>(297,965)</u>	<u>(90,682)</u>	<u>(44,281)</u>	<u>(134,963)</u>
<b>Other financing sources (uses)</b>				
Transfers in	297,965	225,886	71,949	297,835
<b>Total other financing sources (uses)</b>	<u>297,965</u>	<u>225,886</u>	<u>71,949</u>	<u>297,835</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 135,204</u>	<u>\$ 27,668</u>	<u>\$ 162,872</u>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>				
Excess of revenues over expenditures			\$ 27,668	
<b>Change in net position</b>			<u>\$ 27,668</u>	

City of Fayetteville, North Carolina

Schedule of Expenditures by Project  
Transit II Capital Project Fund

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Expenditures by project:</b>				
<b>Transportation</b>				
FTA 90.2469	\$ 235,147	\$ 235,144	\$ -	\$ 235,144
FTA 90.2514	418,000	376,464	33,893	410,357
FTA 26.0008	15,560	-	-	-
FTA 90.2548	350,000	127,669	115,753	243,422
FTA 90.2592 FY15 Planning	375,000	-	65,993	65,993
FTA 16.2011	147,075	12,777	110,082	122,859
FTA 2016-030 FY16 Planning	382,000	-	6,353	6,353
FTA 2016-014 Elderly & Disabled	480,613	-	-	-
NCDOT FY16 Apprentice Intern	37,497	32,740	4,633	37,373
NCDOT FY17 Apprentice Intern	37,498	2,382	32,519	34,901
NCDOT FY18 Apprentice Intern	37,498	-	-	-
<b>Total transportation</b>	<b>2,515,888</b>	<b>787,176</b>	<b>369,226</b>	<b>1,156,402</b>
<b>Total expenditures by project</b>	<b>\$ 2,515,888</b>	<b>\$ 787,176</b>	<b>\$ 369,226</b>	<b>\$ 1,156,402</b>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)  
 Airport Fund

Year Ended June 30, 2017  
 (With Comparative Actual Amounts for Year Ended June 30, 2016)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Operating revenues</b>				
Charges for services	\$ 4,335,848	\$ 214,750	\$ 4,550,598	\$ 4,223,429
Other revenues from operations	212,384	(38,074)	174,310	156,773
<b>Total operating revenues</b>	<b>4,548,232</b>	<b>176,676</b>	<b>4,724,908</b>	<b>4,380,202</b>
<b>Operating expenditures</b>				
Salaries and employee benefits	1,725,291	121,388	1,603,903	1,500,935
Other operating expenditures	1,836,737	351,882	1,484,855	1,427,584
Capital outlay	45,380	5,274	40,106	122,896
<b>Total operating expenditures</b>	<b>3,607,408</b>	<b>478,544</b>	<b>3,128,864</b>	<b>3,051,415</b>
<b>Operating income (loss)</b>	<b>940,824</b>	<b>655,220</b>	<b>1,596,044</b>	<b>1,328,787</b>
<b>Nonoperating revenues (expenditures)</b>				
Interest earned on investments	23,760	23,391	47,151	34,667
Miscellaneous	209,100	(180)	208,920	209,106
Federal and State grants	128,250	(6,110)	122,140	107,080
Public safety reimbursements	(414,948)	(17,166)	(432,114)	(418,435)
<b>Total nonoperating revenues and expenditures</b>	<b>(53,838)</b>	<b>(65)</b>	<b>(53,903)</b>	<b>(67,582)</b>
<b>Revenues over (under) expenditures</b>	<b>886,986</b>	<b>655,155</b>	<b>1,542,141</b>	<b>1,261,205</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	112,400	112,400	15,612
Transfers out	(5,662,400)	5,111,794	(550,606)	-
Appropriated fund balance	4,775,414	(4,775,414)	-	-
<b>Total other financing sources (uses)</b>	<b>(886,986)</b>	<b>448,780</b>	<b>(438,206)</b>	<b>15,612</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,103,935</b>	<b>\$ 1,103,935</b>	<b>\$ 1,276,817</b>
<b>Reconciliation of change in net position:</b>				
Total revenues			\$ 5,215,519	\$ 4,746,667
Total expenditures			4,111,584	3,469,850
<b>Subtotal</b>			<b>1,103,935</b>	<b>1,276,817</b>
Depreciation			(3,985,881)	(3,865,160)
Net OPEB expense			(25,486)	(38,918)
LGERS expense			(18,492)	26,712
Change in inventory			(91)	(763)
Change in accrued vacation			14,950	(24,935)
Capital outlay			40,106	122,896
<b>Subtotal</b>			<b>(3,974,894)</b>	<b>(3,780,168)</b>
<b>Change in net position</b>			<b>\$ (2,870,959)</b>	<b>\$ (2,503,351)</b>

City of Fayetteville, North Carolina

Schedule of Changes in the Status of  
Airport Capital Project Fund

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual			Total to Date
		Prior Years	Closed Projects	Current Year	
<b>Revenues</b>					
Federal grants	\$ 11,948,622	\$ 10,823,552	\$ -	\$ -	\$ 10,823,552
State grants	3,718,613	213,981	-	3,148,014	3,361,995
Passenger facility charges	671,306	2,678,488	222,677	900,341	3,356,152
Customer facility charges	425,000	1,320,074	-	1,219,659	2,539,733
Interest earned on Investments	197,606	349,940	(48)	37,979	387,967
<b>Total revenues</b>	<b>16,961,147</b>	<b>15,386,035</b>	<b>222,629</b>	<b>5,305,993</b>	<b>20,469,399</b>
<b>Expenditures</b>					
AIP-41 Runway 4/22 Paved	4,223,819	3,722,459	-	-	3,722,459
AIP-42 Airline Terminal Air	6,331,799	5,589,438	-	-	5,589,438
Jetbridge 4 Replacement	489,500	470,334	-	-	470,334
Stormdrain Pipe Installation	-	2,600	2,600	-	-
GA Fence Replacement	175,000	-	-	-	-
North GA Parking	847,426	373,240	-	455,221	828,461
Runway 4 Safety Area FAA Reimbursement	71,779	57,239	-	-	57,239
Rental Car Facility Improvements	25,000	6,993	-	2,793	9,786
Rehabilitation Runway 10/28	4,131,793	237,757	-	3,497,793	3,735,550
AIP 43 Terminal Improvements	3,930,603	2,883,512	-	462,847	3,346,359
Aviation Fuel Farm Paving	162,400	-	-	-	-
<b>Total expenditures</b>	<b>20,389,119</b>	<b>13,343,572</b>	<b>2,600</b>	<b>4,418,654</b>	<b>17,759,626</b>
<b>Revenues over (under) expenditures</b>	<b>(3,427,972)</b>	<b>2,042,463</b>	<b>(220,029)</b>	<b>887,339</b>	<b>2,709,773</b>
<b>Other financing sources (uses)</b>					
Transfers in	3,816,886	3,919,794	(107,629)	550,606	4,578,029
Transfers out	(388,914)	(385,964)	(112,400)	(112,400)	(385,964)
Proceeds from sale of assets	-	1,934	-	-	1,934
<b>Total other financing sources (uses)</b>	<b>3,427,972</b>	<b>3,535,764</b>	<b>(220,029)</b>	<b>438,206</b>	<b>4,193,999</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 5,578,227</b>	<b>\$ -</b>	<b>\$ 1,325,545</b>	<b>\$ 6,903,772</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of revenues over expenditures				\$ 1,325,545	
Non-capitalizable items				(1,817)	
Capital outlay				4,418,654	
<b>Change in net position</b>				<b>\$ 5,742,382</b>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)  
Environmental Services Fund

Year Ended June 30, 2017  
(With Comparative Actual Amounts for Year Ended June 30, 2016)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Operating revenues</b>				
Charges for services	\$ 2,706,004	\$ 14,248	\$ 2,720,252	\$ 2,710,673
Other revenue from operations	175,693	36,947	212,640	192,950
<b>Total operating revenues</b>	<b>2,881,697</b>	<b>51,195</b>	<b>2,932,892</b>	<b>2,903,623</b>
<b>Operating expenditures</b>				
Salaries and employee benefits	4,173,288	331,405	3,841,883	3,905,318
Operating expenditures	7,564,305	685,841	6,878,464	5,417,372
Capital outlay	1,479,291	91,797	1,387,494	1,819,238
<b>Total operating expenditures</b>	<b>13,216,884</b>	<b>1,109,043</b>	<b>12,107,841</b>	<b>11,141,928</b>
<b>Operating income (loss)</b>	<b>(10,335,187)</b>	<b>1,160,238</b>	<b>(9,174,949)</b>	<b>(8,238,305)</b>
<b>Nonoperating revenues and expenditures</b>				
Federal and State grants	1,824,300	430,807	2,255,107	135,056
County revenue	306,035	(320)	305,715	304,535
Miscellaneous	102,600	(28,713)	73,887	109,826
Interest earned on investments	3,000	1,288	4,288	11,195
Interest expense	(16,401)	11,926	(4,475)	(6,198)
Debt service - principal payment	(263,187)	121,807	(141,380)	(141,380)
<b>Total nonoperating revenues and expenditures</b>	<b>1,956,347</b>	<b>536,795</b>	<b>2,493,142</b>	<b>413,034</b>
<b>Revenues over (under) expenditures</b>	<b>(8,378,840)</b>	<b>1,697,033</b>	<b>(6,681,807)</b>	<b>(7,825,271)</b>
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	-	88,875	88,875	1,613
Transfers in	7,203,468	(684,320)	6,519,148	7,236,436
Proceeds from loans	1,004,000	(1,004,000)	-	-
Appropriated fund balance	171,372	(171,372)	-	-
<b>Total other financing sources (uses)</b>	<b>8,378,840</b>	<b>(1,770,817)</b>	<b>6,608,023</b>	<b>7,238,049</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (73,784)</b>	<b>\$ (73,784)</b>	<b>\$ (587,222)</b>
<b>Reconciliation of change in net position</b>				
Total revenues			\$ 12,179,912	\$ 10,554,706
Total expenditures			12,253,696	11,141,928
<b>Subtotal</b>			<b>(73,784)</b>	<b>(587,222)</b>
Depreciation			(942,391)	(842,501)
Change in accrued vacation			23,483	(31,476)
Net OPEB expense			(58,662)	(96,944)
LGERS expense			(42,481)	66,558
Change in inventory			(18,014)	(15,864)
Proceeds from sale of assets			(88,875)	(1,613)
Gain (loss) on disposal of assets			(7,541)	1,613
Principal payment			141,380	141,380
Capital outlay			1,387,494	1,819,238
Unearned revenue			5,304	2,915
Accrued interest			(223)	42
<b>Subtotal</b>			<b>399,474</b>	<b>1,043,348</b>
<b>Change in net position</b>			<b>\$ 325,690</b>	<b>\$ 456,126</b>

City of Fayetteville, North Carolina

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

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ 2,152	\$ 18	\$ 2,170
<b>Total revenues</b>	<b>-</b>	<b>2,152</b>	<b>18</b>	<b>2,170</b>
<b>Expenditures</b>				
On board/on route systems	477,848	474,104	-	474,104
<b>Total expenditures</b>	<b>477,848</b>	<b>474,104</b>	<b>-</b>	<b>474,104</b>
<b>Revenues over (under) expenditures</b>	<b>(477,848)</b>	<b>(471,952)</b>	<b>18</b>	<b>(471,934)</b>
<b>Other financing sources (uses)</b>				
Transfers in	477,848	477,848	-	477,848
<b>Total other financing sources (uses)</b>	<b>477,848</b>	<b>477,848</b>	<b>-</b>	<b>477,848</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 5,896</b>	<b>\$ 18</b>	<b>\$ 5,914</b>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over expenditures			\$ 18	
<b>Change in net position, full accrual basis</b>			<b>\$ 18</b>	



# Internal Service Funds

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

The following comprise the City's Internal Service Funds:

Insurance Fund

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

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

Year Ended June 30, 2017  
(With Comparative Actual Amounts for Year Ended June 30, 2016)

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Operating revenues</b>				
Other revenues from operations	\$ 243,300	\$ 22,390	\$ 265,690	\$ 153,160
Interfund charges and employee contributions	20,075,287	(616,107)	19,459,180	18,183,154
<b>Total operating revenues</b>	<b>20,318,587</b>	<b>(593,717)</b>	<b>19,724,870</b>	<b>18,336,314</b>
<b>Operating expenditures</b>				
Salaries and employee benefits	435,656	64,312	371,344	360,477
Other operating expenditures	20,897,098	1,830,720	19,066,378	17,782,867
<b>Total operating expenses</b>	<b>21,332,754</b>	<b>1,895,032</b>	<b>19,437,722</b>	<b>18,143,344</b>
<b>Operating income (loss)</b>	<b>(1,014,167)</b>	<b>1,301,315</b>	<b>287,148</b>	<b>192,970</b>
<b>Non-operating revenues</b>				
Interest earned on investments	92,000	25,228	117,228	93,273
Miscellaneous	-	13,779	13,779	6,906
<b>Total non-operating revenues</b>	<b>92,000</b>	<b>39,007</b>	<b>131,007</b>	<b>100,179</b>
<b>Revenues over (under) expenditures</b>	<b>(922,167)</b>	<b>1,340,322</b>	<b>418,155</b>	<b>293,149</b>
<b>Other financing sources (uses)</b>				
Transfers in	803,071	-	803,071	807,045
Transfers out	(1,167,309)	25,001	(1,142,308)	(495,000)
Appropriated fund balance	1,286,405	(1,286,405)	-	-
<b>Total other financing sources (uses)</b>	<b>922,167</b>	<b>(1,261,404)</b>	<b>(339,237)</b>	<b>312,045</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 78,918</b>	<b>\$ 78,918</b>	<b>\$ 605,194</b>
<b>Reconciliation of change in net position:</b>				
Total revenues			\$ 20,658,948	\$ 19,243,538
Total expenditures			20,580,031	18,638,344
<b>Subtotal</b>			<b>78,917</b>	<b>605,194</b>
Decrease (increase) in accrued vacation			385	832
Change in net OPEB expense			(6,165)	(9,698)
Decrease (increase) in insurance liability (IBNR)			1,754,374	(217,602)
LGERS expense			(4,472)	6,618
<b>Subtotal</b>			<b>1,744,122</b>	<b>(219,850)</b>
<b>Change in net position</b>			<b>\$ 1,823,039</b>	<b>\$ 385,344</b>

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Fiduciary Funds

- 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.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Trust & Agency Funds

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

The following comprise the City's Trust Funds:

Private-Purpose Trust Funds  
    Police Benefit Trust Fund  
    Firefighters' Benefit Trust Fund

Agency Fund  
    Red Light Camera Fund

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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City of Fayetteville, North Carolina

Combining Statement of Fiduciary Net Position

Private-purpose Trust Funds

June 30, 2017

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	<u>Police Benefit Trust Fund</u>	<u>Firefighters' Benefit Trust Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 432</u>	<u>\$ 1,379,669</u>	<u>\$ 1,380,101</u>
<b>Total assets</b>	<u>432</u>	<u>1,379,669</u>	<u>1,380,101</u>
<b>Net position</b>			
Held in Trust for benefits and other purposes	<u>432</u>	<u>1,379,669</u>	<u>1,380,101</u>
<b>Total net position</b>	<u>\$ 432</u>	<u>\$ 1,379,669</u>	<u>\$ 1,380,101</u>

City of Fayetteville, North Carolina

Combining Statement of Changes in Fiduciary Net Position  
 Private-purpose Trust Funds  
 Year Ended June 30, 2017

	<u>Police Benefit Trust Fund</u>	<u>Firefighters' Benefit Trust Fund</u>	<u>Total</u>
<b>Additions</b>			
Contributions	\$ -	\$ 132,873	\$ 132,873
Investment earnings	-	36,966	36,966
<b>Total additions</b>	<u>-</u>	<u>169,839</u>	<u>169,839</u>
<b>Deductions</b>			
Benefit payments and premiums	-	172,186	172,186
<b>Total deductions</b>	<u>-</u>	<u>172,186</u>	<u>172,186</u>
<b>Change in net position</b>	<u>-</u>	<u>(2,347)</u>	<u>(2,347)</u>
<b>Total net position - beginning</b>	<u>432</u>	<u>1,382,016</u>	<u>1,382,448</u>
<b>Total net position - ending</b>	<u>\$ 432</u>	<u>\$ 1,379,669</u>	<u>\$ 1,380,101</u>



City of Fayetteville, North Carolina

Statement of Changes in Assets and Liabilities  
Red Light Camera Agency Fund  
Year Ended June 30, 2017

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 129,779</u>	<u>\$ 1,501,519</u>	<u>\$ 1,499,978</u>	<u>\$ 131,320</u>
<b>Liabilities</b>				
Intergovernmental payable	<u>\$ 129,779</u>	<u>\$ 1,501,519</u>	<u>\$ 1,499,978</u>	<u>\$ 131,320</u>

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Other Supplemental Financial Data

The current tax levy and taxed 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**

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City of Fayetteville, North Carolina

Analysis of Current Tax Levy

For the Fiscal Year Ended June 30, 2017

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
General Fund (including VTS)	\$ 13,955,400,801	0.4995	\$ 69,707,227	\$ 64,782,551	\$ 4,924,676
General Fund (VTS July - Sept 2016)	371,618,862	0.486	1,806,068	-	1,806,068
Subtotal	<u>14,327,019,663</u>		<u>71,513,295</u>	<u>64,782,551</u>	<u>6,730,744</u>
Late Listing Penalties:					
General Fund			28,210	28,210	-
Subtotal			<u>71,541,505</u>	<u>64,810,761</u>	<u>6,730,744</u>
<b>Discoveries:</b>					
General Fund	46,039,319	0.4995	229,966	209,959	20,007
Late Listing Penalties:					
General Fund	-		37,819	37,819	-
Subtotal			<u>267,785</u>	<u>247,778</u>	<u>20,007</u>
<b>Releases:</b>					
General Fund	(17,985,632)	0.4995	(89,839)	(89,020)	(819)
Late Listing Penalties:					
General Fund	-		(32,921)	(32,921)	-
Subtotal	<u>-</u>		<u>(122,760)</u>	<u>(121,941)</u>	<u>(819)</u>
<b>Adjusted Tax Levy</b>	<u>\$ 14,355,073,350</u>		<u>71,686,530</u>	<u>64,936,598</u>	<u>6,749,932</u>
<b>Uncollected current year taxes at June 30, 2017</b>			(476,640)	(471,012)	(5,628)
<b>City-wide current year's taxes collected</b>			<u>\$ 71,209,890</u>	<u>\$ 64,465,586</u>	<u>\$ 6,744,304</u>
<b>Current levy collection percentage</b>			<u>99.34%</u>	<u>99.27%</u>	<u>99.92%</u>

City of Fayetteville, North Carolina

Schedule of Taxes Receivable

June 30, 2017

Fiscal Year Ended	Uncollected Balance June 30, 2016	Additions and Releases	Collections	Uncollected Balance June 30, 2017
2017	\$ -	\$ 71,686,530	\$ 71,209,890	\$ 476,640
2016	396,245	(1,374)	266,445	128,426
2015	132,216	(333)	45,336	86,547
All Prior	1,925,549	(171,418)	42,051	1,712,080
	2,454,010	\$ 71,513,405	\$ 71,563,722	2,403,693
<b>Less: Allowance for Uncollectible Taxes</b>				
General Fund	(854,909)			(856,040)
	\$ 1,599,101			\$ 1,547,653
General Fund Taxes Receivable per the fund financial statements				\$ 1,723,223
Less: CBTD Taxes Receivable				(3,142)
Less: Vehicle License Fee Receivable				(172,428)
<b>General Fund Ad Valorem Taxes Receivable</b>				\$ 1,547,653
<b>Reconciliations of collections and credit with revenues</b>				
Ad Valorem Taxes per the fund financial statements			\$ 71,974,909	
Less Penalties & Interest			(219,433)	
Less Taxes - CBTD			(134,060)	
Less Taxes - Lake Valley Dr MSD			(57,694)	
<b>General Fund Ad Valorem Taxes</b>			\$ 71,563,722	

**City of Fayetteville, North Carolina**  
**Emergency Telephone System Unspent Fund**  
**PSAP Reconciliation**

**June 30, 2017**

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Net Change in Fund Balance, reported on Budget to Actual	\$ (209,431)
Transfer from General Fund	(2,890)
Beginning Balance, PSAP Revenue-Expenditure Report	<u>1,233,711</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u><u>\$ 1,021,390</u></u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - 911 Emergency Telephone Systems

Year Ended June 30, 2017

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

	Budget	Variance Positive (Negative)	2017 Actual	2016 Actual
<b>Revenues</b>				
Restricted intergovernmental	\$ 819,348	\$ -	\$ 819,348	\$ 856,110
Interest earned on investments	1,845	3,979	5,824	6,954
<b>Total revenues</b>	<b>821,193</b>	<b>3,979</b>	<b>825,172</b>	<b>863,064</b>
<b>Expenditures</b>				
<b>Public Safety</b>				
Implemental functions	175,823	5,563	170,260	165,505
Telephone	2,192	-	2,192	131,692
Hosted solutions	568,170	-	568,170	355,876
Software maintenance	86,648	-	86,648	86,635
Hardware maintenance	241,441	67,341	174,100	188,373
Training	36,123	-	36,123	28,280
<b>Total expenditures</b>	<b>1,110,397</b>	<b>72,904</b>	<b>1,037,493</b>	<b>956,361</b>
<b>Revenues over (under) expenditures</b>	<b>(289,204)</b>	<b>76,883</b>	<b>(212,321)</b>	<b>(93,297)</b>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	289,204	(289,204)	-	-
Transfer from General Fund	-	2,890	2,890	3,305
<b>Total other financing sources (uses)</b>	<b>289,204</b>	<b>(286,314)</b>	<b>2,890</b>	<b>3,305</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (209,431)</b>	<b>(209,431)</b>	<b>(89,992)</b>
<b>Fund balances</b>				
Beginning			1,230,821	1,320,813
Ending			<u>\$ 1,021,390</u>	<u>\$ 1,230,821</u>



# Comprehensive Annual Financial Report 2017



City of Fayetteville, NC  
Fiscal Year Ended  
June 30, 2017



# Statistical Section



**City of Fayetteville, North Carolina**  
**STATISTICAL SECTION**  
**(Unaudited)**

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

**CONTENTS**

**Financial Trends**

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

**Revenue Capacity**

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

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

**Schedule 1**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Investment in capital assets	\$ 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	\$ 329,434,958
Restricted for:										
Capital projects	1,047,622	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	35,832,753	26,200,123	27,136,010	29,025,780	43,756,156	41,001,564	54,544,864
Grant compliance	1,883,445	1,885,171	3,225,781	-	-	-	162,574	1,930,863	801,855	349,930
Unrestricted	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	6,879,303
<b>Total governmental activities net position</b>	<b>\$ 427,749,747</b>	<b>\$ 425,857,235</b>	<b>\$ 422,728,293</b>	<b>\$ 432,407,196</b>	<b>\$ 416,099,103</b>	<b>\$ 416,822,092</b>	<b>\$ 407,307,620</b>	<b>\$ 403,056,715</b>	<b>\$ 407,640,484</b>	<b>\$ 391,209,055</b>
<b>Business-type activities</b>										
Investment in capital assets	\$ 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	\$ 101,703,182
Restricted for:										
Capital projects	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	2,234,132
Debt service	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	1,020
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	122,199,894	148,697,773	162,197,819	186,407,794	259,366,012	248,376,752	231,097,540	256,367,823	23,900,354	27,666,805
<b>Total business-type activities net position</b>	<b>\$ 630,228,012</b>	<b>\$ 673,906,606</b>	<b>\$ 735,786,180</b>	<b>\$ 800,421,798</b>	<b>\$ 896,609,379</b>	<b>\$ 919,428,268</b>	<b>\$ 941,731,817</b>	<b>\$ 964,741,089</b>	<b>\$ 121,250,411</b>	<b>\$ 131,605,139</b>
<b>Primary Government</b>										
Investment in capital assets	\$ 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	\$ 431,138,140
Restricted for:										
Capital projects	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	2,234,132
Debt service	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	-	-
Other purposes	-	-	-	35,832,753	26,200,123	27,136,010	29,026,800	43,757,176	41,002,584	54,545,884
Grant compliance	1,883,445	1,885,171	3,225,781	-	-	-	162,574	1,930,863	801,855	349,930
Unrestricted	192,535,808	221,609,989	232,071,656	224,317,040	302,999,526	289,321,511	270,658,549	283,111,950	51,443,981	34,546,108
<b>Total primary government net position</b>	<b>\$ 1,057,977,759</b>	<b>\$ 1,099,763,841</b>	<b>\$ 1,158,514,473</b>	<b>\$ 1,232,828,994</b>	<b>\$ 1,312,708,482</b>	<b>\$ 1,336,250,360</b>	<b>\$ 1,349,039,437</b>	<b>\$ 1,367,797,804</b>	<b>\$ 528,890,895</b>	<b>\$ 522,814,194</b>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental Activities</b>										
Administration	\$ 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	\$ 27,154,946
Public safety	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	87,298,395
Environmental protection	12,126,391	12,048,837	11,098,182	14,636,753	8,369,933	8,100,683	477,470	458,342	536,121	757,612
Transportation	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	22,297,364
Economic and physical development	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	5,785,839
Recreation and community facilities	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	15,921,506
Debt Service:										
Interest and fees	2,061,409	1,981,641	1,693,633	1,585,197	1,464,554	1,157,838	960,294	811,174	708,588	604,659
<b>Total governmental activities</b>	<b>133,795,431</b>	<b>132,579,405</b>	<b>143,610,274</b>	<b>149,437,531</b>	<b>142,637,575</b>	<b>144,770,042</b>	<b>143,425,333</b>	<b>143,751,077</b>	<b>156,533,946</b>	<b>159,820,321</b>
<b>Business type activities</b>										
Electric	137,561,749	144,714,714	142,995,626	149,700,921	146,116,831	197,553,706	212,158,021	203,441,960	-	-
Water and wastewater	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 <sup>1</sup>	N/A	N/A	N/A	N/A	2,891,487	3,225,830	4,588,821	4,569,999	4,755,537	4,662,158
Transit	5,584,011	5,975,160	6,230,449	6,847,471	7,664,911	7,721,977	8,339,679	8,886,160	9,401,907	10,449,142
Airport	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	7,537,690
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	11,763,127
<b>Total business-type activities</b>	<b>201,844,859</b>	<b>222,101,812</b>	<b>224,823,123</b>	<b>223,899,535</b>	<b>229,247,158</b>	<b>285,653,143</b>	<b>311,172,349</b>	<b>308,658,779</b>	<b>31,659,702</b>	<b>34,412,117</b>
<b>Total primary government</b>	<b>\$ 335,640,290</b>	<b>\$ 354,681,217</b>	<b>\$ 368,433,397</b>	<b>\$ 373,337,066</b>	<b>\$ 371,884,733</b>	<b>\$ 430,423,185</b>	<b>\$ 454,597,682</b>	<b>\$ 452,409,856</b>	<b>\$ 188,193,648</b>	<b>\$ 194,232,438</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
<i>Administration</i>										
Charges for services	\$ 755,883	\$ 868,572	\$ 830,793	\$ 996,905	\$ 1,024,970	\$ 994,985	\$ 1,542,466	\$ 1,811,598	\$ 2,087,923	\$ 1,105,173
Operating grants and contributions	63,268	7,264	30,000	31,141	3,585	16,374	32,545	8,485	4,610	5,893,754
<i>Public Safety</i>										
Charges for services	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	977,480
Operating grants and contributions	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	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	3,416,607	3,494,076	5,321,692	5,313,078	192,595	202,215	59,335	36,020	45,075	1,925,656
Operating grants and contributions	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	882,698	1,048,358	924,384	1,442,076	1,266,686	1,130,521	1,276,526	1,337,933	907,196	150,317
Operating grants and contributions	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	5,372,792
Capital grants and contributions	155,409	85,372	96,757	204,583	3,511,719	3,487,233	1,905,111	173,144	6,622,200	1,234,697
<i>Economic and physical development</i>										

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

Schedule 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Economic and physical development</i>										
Charges for services	\$ -	\$ -	\$ 70,995	\$ 320,748	\$ 562,138	\$ 512,467	\$ 422,997	\$ 376,160	\$ 479,286	\$ 510,298
Operating grants and contributions	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	1,706,081
Capital grants and contributions	338,684	30,913	383,277	503,614	847,788	103	-	-	3,114	149,452
<i>Recreation and community facilities</i>										
Charges for services	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	1,735,367
Operating grants and contributions	56,292	35,844	105,460	123,063	140,384	188,446	149,587	218,258	418,295	2,432,942
Capital grants and contributions	781,410	1,312,932	2,642,557	10,696,075	2,004,325	695,162	882,480	1,179,024	1,409,404	33,564
<i>Interest and fees</i>										
Operating grants and contributions	-	-	-	318,310	185,825	111,724	104,110	88,737	-	-
Total governmental activities programs	<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>	<u>24,811,136</u>
Business-type activities:										
Electric										
Charges for services	166,899,655	169,451,426	173,192,801	194,811,519	197,656,327	211,789,791	217,853,786	223,663,832	-	-
Capital grants and contributions	405,586	1,044,143	1,407,440	1,535,614	371,766	889,399	1,297,052	96,819	-	-
Water and wastewater										
Charges for services	57,080,057	64,945,746	75,419,483	68,749,604	70,930,218	71,403,280	74,492,496	76,820,546	-	-
Capital grants and contributions	14,452,981	11,598,860	22,835,906	10,618,542	10,780,807	2,914,570	8,143,723	7,708,126	-	-
Storm water management <sup>1</sup>										
Charges for services	N/A	N/A	N/A	N/A	5,183,444	5,247,665	5,283,676	6,224,941	6,792,851	6,866,159
Operating grants and contributions	N/A	N/A	N/A	N/A	-	-	-	-	131,991	42,261
Capital grants and contributions	N/A	N/A	N/A	N/A	-	-	-	-	-	177,509
Transit										
Charges for services	774,345	801,967	839,490	891,454	1,025,180	1,118,149	1,245,135	1,349,877	1,394,009	1,373,694
Operating grants and contributions	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	3,497,224
Capital grants and contributions	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	5,615,750
Airport										
Charges for services	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	4,724,908
Operating grants and contributions	146,092	-	1,040,076	144,153	138,131	112,888	108,430	110,580	107,080	2,242,093
Capital grants and contributions	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	3,148,014
Environmental Services										
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	2,938,196
Operating grants and contributions	-	263,070	296,121	298,005	299,525	301,250	133,637	135,815	135,056	2,560,822
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program	<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>	<u>33,186,630</u>
Total primary government program	<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>	<u>\$ 57,997,766</u>

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

Schedule 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,096)	\$ (105,258,368)	\$ (111,365,293)	\$ (116,034,378)	\$ (118,622,799)	\$ (117,746,498)	\$ (122,359,267)	\$ (135,009,185)
Business-type activities	46,211,442	42,124,056	64,027,045	69,695,093	76,687,968	25,458,935	11,048,193	25,640,345	(747,592)	(1,225,487)
Total primary government net expense	<u>\$ (63,068,958)</u>	<u>\$ (65,199,431)</u>	<u>\$ (49,828,051)</u>	<u>\$ (35,563,275)</u>	<u>\$ (34,677,325)</u>	<u>\$ (90,575,443)</u>	<u>\$ (107,574,606)</u>	<u>\$ (92,106,153)</u>	<u>\$ (123,106,859)</u>	<u>\$ (136,234,672)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Ad valorem taxes	\$ 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	\$ 72,112,845
Other taxes	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	54,832,387
Payment in lieu of taxes									9,487,800	9,966,765
Unrestricted grants and contributions	801,099	814,901	295,870	-	902,467	839,798	914,579	1,003,800	916,625	1,536,981
Interest earned on investments	3,704,974	2,212,641	1,157,788	769,192	565,944	8,522	818,792	468,468	514,449	810,961
Miscellaneous	627,860	865,351	652,055	1,379,722	1,174,240	513,652	541,010	385,836	501,294	3,593,019
Gain on sale of capital assets	254,875	240,465	210,072	343,836	385,076	1,063,285	142,765	178,557	144,204	(133,937)
Transfers	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)	(10,367,645)
Special Item	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>123,616,091</u>	<u>132,351,376</u>
Business-type activities:										
Other taxes	-	-	-	-	649,471	660,193	839,060	638,129	632,073	636,467
Interest earned on investments	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	179,472
Miscellaneous	90,271	88,058	87,444	247,622	252,092	323,661	466,103	466,468	439,571	403,307
Transfers	(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	10,367,645
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	(6,681)
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>11,580,210</u>
Total primary government	<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>\$ 135,589,097</u>	<u>\$ 143,931,586</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (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	\$ (2,657,809)
Business-type activities	48,387,699	43,678,594	61,879,574	64,635,618	74,836,365	25,946,269	22,303,549	28,410,138	11,225,414	10,354,723
Total primary government	<u>\$ 45,292,297</u>	<u>\$ 41,786,082</u>	<u>\$ 58,750,632</u>	<u>\$ 74,314,521</u>	<u>\$ 79,879,488</u>	<u>\$ 27,075,041</u>	<u>\$ 12,789,077</u>	<u>\$ 33,770,560</u>	<u>\$ 12,482,238</u>	<u>\$ 7,696,914</u>

<sup>1</sup>The 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 17,226,906	\$ 17,984,934	\$ 17,972,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	35,781,835	27,934,081	28,616,050	-	-	-	-	-	-	-
Nonspendable	-	-	-	160,391	170,322	137,604	124,837	117,022	72,637	1,173,189
Restricted	-	-	-	18,160,858	18,018,110	19,370,822	20,994,163	24,408,566	24,304,919	27,898,312
Committed	-	-	-	-	-	-	-	-	3,774,601	4,672,755
Assigned	-	-	-	13,578,711	13,545,829	14,004,183	11,560,730	14,381,101	10,645,774	8,914,212
Unassigned	-	-	-	16,807,431	20,161,587	17,551,749	19,368,407	21,630,019	23,070,485	21,649,085
<b>Total General Fund</b>	<b>\$ 53,008,741</b>	<b>\$ 45,919,015</b>	<b>\$ 46,588,578</b>	<b>\$ 48,707,391</b>	<b>\$ 51,895,848</b>	<b>\$ 51,064,358</b>	<b>\$ 52,048,137</b>	<b>\$ 60,536,708</b>	<b>\$ 61,868,417</b>	<b>\$ 64,307,553</b>
<b>Recreational and Cultural Fund<sup>1</sup></b>										
Reserved	\$ -	\$ 1,328,058	\$ 633,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Capital Projects	-	87,800	702,865	-	-	-	-	-	-	-
<b>Total Recreational and Cultural Fund</b>	<b>\$ -</b>	<b>\$ 1,415,858</b>	<b>\$ 1,336,334</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>All other governmental funds</b>										
Reserved	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor:										
Special Revenue	3,384,703	2,893,694	3,526,252	-	-	-	-	-	-	-
Capital Projects	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	17,498,500	26,996,482
Committed	-	-	-	9,788,921	5,524,169	6,012,520	7,506,621	7,307,120	6,638,069	6,323,088
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(1,411,539)	(1,055,147)	(595,034)	(876,336)	(1,598,518)	(704,521)	(7,008,571)
<b>Total all other governmental funds</b>	<b>\$ 12,683,843</b>	<b>\$ 17,685,642</b>	<b>\$ 23,743,874</b>	<b>\$ 26,049,277</b>	<b>\$ 12,651,035</b>	<b>\$ 13,182,674</b>	<b>\$ 19,265,671</b>	<b>\$ 28,667,854</b>	<b>\$ 23,432,048</b>	<b>\$ 26,310,999</b>

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

<sup>1</sup> 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>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>	<u>2017</u>
<b>Revenues</b>										
Ad valorem taxes	\$ 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	\$ 71,974,910
Other taxes <sup>1</sup>	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	1,354,312
Intergovernmental	13,009,887	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental <sup>1</sup>	-	40,367,061	41,927,788	43,347,718	44,355,628	46,363,857	47,695,920	52,471,036	63,665,595	64,981,821
Restricted intergovernmental <sup>1</sup>	-	11,828,229	16,964,952	26,722,238	19,874,277	16,113,807	13,173,189	16,134,374	17,377,544	16,374,101
Local	-	-	-	-	-	-	-	-	2,102	595,893
Other functional	4,693,419	-	-	-	-	-	-	-	-	-
Permits and fees <sup>1</sup>	-	1,889,966	1,880,274	2,824,584	2,757,155	2,933,818	2,347,930	2,324,735	2,377,031	2,200,113
Sales and services <sup>1</sup>	-	3,263,932	3,182,815	3,561,896	4,424,754	4,347,871	3,998,499	4,102,986	4,449,582	4,478,635
Miscellaneous	2,820,264	3,108,912	2,837,133	4,186,300	4,254,636	3,543,069	3,906,564	3,457,945	5,767,858	3,593,019
Interest earned on investments	3,030,672	1,748,164	929,799	538,984	307,465	(42,273)	494,849	531,400	507,858	512,557
Total revenues	<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>164,634,137</u>	<u>166,065,361</u>
<b>Expenditures</b>										
Administration	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	26,894,226
Public safety	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	80,141,845
Environmental protection	10,439,749	10,328,809	9,493,404	12,859,355	6,650,496	6,386,275	32,980	291,281	335,188	524,951
Transportation	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	8,711,851
Economic and physical development	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	4,715,831
Recreation and community facilities	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	12,903,835
Capital outlay	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	15,906,532
Debt Service										
Principal	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	4,481,128
Interest and fees	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	630,308
Issuance costs	-	-	131,014	-	-	-	-	-	-	70,738
Total expenditures	<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>162,813,516</u>	<u>154,981,246</u>
Excess (deficiency) of revenues over (under) expenditures	(7,417,568)	(6,607,354)	(7,586,474)	(20,348,630)	(7,727,552)	(4,715,267)	1,271,610	3,962,215	1,820,621	11,084,115
<b>Other financing sources (uses)</b>										
Refunding Bonds issued	-	-	7,896,115	-	-	-	-	-	-	-
Proceeds from capital leases, bonds and other debt	3,303,940	-	6,550,809	14,857,940	-	-	3,937,714	4,257,748	1,878,677	4,240,977
Transfers in	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	11,275,323
Transfers out	(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)	(21,303,731)
Sale of Capital Assets <sup>1</sup>	-	246,972	210,072	328,316	363,380	1,027,375	114,013	168,430	140,302	169,922
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>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>(9,051,663)</u>	<u>(5,617,509)</u>
Net change in fund balances	<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>\$ (7,231,042)</u>	<u>\$ 5,466,606</u>
Debt service as a percentage of noncapital expenditures	<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>	<u>3.73%</u>

<sup>1</sup> 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

<b>Fiscal Year</b>	<b>Ad Valorem</b>	<b>Sales Tax</b>	<b>Utility Taxes</b>	<b>Vehicle License Tax</b>	<b>Privilege License</b>	<b>Beer and Wine Tax</b>	<b>Cablevision and Other Franchise Tax<sup>1</sup></b>	<b>Rental Property Gross Receipts</b>	<b>Consolidated 911 Tax<sup>2</sup></b>	<b>Total</b>
2017	\$ 71,974,910	\$ 39,922,499	\$ 13,555,577	\$ 639,089	\$ 16,989	\$ 942,161	\$ -	\$ 698,234	\$ -	\$ 127,749,459
2016	69,176,547	38,764,144	13,864,508	635,258	17,118	916,625	-	657,643	-	124,031,843
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

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>1</sup>	Less: Tax Exempt Real Property <sup>2</sup>	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio <sup>3</sup>
2017	\$ 12,445,237,310	\$ 1,955,171,158	\$ 190,188,186	\$ 235,523,304	\$ 14,355,073,350	0.4995	\$ 13,764,805,486	105.08%
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 <sup>4</sup>	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 <sup>5</sup>	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%

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.

<sup>1</sup> 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.

<sup>2</sup> Exempt real estate only.

<sup>3</sup> 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.

<sup>4</sup> 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.

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

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

Schedule 7

<b>Fiscal Year Ended June 30</b>	<b>City General Tax Rate</b>	<b>Central Business Tax District Rate</b>	<b>Lake Valley Drive Municipal Service District Rate<sup>2</sup></b>	<b>Overlapping Rates <sup>1</sup> Cumberland County County wide</b>
2017	0.4995	0.100	0.394	0.799
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

Source: Cumberland County Tax Office

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

<sup>2</sup> 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**

<u>Taxpayer</u>	<u>2017 <sup>1</sup></u>			<u>2008 <sup>2</sup></u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Cross Creek Mall LLC	\$ 140,848,300	1	0.98%	\$ 72,650,500	1	0.71%
Fayetteville VA Co LLC	91,131,584	2	0.65%			
Piedmont Natural Gas	48,102,064	3	0.34%	39,678,145	4	0.39%
Wal-Mart	45,931,940	4	0.33%			
Carolina Telephone	30,948,342	5	0.23%	66,265,415	2	0.65%
Westlake at Morganton LLC	27,641,499	6	0.21%			
Independence Place West Fayetteville	26,254,501	7	0.20%			
DDRM Fayetteville Pavilion LLC	25,790,300	8	0.20%			
West Park Apartments LLC	24,541,700	9	0.24%			
Hidden Creek Village	23,663,800	10	0.23%	21,458,200	5	0.21%
Fayetteville Publishing Company				20,899,234	6	0.20%
Centurion Aviation Service				50,075,000	3	0.49%
Cross Creek Phase 1 LLC				17,911,425	7	0.18%
Morganton Development LLC				16,929,398	8	0.17%
Village at Cliffdale				15,842,300	9	0.16%
Morganton Place Apartments				15,111,500	10	0.15%
	<u>\$ 484,854,030</u>		<u>3.61%</u>	<u>\$ 336,821,117</u>		<u>3.31%</u>

<sup>1</sup> Assessed valuations are as of January 1, 2016 and the associated tax levies were due in the fiscal year ended June 30, 2017.

<sup>2</sup> Assessed valuations are as of January 1, 2007 and the associated tax levies were due in the fiscal year ended June 30, 2008.

**City of Fayetteville, North Carolina  
Property Tax Levies and Collections <sup>1</sup>  
Last Ten Fiscal Years  
(Unaudited)**

**Schedule 9**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 71,686,530	\$ 71,209,890	99.34%	\$ -	\$ 71,209,890	99.34%
2016	68,695,823	68,299,578	99.42%	266,445	68,566,023	99.81%
2015	67,898,129	67,458,548	99.35%	337,115	67,795,663	99.85%
2014	64,477,068	63,626,991	98.68%	606,590	64,233,582	99.62%
2013	61,869,392	60,343,502	97.53%	1,113,892	61,457,394	99.33%
2012	59,990,898	58,593,009	97.67%	1,046,455	59,639,463	99.41%
2011	58,795,924	57,406,499	97.64%	1,039,428	58,445,927	99.40%
2010	58,418,406	57,126,777	97.79%	963,412	58,090,189	99.44%
2009	55,349,877	53,901,099	97.38%	1,091,284	54,992,383	99.35%
2008	54,216,530	52,738,807	97.27%	1,109,021	53,847,828	99.32%

<sup>1</sup> 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 <sup>1</sup>	Per Capita <sup>1</sup>
	Bonded Debt	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Capitalized Leases			
2017	\$ 3,517,147	\$ 20,094,321	\$ 225,000	\$ -	\$ 7,280,000	\$ 325,389	\$ 1,295,460	\$ 32,737,317	N/A	157
2016	4,396,267	19,419,617	300,000	-	7,925,000	350,419	434,563	32,825,866	2.65%	158
2015 <sup>2</sup>	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.

<sup>1</sup> See schedule 15 for per capita personal income and population data.

<sup>2</sup> 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**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 11**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>			<b>Percentage of Actual Total Assessed Value of</b>	
	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Total Primary Government</b>	<b>Property 1</b>	<b>Per Capita 2</b>
2017	\$ 3,517,147	\$ 7,280,000	\$ 10,797,147	0.08%	52
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.

<sup>1</sup> See Schedule 6 for property value data.

<sup>2</sup> Population data can be found in Schedule 15.

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**  
**Direct and Overlapping Governmental Activities Debt**  
**For the fiscal year ending June 30, 2017**  
**(Unaudited)**

**Schedule 12**

<b>Governmental Unit</b>	<b>Debt Outstanding <sup>1</sup></b>	<b>Estimated Percentage Applicable</b>	<b>Estimated share of Overlapping Debt</b>
Debt repaid with property taxes:			
Cumberland County	\$ 120,540,741	60.32%	\$ 72,715,237
Subtotal, overlapping debt			72,715,237
City of Fayetteville direct debt			23,836,467
Total direct and overlapping debt			<u>\$ 96,551,704</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.

<sup>1</sup> 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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 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	\$ 1,148,407,468
Total net debt applicable to limit	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	25,111,914
Legal debt margin	\$ 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	\$ 1,123,295,554
Total net debt applicable to the limit as a percentage of debt limit	9.45%	7.89%	6.07%	6.65%	5.65%	5.41%	5.37%	5.93%	2.17%	2.19%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed Value	\$ 14,355,093,350
Debt Limit (8% of total assessed value)	1,148,407,468
Debt applicable to limit:	
Bonded debt	3,497,133
Notes payable	225,000
Capitalized leases	21,389,781
Subtotal	<u>25,111,914</u>
Authorized and unissued debt	<u>35,000,000</u>
Total Gross Debt	60,111,914
Less: Statutory deductions	
Bonds Authoriz	<u>(35,000,000)</u>
	<u>25,111,914</u>
	<u>\$ 1,123,295,554</u>

**City of Fayetteville, North Carolina**  
**Pledged Revenue Coverage - Stormwater**  
**Last Ten Fiscal Years<sup>1</sup>**  
**(Unaudited)**

**Schedule 14**

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service Requirements <sup>5</sup>			Coverage <sup>4</sup>
				Principal	Interest <sup>3</sup>	Total	
2017	\$ 6,833,895	\$ 3,682,835	3,151,060	\$ 645,000	\$ 243,432	\$ 888,432	3.55
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:

- <sup>1</sup> The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012.
- <sup>2</sup> Operating expenses include operating expenses exclusive of depreciation and all other amortization.
- <sup>3</sup> Interest represents accrual based interest excluding capitalized interest.
- <sup>4</sup> Coverage ratios do not represent coverage calculations as defined in the bond order.
- <sup>5</sup> Debt service includes revenue bonds and excludes notes payable.

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**

<b>Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup></b>	<b>Per Capita</b>	<b>School Enrollment <sup>3</sup></b>	<b>Unemployment Rate <sup>4</sup></b>	<b>Retail Sales in Billions <sup>5</sup></b>	
			<b>Personal Income <sup>2</sup></b>			<b>City</b>	<b>County</b>
2017	208,729	N/A	N/A	51,480	N/A	N/A (a)	\$4.040
2016	208,158	\$ 12,376,828,000	37,835	51,846	6.8%	N/A (a)	3.849
2015	208,373	12,134,537,000	37,270	50,939	6.6%	N/A (a)	3.693
2014	210,468	11,796,771,000	36,146	51,855	6.5%	N/A (a)	3.509
2013	209,080	11,567,254,000	35,409	52,729	7.6%	N/A (a)	3.559
2012	208,001	11,563,587,000	35,750	53,063	8.2%	N/A (a)	3.532
2011	208,291	11,306,461,000	34,909	53,361	8.5%	N/A (a)	3.376
2010	207,779	10,818,511,000	33,794	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

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates for July 1, 2008 through July 1, 2017.
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2017 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. 2017 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	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian) <sup>1</sup>	8,757	1	7.18%	8,857	1	7.04%
Cape Fear Valley Health System	6,317	2	5.18%	5,000	3	3.98%
Cumberland County Board of Education	6,022	3	4.94%	6,700	2	5.33%
Wal-Mart Associates Inc	2,850	4	2.34%	3,448	4	2.74%
Cumberland County Government	2,337	6	1.92%	2,788	5	2.22%
Goodyear Tire & Rubber Company	2,114	5	1.73%	2,650	6	2.11%
Fayetteville Technical Community College	1,431	7	1.17%			
City of Fayetteville	1,785	8	1.46%	1,996	7	1.59%
Veterans Administration	1,000	9	0.82%			
Food Lion	900	10	0.74%			
Fayetteville State University	900	10	0.74%			
State of North Carolina	-			1,530	8	1.22%
US Postal Service	-			1,312	9	1.04%
Methodist University	-			1,300	10	1.03%
<b>Total Employment (Ten Largest Civilian Employers)</b>	<b>34,413</b>		<b>28.20%</b>	<b>35,581</b>		<b>28.30%</b>

<sup>1</sup> Only includes Dept. of Defense Civilian Employees. Does not include contract employees or non-appropriated funds employees.

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

**Schedule 17**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Administration	97	91	91	93	96	105	108	117	125	121
Public Safety	827	827	829	875	851	898	911	930	950	915
Environmental Protection <sup>1</sup>	145	118	136	124	85	84	4	5	5	5
Transportation	52	79	79	72	77	78	78	75	79	70
Economic and physical development	15	15	19	24	20	20	20	22	27	13
Recreation and community facilities	125	125	133	114	121	121	117	117	115	170
Internal Service	44	44	52	48	45	46	45	5	4	4
Transit	54	54	61	76	87	92	89	98	113	104
Airport	18	18	18	18	19	19	20	23	23	17
Stormwater <sup>1</sup>	-	-	-	-	26	26	36	37	43	47
Environmental Services <sup>3</sup> (Solid Waste & Recycling)	-	-	-	-	-	1	70	67	70	74
<b>Total</b>	<b>1,377</b>	<b>1,371</b>	<b>1,418</b>	<b>1,444</b>	<b>1,427</b>	<b>1,490</b>	<b>1,498</b>	<b>1,496</b>	<b>1,554</b>	<b>1,540</b>

Source: City Finance Office

<sup>1</sup>The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012 and is no longer included with Environmental Protection.

<sup>2</sup>The Street Sweeping function became a part of the Stormwater enterprise fund effective fiscal year 2014 and is no longer included with Environmental Protection.

<sup>3</sup>The Solid Waste function became a part of the Environmental Services enterprise fund effective 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 18b

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Cultural and Recreational <sup>(3)</sup></b>										
Youth Sports participants	9,580	11,543	9,871	16,081	10,870	11,805	11,173	11,687	15,209	17,057
Adult Sports participants	1,648	2,100	5,348	6,772	1,036	1,172	1,087	761	944	998
Senior participants	85,564	89,461	62,818	92,894	102,170	109,503	89,416	90,311	109,289	97,603
Therapeutic participants	34,169	38,996	2,348	22,192	20,048	29,522	22,793	23,021	52,942	57,171
Aquatics participants	N/A	N/A	N/A	23,811	24,903	22,394	22,123	22,345	38,099	66,446
Park programs participants	29,359	27,584	16,810	24,182	24,074	21,712	28,086	28,367	30,589	30,920
Special events participants	2,745	2,841	2,979	6,567	11,161	11,983	20,727	20,642	22,446	15,692
Permitted events	61	66	82	81	64	66	89	81	96	105
Mobile stage/bleacher rentals	50	44	49	51	47	44	49	47	92	137
Recreation center participants	514,943	673,934	430,654	508,801	524,772	525,848	586,199	592,061	621,664	631,514
Historical properties participants	15,713	22,354	15,401	34,011	134,247	105,126	95,622	63,531	73,109	60,661
Picnic shelter rentals	30,041	29,211	31,772	38,381	50,218	46,839	40,761	38,484	36,687	43,122
Festival Park	323,028	267,794	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier 1 Events ( 0 - 500 Attendees )	N/A	N/A	6	2	5	3	1	5	5	9
Tier 2 Events ( 501 - 2,500 Attendees )	N/A	N/A	12	7	11	13	6	15	2	3
Tier 3 Events ( 2,501 - 5,000 Attendees )	N/A	N/A	15	13	14	13	6	16	2	7
Tier 4 Events ( 5,001 - 10,000 Attendees )	-	-	-	-	-	-	-	-	10	8
Tier 5 Events ( 10,001 + Attendees )	-	-	-	-	-	-	-	-	19	15
<b>Transportation</b>										
Street Maintenance										
Streets maintained (miles)	721.19	722.38	724.39	726.51	730.79	734.13	735.69	735.69	740.69	740.68
Street resurfacing and cape sealing (miles)	14.68	20.42	31.77	25.05	19.52	17.80	14.30	17.50	20.09	13.50
Number of traffic signals maintained <sup>(4)</sup>	178	205	225	225	225	226	214	214	214	225
Engineering										
Driveway permits (residential)	581	323	310	378	426	429	578	382	388	287
Driveway permits (commercial)	75	43	40	23	42	42	42	28	23	23
<b>Airport <sup>(1)</sup></b>										
Number of enplaned passengers	199,438	229,480	259,454	254,134	253,330	244,345	237,282 <sup>(1)</sup>	161,635	224,489	229,684
Number of deplaned passengers	197,092	229,993	254,891	258,719	253,575	243,876	236,635 <sup>(1)</sup>	219,312	221,292	228,562

(1) Statistics for the Fire Department and Airport reflect fiscal year data starting with year ending June 30, 2014.

(2) Statistics for the Police Department reflect fiscal year data starting with year ending June 30, 2016.

(3) Statistics reflect the merger of Cumberland County and City of Fayetteville Parks and Recreation Departments.

(4) 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**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Public Safety</b>										
Fire										
Number of stations	16	16	16	16	16	16	16	16	16	17
Police										
Number of stations	2	2	2	2	2	2	2	2	2	3
<b>Cultural and Recreational</b>										
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	7	7	7	7	7	7
Sports complexes (40 - 80 acres)	2	2	2	2	3	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	7	7	7	7	8	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	3
<b>Transportation</b>										
Street Maintenance										
Streets maintained (miles)	721.19	722.38	724.39	726.51	730.79	734.13	735.69	735.69 <sup>(1)</sup>	740.69	740.68
Number of traffic signals <sup>(2)</sup>	28	28	28	28	28	29	29	29	29	30

(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.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# Uniform Guidance and State Single Audit Implementation Act Compliance Section

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*
- Independent Auditor's Report on Compliance for Each Federal Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance, the State Single Audit Implementation Act and the Passenger Facility Charge Audit Guide
- Independent Auditor's Report on Compliance for each Major State Program and on Internal Control Over Compliance in Accordance with the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges
- Notes to the Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges



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

To 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 City of Fayetteville, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Fayetteville's basic financial statements, and have issued our report thereon dated January 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Fayetteville'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 City of Fayetteville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fayetteville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness and a significant deficiency.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies related to the Fayetteville Public Works Commission (a component unit of the City of Fayetteville) described in findings 2017-001 and 2017-002 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

*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. We consider the deficiency related City of Fayetteville described in finding 2017-003 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Fayetteville's financial statements are free from 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*.

**City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plans for the City of Fayetteville and the Fayetteville Public Works Commission. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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 City of Fayetteville's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering City of Fayetteville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina  
January 20, 2018



**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control Over Compliance  
in accordance with the Uniform Guidance and Passenger Facility Charge Program**

RSM US LLP

To 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 City of Fayetteville and Fayetteville Public Works Commission (PWC), North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*; the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission; and with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on each of City of Fayetteville's and PWC's major federal programs and the passenger facility charge program for the year ended June 30, 2017. City of Fayetteville's and PWC'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and the passenger facility charge program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Fayetteville's and PWC's major federal programs and the 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; 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), the State Single Audit Implementation Act (Act), and the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (Audit Guide). Those standards, the Uniform Guidance, the Single Audit Implementation Act, and the Audit 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 a major federal program or the passenger facility charge program, occurred. An audit includes examining, on a test basis, evidence about City of Fayetteville's and PWC'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 and the passenger facility charge program. However, our audit does not provide a legal determination of City of Fayetteville's compliance.

***Opinion on Each Major Federal Program and Passenger Facility Charge Program***

In our opinion, City of Fayetteville and PWC 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 their major federal programs and the passenger facility charge program for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of City of Fayetteville and PWC are 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 City of Fayetteville's and PWC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Audit 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 City of Fayetteville's and PWC'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 or 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 a federal program or 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliances and the results of that testing based on the requirements of the Uniform Guidance and the Audit Guide. Accordingly, this report is not suitable for any other purposes

*RSM US LLP*

Morehead City, North Carolina  
January 20, 2018



**Independent Auditor's Report on Compliance  
for Each Major State Program and on Internal Control Over Compliance  
in accordance with the State Single Audit Implementation Act**

To 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 City of Fayetteville, North Carolina's and Fayetteville Public Works Commission's (PWC) 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 City of Fayetteville's and PWC's major State programs for the year ended June 30, 2017. City of Fayetteville's and PWC'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 State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Fayetteville's and PWC's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. 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, the State Single Audit Implementation Act, and the Audit 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 a major State program occurred. An audit includes examining, on a test basis, evidence about City of Fayetteville's and PWC'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 on City of Fayetteville's and PWC's compliance.

**Opinion on Each Major State Program**

In our opinion, City of Fayetteville and PWC 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, 2017.

### **Report on Internal Control Over Compliance**

Management of City of Fayetteville and PWC are 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 City of Fayetteville's and PWC's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, 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 City of Fayetteville's and PWC'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 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 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 a 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purposes.

*RSM US LLP*

Morehead City, North Carolina  
January 20, 2018

**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Section 1. Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- |   |                  |     |                   |               |
|---|------------------|-----|-------------------|---------------|
| • Material weakness(es) identified?       | <u>    X    </u> | Yes | <u>          </u> | No            |
| • Significant deficiency(ies) identified? | <u>    X    </u> | Yes | <u>          </u> | None Reported |

Noncompliance material to financial statements noted?	<u>          </u>	Yes	<u>    X    </u>	No
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Federal Awards

Internal control over major federal programs:

- |   |                   |     |                  |               |
|---|-------------------|-----|------------------|---------------|
| • Material weakness(es) identified?       | <u>          </u> | Yes | <u>    X    </u> | No            |
| • Significant deficiency(ies) identified? | <u>          </u> | Yes | <u>    X    </u> | None Reported |

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)?	<u>          </u>	Yes	<u>    X    </u>	No
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(Continued)

**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Section 1. Summary of Auditor's Results (Continued)**

Identification of major federal programs:

CFDA #	Program Name
14.218	Community Development Block Grant/Entitlement Grant (CDBG)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters) FEMA

Dollar threshold used to distinguish  
between Type A and Type B Programs \$ 750,000

State Awards

Internal control over State programs:

Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	_____ Yes	<u>  X  </u> None Reported

Type of auditor's report issued on compliance for major State program: Unmodified

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

Identification of major State programs:  
Nonstate System Street Aid Allocation (Powell Bill)  
State Aid to Airports Program  
Disaster Grants – Public Assistance (Presidentially  
Declared Disasters) FEMA – NC Match

(Continued)

**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Section 2. Financial Statement Findings**

**City of Fayetteville**

Finding 2017-003

**Significant Deficiency in Internal Control - General IT Controls**

Criteria:	Information technology internal controls should be in place to maintain the integrity of IT system and prevent data loss in the event of system failure
Condition and context:	During our testing of general IT controls, we noted multiple areas in which controls were not in place or ineffective including IT change management, system user access, system administrator access, data backup, and data restoration.
Effect:	Lack of or ineffective IT controls can result in unauthorized access to data, data corruption, or data loss.
Cause:	IT governance policies and procedures are not regularly monitored and updated, resulting in outdated policies and procedures.
Recommendation:	We recommend the City revise and adhere to their IT governance policies and prodedures in order to provide reasonable assurance against data loss, data corruption, and unauthorized access.
Views of responsible officials:	The IT department management concurs with the finding above and will implement corrective action as outlined in the attached Corrective Action Plan.

(Continued)

**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Fayetteville Public Works Commission ( A Component Unit of City of Fayetteville)**

Finding 2017-001

Material Weakness in Internal Control - Work Order Module Integration

Criteria:	The Commission's work order module system, WAM, should be fully integrated with the general ledger whereby activity and amounts within WAM are the same as in the general ledger system.
Condition and context:	During testing of the WAM work order system, we noted that data and reports produced from WAM do not agree with balances in the EBS general ledger system. We also noted that not all indirect costs are being captured for allocation.
Effect:	The allocation of costs between repairs and maintenance and construction in process is compromised. Significant and numerous reconciliations must be performed in order to ensure WAM has captured all charges through EBS for allocation. There is not currently a way to tie activity and balances in the WAM system back to construction in process additions and repairs and maintenance expenses.
Cause:	WAM was not appropriately integrated to the general ledger during the initial IT integration of the software with the general ledger. Additionally, as a complex software module, IT staff and process must have the
Recommendation:	We recommend the Commission have the IT department identify the root cause of the errors from initial integration and make corrections to the module and data processes appropriately in order to ensure full, seamless integration between WAM and the general ledger and accuracy of data. This includes appropriate production reports from both systems that show sufficient monitoring of activity and balances throughout the year.

**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Fayetteville Public Works Commission ( A Component Unit of City of Fayetteville)**

Finding 2017-002

Material Weakness in Internal Control – Classification of Net Position

Criteria:	The classification and calculation of the components of Net Position should be calculated and presented in accordance with GASB Statement 63.
Condition and context:	During testing of the sub-sections within the Net Position section of the Statement of Net Position, we noted the calculation of Net Investment in Capital Assets did not include all of the required components in accordance with GASB Statement 63.
Effect:	The Net Investment in Capital Assets sub-section was understated for the electric and water/wastewater funds by \$13,030,944 and \$39,694,081, respectively. Unrestricted net position was overstated for the electric and water/wastewater funds by the same \$13,030,944 and \$39,694,081, respectively.
Cause:	Inaccurate application of the requirements of GASB 63, as amended, related to the calculation of Net Investment in Capital Assets.
Recommendation:	We recommend Fayetteville PWC review the requirements for the calculation of Net Investment in Capital Assets as described in GASB Statement 63; have the calculation prepared and reviewed by employees with the skills, knowledge, and experience with the rules of GASB Statement 63 as it pertains to the calculation and classification of the components of Net Position, and provide appropriate training to staff assisting in the preparation of PWC's CAFR.

**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Section 3. Findings and Questioned Costs for Federal Awards**

None reported.



**City of Fayetteville**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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**Section 4. Findings and Questioned Costs for State Awards**

None reported.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**City of Fayetteville, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017**

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Section 2. Financial Statement Findings

**Finding 2017-003 – Deficiency in Internal Control – General IT Controls**

Name of contact person: Dwayne Campbell, Chief Information Officer

**Corrective Action:** The corrective action plan will consist of the following design, operating and business improvement actions:

1. Update policies then review and communicate to staff on a yearly basis during the Employee Annual Review period using PowerDMS. Using PowerDMS, we will conduct semi-annual review of physical and logical system access. Responsible Party – CIO, Completion Date – May 2018.
2. Implement Change management procedures and link them to help desk incident tickets. Responsible Party – CIO, Completion Date – March 2018.
3. Replace iSeries system in FY '19 which will provide additional storage capacity. In the interim we will increase the amount of time we store the backup and history logs for the ERP system as well as enhance monitoring of backups. The IBM iSeries is able to keep history and job logs for only 360 days. In an effort to satisfy audit, security and other needs we will generate a PDF document on a quarterly basis for all history and job logs. All PDF documents will be stored on the IT share for future reference. Successful or failed backups can be confirmed by opening the PDF document and query the history for a particular day. Responsible Party – CIO, Completion Date – February 2018.
4. Implement automated Technology Request Form. Update IT policy and procedure manual to reflect the timeframe requirements. Responsible Party – CIO, Completion Date – April 2018.

Proposed Completion Date: See above completion date for each respective action.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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DARSWEIL L. ROGERS, COMMISSIONER  
WADE R. FOWLER, JR., COMMISSIONER  
EVELYN O. SHAW, COMMISSIONER  
D. RALPH HUFF, III, COMMISSIONER  
DAVID W. TREGO, CEO/GENERAL MANAGER



FAYETTEVILLE PUBLIC WORKS COMMISSION  
955 OLD WILMINGTON RD  
P.O. BOX 1089  
FAYETTEVILLE, NORTH CAROLINA 28302-1089  
TELEPHONE (910) 483-1401  
WWW.FAYPWC.COM

#### Management's Response to Finding 2017-001

PWC's staff submitted a governance package in June of 2016 to address the disconnect between the general ledger and WAM as it relates to the alignment of direct labor data between the two systems. The conclusion of the issues addressed within this governance package is ready to put into production.

In addition to the conclusion of the aforementioned governance package; PWC's Accounting and IT staff met to initiate a plan to breakdown the root cause of the additional errors from initial integration and make the appropriate corrections to the WAM module and data processes in order to ensure a full, seamless integration between WAM and the general ledger and accuracy of data. This includes appropriate production reports from both systems that allow sufficient monitoring of activity and balances throughout the year.

#### Management's Response to Finding 2017-002

PWC's staff has reviewed the requirements of GASB Statement Number 63 and has included appropriate considerations within the formula for the categories of Net Position. The resultant reclassification from unrestricted net position to Investment in Capital Assets was applied to the current June 30, 2017 CAFR. The reclassification has had no effect on total Net Position.

Respectfully submitted,

  
\_\_\_\_\_  
David W. Trego  
Chief Executive Officer

  
\_\_\_\_\_  
J. Dwight Miller, CPA, CGMA  
Chief Finance Officer

BUILDING COMMUNITY CONNECTIONS SINCE 1905  
AN EQUAL EMPLOYMENT OPPORTUNITY EMPLOYER

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**City of Fayetteville, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2017**

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None reported.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards and Pasenger Facility Charges**  
**Year Ended June 30, 2017**

<u>GRANTOR/PASS-THROUGH</u> Grantor/Program or Cluster Title	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal (Direct &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Pass-through to</u> <u>Sub-recipients</u>	<u>Total</u> <u>Expenditures</u>
<b><u>FEDERAL GRANTS</u></b>						
<b><u>US DEPARTMENT OF AGRICULTURE</u></b>						
<b><u>Urban and Community Forestry Program</u></b>						
Passed-through NC Department of Agriculture and Consumer Services						
Tree Inventory Phase 3	10.675	16-DG-11083137-1	\$ 14,091	\$ -	\$ -	\$ 14,091
Total US Department of Agriculture			14,091	-	-	14,091
<b><u>US DEPARTMENT OF DEFENSE (Direct)</u></b>						
Direct Program						
<b><u>Office of Economic Adjustment</u></b>						
Fort Bragg Force Reduction Grant	12.604	HQ00051610013	211,552	-	-	211,552
Total US Department of Defense			211,552	-	-	211,552
<b><u>US DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT (Direct)</u></b>						
Direct Program						
<b><u>Community Development Block Grant Cluster</u></b>						
CDBG Entitlement Grant FY2015-2016	14.218	B-15-MC-37-0005	365,476	-	47,152	365,476
CDBG Entitlement Grant FY2016-2017	14.218	B-16-MC-37-0005	840,625	-	397,926	840,625
Total Community Development Block Grant Cluster			1,206,101	-	445,077	1,206,101
<b><u>HOME Investment Partnerships Program</u></b>						
FY2011-2012	14.239	M11-MC370203	44,538	-	-	44,538
FY2012-2013	14.239	M12-MC370203	86,641	-	-	86,641
FY2013-2014	14.239	M13-MC370203	14,583	-	-	14,583
FY2015-2016	14.239	M15-MC370203	40,880	-	-	40,880
FY2016-2017	14.239	M16-MC370204	101,786	-	-	101,786
Total HOME Investment Partnerships Program			288,428	-	-	288,428
Total US Department of Housing & Urban Development			1,494,529	-	445,077	1,494,529
<b><u>US DEPARTMENT OF JUSTICE</u></b>						
<b><u>Office of Justice Programs (Direct Program)</u></b>						
FY14 Violent Gang and Gun Crime Reduction (PSN)	16.609	2014-GP-BX-0011	94,955	-	-	94,955
National Sexual Assault Initiative	16.833	2015-AK-BX-K11	99,949	-	-	99,949
National Sexual Assault Initiative	16.833	2016-AK-BX-K017	29,292	-	-	29,292
			129,241	-	-	129,241
Equitable Sharing Program	16.922		67,168	-	-	67,168
Total Office of Justice Programs			291,364	-	-	291,364
<b><u>Office of Community Oriented Policing Services (Direct Program)</u></b>						
COPS Hiring 2014	16.710	2014-UL-WX-0014	532,285	-	-	532,285
<b><u>Edward Byrne Memorial Justice Assistance Grant Program</u></b>						
Passed-through NC Department of Public Safety						
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0425	3,734	-	-	3,734
2015 Byrne Justice Assistance Grant - CC STARS	16.738	2015-DJ-BX-1076	18,748	-	-	18,748
2016 Byrne Justice Assistance Grant - EKG Grant	16.738	2015-DJ-BX-1076	5,250	-	-	5,250
Total Edward Byrne Memorial Justice Assistance Grant Program Passed-through the NC Department of Public Safety			27,732	-	-	27,732
Total US Department of Justice			851,381	-	-	851,381

(Continued)



**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges**  
**Year Ended June 30, 2017**

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
<b>US DEPARTMENT OF THE TREASURY (Direct)</b>						
Direct Program						
Treasury Forfeiture Fund Program	21.000	N/A	148,502	-	-	148,502
Total US Department of the Treasury			<u>148,502</u>	-	-	<u>148,502</u>
<b>US DEPARTMENT OF TRANSPORTATION</b>						
<b>Federal Transportation Administration</b>						
<b>Highway Planning and Construction Cluster</b>						
<b>Passed-through NC Dept of Transportation</b>						
Big Cross Creek	20.205	WBS PE 45550.1.1	64,152	-	-	64,152
Cape Fear River Trail Section C	20.205	WBS 46310.3.FD1	5,438	-	-	5,438
Cape Fear River Trail Connector, Phase I	20.205	TIP U-5528 FD	781	-	-	781
Total Highway Planning and Construction Cluster Passed-through the NC Dept of Transportation			<u>70,371</u>	-	-	<u>70,371</u>
Direct Program						
<b>Federal Transit Grant Cluster (Direct)</b>						
Capital Investment Grants	20.500	NC-04-0055	3,146,501	-	-	3,146,501
	20.500	NC-04-0054	4,772	-	-	4,772
Preventive Maintenance & American with Disabilities Act	20.507	NC-2017-031-00	1,100,000	-	-	1,100,000
	20.507	NC-2017-031-00	296,000	-	-	296,000
Operating Assistance	20.507	NC-2017-031-00	800,000	-	-	800,000
	20.507	NC-2016-030-00	90,000	-	90,000	90,000
	20.507	NC-90-0567	50,000	-	50,000	50,000
Capital Grants	20.507	NC-90-0469	36,350	-	-	36,350
	20.507	NC-90-0514	122,133	-	-	122,133
	20.507	NC-90-0548	135,799	-	-	135,799
	20.507	NC-90-0567	577,797	-	-	577,797
	20.507	NC-90-0592	548,728	-	-	548,728
	20.507	NC-2016-030-00	413,328	-	-	413,328
Planning Grants	20.507	NC-90-2514	27,114	-	-	27,114
	20.507	NC-90-2548	93,050	-	-	93,050
	20.507	NC-90-2592	52,795	-	-	52,795
	20.507	NC-2016-030-00	5,082	-	-	5,082
Total Federal Transit Grant Cluster			<u>7,499,449</u>	-	140,000	<u>7,499,449</u>
<b>Federal Transit Services Program Cluster (Direct Program)</b>						
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NC-16-X011	183,983	-	107,205	183,983
Job Access and Reverse Commute Program	20.516	NC-37-X032	19,452	-	-	19,452
New Freedom Program	20.521	NC-57-X022	1,025	-	-	1,025
Total Federal Transit Services Program Cluster			<u>204,460</u>	-	107,205	<u>204,460</u>
Total Federal Transportation Administration			<u>7,774,280</u>	-	247,205	<u>7,774,280</u>
<b>National Highway Traffic Safety Administration</b>						
<b>Passed-through NC Department of Transportation</b>						
Governor's Highway Safety Program	20.607	2000003159	153,016	-	-	153,016
Total National Highway Traffic Safety Administration Passed-through the NC Department of Transportation			<u>153,016</u>	-	-	<u>153,016</u>
Total US Department of Transportation			<u>7,927,296</u>	-	247,205	<u>7,927,296</u>
<b>US ENVIRONMENTAL PROTECTION AGENCY</b>						
<b>Drinking Water State Revolving Fund Cluster</b>						
<b>Passed-through NC Department of Environmental Quality</b>						
<b>Capitalization Grants for Drinking Water State Revolving Funds</b>						
Planning and Design for P.O. Hoffer WTP Rehabilitation						
State Revolving Loan	66.468	CS370434-11	787,235	-	-	787,235
Total Drinking Water State Revolving Fund Cluster			<u>787,235</u>	-	-	<u>787,235</u>
Passed-through the NC Department of Environmental Quality			<u>787,235</u>	-	-	<u>787,235</u>
Total US Environmental Protection Agency			<u>787,235</u>	-	-	<u>787,235</u>

(Continued)

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2017**

<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>Federal (Direct &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Pass-through to</u> <u>Sub-recipients</u>	<u>Total</u> <u>Expenditures</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<b>Aging Cluster</b>						
<b>Passed-through NC Department of Health &amp; Human Services</b>						
Senior Citizens Service Center	93.044	N/A	14,636	-	-	14,636
Total Aging Cluster Passed-through the NC Department of Health & Human Services			14,636	-	-	14,636
Total US Department of Health and Human Services			14,636	-	-	14,636
<b>US DEPARTMENT OF HOMELAND SECURITY</b>						
<b>Passed-through NC Department of Public Safety</b>						
Disaster Grants - Public Assistance □						
(Presidentially Declared Disasters) FEMA						
Shawcroft Temporary Road	97.036	PW402	70,843	23,614	-	94,457
Shawcroft Road Permanent Repair	97.036	PW693	51,411	17,137	-	68,548
Debris-Contract (31 - 90 Days)	97.036	PW694	675,428	168,857	-	844,285
Debris-Contract (91 - 180 Days)	97.036	PW695	146,455	48,818	-	195,273
Debris-Contract (0-30 Days)	97.036	PW696	63,709	11,243	-	74,952
Shawcroft Access Rd Restoration	97.036	PW697	8,097	2,699	-	10,796
Offing Drive	97.036	PW698	142,356	47,452	-	189,808
Damaged Vehicles	97.036	PW699	119,209	39,737	-	158,946
Veterans Park Building & Equipment	97.036	PW1120	2,287	762	-	3,049
Linear Park Fountain (Ray & Mason St.)	97.036	PW1136	10,430	3,477	-	13,907
Transit Emergency Transportation	97.036	PW1174	5,314	1,771	-	7,085
City Hall Emergency Protective Measures	97.036	PW1196	31,135	10,378	-	41,513
Airport Storm Drain and Erosion	97.036	PW1202	9,712	3,237	-	12,949
Siple Avenue	97.036	PW1211	450,010	150,003	-	600,013
Police Training Facility	97.036	PW1238	4,292	1,431	-	5,723
Cool Spring St (Incl Hazard Mitigation)	97.036	PW1252	215,278	71,759	-	287,037
Veterans Park & MLK Fountain	97.036	PW1263	2,785	929	-	3,714
Devonwood Lower Dam (McFayden)	97.036	PW1284	11,167	3,722	-	14,889
Tetra Tech Debris Monitoring	97.036	PW1297	96,408	32,136	-	128,544
Parking Lot & Pedestrian Pole Repairs	97.036	PW1331	21,142	7,047	-	28,189
Police Emergency Protective Measures	97.036	PW1358	93,161	31,054	-	124,215
Rayconda Temporary Connector Road	97.036	PW1364	181,645	60,548	-	242,193
Cross Creek/Green St. Fountain	97.036	PW1369	12,725	4,242	-	16,967
Linear Park Trail Stairs & Overlook	97.036	PW1392	2,699	900	-	3,599
Cross Creek Linear Park/Union St. Bridge	97.036	PW1403	4,691	1,564	-	6,255
FA Labor-Debris (0-30 days)	97.036	PW1472	239,890	42,334	-	282,224
FA Labor-Debris (31-90 days)	97.036	PW1473	451,503	112,876	-	564,379
FA Labor-Debris (91-180 days)	97.036	PW1474	66,965	22,322	-	89,287
Fire Emergency Protective Measures	97.036	PW1487	32,085	10,695	-	42,780
Electric Transmission Lines (Wilson)	97.036	PW432	34,925	11,642	-	46,567
Water Shed Fence Repairs	97.036	PW433	12,981	4,327	-	17,308
Hay Bales at Farm	97.036	PW463	7,454	2,485	-	9,939
Safety Shoes	97.036	PW464	12,324	4,108	-	16,432
Radios & Chainsaws	97.036	PW681	3,695	1,232	-	4,927
Glenville Paving & Sign	97.036	PW714	10,312	3,437	-	13,749
Electric Contract Work (Lee)	97.036	PW794	21,606	7,202	-	28,808
Batteries at BWGP	97.036	PW795	14,295	4,765	-	19,060
Electrical Lines	97.036	PW855	554,651	184,884	-	739,535
Ops. Ctr. Debris Removal	97.036		14,079	4,693	-	18,772
Total Disaster Grants - Public Assistance			3,909,154	1,161,519	-	5,070,673
Homeland Security Grant Program	97.036	EMW-2016-SS-0011	12,329	-	-	12,329
Total Homeland Security			3,921,483	1,161,519	-	5,083,002
Hazmat Response (Equipment Grant) 2014	97.067	EMW-2014-SS-00069-S01	29,879	-	-	29,879
Equipment Grant	97.067	EMW-2014-SS-00069-S02	44,937	-	-	44,937
Total Hazmat Response Equipment Grants Passed-through the NC Department of Public Safety			74,816	-	-	74,816
Law Enforcement Officer Reimbursement Agreement Programs	97.090	HSTS0213HSLR022	54,290	-	-	54,290
Total US Department of Homeland Security	97.090	HSTS0216HSLR733	56,110	-	-	56,110
			4,106,699	1,161,519	-	5,474,209
Total Assistance - Federal Programs			15,555,921	1,161,519	692,282	16,923,431

(Continued)

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges**  
**Year Ended June 30, 2017**

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
<b>STATE GRANTS</b>						
<b>NC DEPARTMENT OF TRANSPORTATION</b>						
<b>Public Transportation Division</b>						
Maintenance Assistance	N/A	36234.8.13.2	-	811,455	-	811,455
Capital Grants		NC-90-0469	-	775	-	775
		NC-04-0055	-	393,315	-	393,315
		NC-90-0567A	-	35,006	-	35,006
		NC-90-0592	-	32,484	-	32,484
Planning		NC 90 2514	-	3,388	-	3,388
Advanced Technology		16-AT-004	-	93,835	-	93,835
Apprentice Intern		16-DG-012	-	4,170	-	4,170
		17-DG-012	-	29,265	-	29,265
Total State Public Transportation Division			-	1,403,693	-	1,403,693
Powell Bill (Note 5)	N/A	32570	-	5,824,634	-	5,824,634
<b>Transportation Improvement Program</b>						
Big Cross Creek	N/A	EB-5541	-	8,019	-	8,019
Total Transportation Improvement Program			-	8,019	-	8,019
<b>Division of Aviation</b>						
State Aid for Airport Projects-Rehab Runway 10/28	N/A	36244.27.13.1	-	3,148,014	-	3,148,014
Total Division of Aviation			-	3,148,014	-	3,148,014
Total NC Department of Transportation			-	10,384,360	-	10,384,360
<b>NC DEPARTMENT OF PUBLIC SAFETY</b>						
Hazmat (RRT Grant)	N/A	RRT 3 2015	-	39,895	-	39,895
<b>Passed-through from Cumberland County</b>						
Juvenile Restitution FY 2017	N/A	526-XXXX	-	50,949	-	50,949
<b>Governor's Crime Commission</b>						
Fayetteville Cyber Crime Project	N/A	PROJ012113	-	37,757	-	37,757
Total NC Department of Public Safety			-	128,601	-	128,601
<b>NC Office of State Budget and Management</b>						
Cape Fear River Trail Connector, Phase I	N/A	2017.45.3	-	195	-	195
<b>Passed-through Golden LEAF Foundation</b>						
Cross Creek Debris Removal	N/A	FY2017-148	-	134,648	-	134,648
Total NC Office of State Budget and Management			-	134,843	-	134,843
<b>NC Department of Commerce</b>						
Rural Economic Development Division						
Downtown Revitalization Grant	N/A	2017-15-1257-1534	-	94,340	-	94,340
Total NC Department of Commerce			-	94,340	-	94,340
<b>NC DEPARTMENT OF ENVIRONMENTAL QUALITY</b>						
Clean Water Management Trust Fund	N/A	2014-1004	-	177,509	-	177,509
Total NC Department of Environmental Quality			-	177,509	-	177,509
Total Assistance - State Programs			-	10,919,653	-	10,919,653
Total Assistance			\$ 15,555,921	\$ 12,081,172	\$ 692,282	\$ 27,843,084

(Continued)

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges**  
**Year Ended June 30, 2017**

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
<b>CLOSED APPLICATIONS (00-01-C-04-FAY &amp; 02-02-U-02-FAY)</b>			\$ 22,054,891	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	-	\$ 1,061,391
<b>CLOSED APPLICATION (#05-03-C-01-FAY)</b>			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	-	\$ 324,231
<b>CLOSED APPLICATION (#09-04-C-00-FAY)</b>			\$ 19,784,087	\$ 22,436,981	\$ 1,992,908	\$ 1,701,088	-	\$ 1,701,088
<b>APPLICATION (#12-05-C-00-FAY)</b>								
Replace B4 Jet Bridge 100%	03/01/2013	03/01/2013	\$ 470,334	\$ 485,577	485,577	\$ 470,334	\$ -	\$ 470,334
Taxiway A Rehab - Design 5%	03/01/2013	03/01/2013	572,819	771,720	38,586	28,641	-	28,641
Construct Taxiway A Rehab 5%	03/01/2013	03/01/2013	2,367,669	5,206,060	260,303	118,383	-	118,383
Rehab Air Carrier Apron Phase II - Design 5%	03/01/2013	03/01/2013	201,600	271,600	13,580	10,080	-	10,080
Air Carrier Apron Rehab Phase I Construction 5%	03/01/2013	03/01/2013	4,460,801	4,500,000	225,000	223,040	-	223,040
Runway 4 RSA Improvements - Design 5%	03/01/2013	03/01/2013	111,983	125,000	6,250	5,599	-	5,599
Taxiway A Extension - Design 5%	03/01/2013	03/01/2013	252,459	375,000	18,750	12,623	-	12,623
Runway 4 RSA Improvements - Construction 10%	03/01/2013	03/01/2013	965,474	1,109,592	110,959	96,547	-	96,547
Taxiway a Extension Construction 10%	03/01/2013	03/01/2013	2,896,422	3,177,397	317,740	289,642	-	289,642
Paved Shoulders - Design and Bidding 10%	03/01/2013	03/01/2013	168,200	168,200	16,820	16,820	-	16,820
FAA Reimbursable Agreement MALSR Modification 10%	03/01/2013	03/01/2013	57,239 <sup>2</sup>	71,779	7,179	5,724	-	5,724
Design and Construct Wildlife/Security Fencing 5%	03/01/2013	03/01/2013	-	1,500,000	75,000	-	-	-
<b>CLOSED APPLICATION (#12-05-C-00-FAY)</b>			\$ 12,525,000	\$ 17,761,925	\$ 1,575,744	\$ 1,277,433	\$ -	\$ 1,277,433
<b>APPLICATION (#15-06-C-00-FAY)</b>								
Airport Master Plan (AMP) Update, Part 1, Airline Term Area 10%	05/01/2015	05/01/2015	\$ 348,830	\$ 337,500	\$ 33,750	\$ 33,750	\$ -	\$ 33,750
Air Carrier Apron Rehabilitation Phase II 10%	05/01/2015	05/01/2015	2,283,777	2,779,290	277,929	228,378	-	228,378
Taxiway J&K Rehabilitation 10%	05/01/2015	05/01/2015	3,338,088	3,596,270	359,627	333,809	-	333,809
Airport Master Plan (AMP) Update, Part 2, Incl 18B Mapping and NAVAIDs Planning	05/01/2015	05/01/2015	348,626	600,000	60,000	19,511	15,352	34,863
Design & Construct - Airline Terminal Improvements	05/01/2015	05/01/2015	-	28,199,967	2,819,997	-	-	-
Design & Construct - Airport Fencing Replacement	05/01/2015	-	-	2,000,000	-	-	-	-
Design & Construct - Perimeter Road Improvements	05/01/2015	-	-	2,100,000	-	-	-	-
Lighting	05/01/2015	-	-	1,125,000	-	-	-	-
Design & Construct - Rehabilitate GA Apron	05/01/2015	-	-	4,300,000	-	-	-	-
Purchase Land and/or Aviation Easements - Runway 4 RPZ	05/01/2015	-	-	1,250,000	-	-	-	-
<b>TOTAL IMPOSE AND USE APPLICATION 6</b>			\$ 6,319,321	\$ 46,288,027	\$ 3,551,303	\$ 615,448	\$ 15,352	\$ 630,800
<b>TOTALFOR PASSENGER FACILITY CHARGES</b>			\$ 65,153,610	\$ 115,973,638	\$ 8,796,032	\$ 4,979,591	\$ 15,352	\$ 4,994,943
<b>GRAND TOTAL FEDERAL</b>						<u>\$ 15,766,267</u>		

**NOTES TO THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES:**

1. The accompanying schedule of expenditures of passenger facility charges is presented on the full accrual basis of accounting.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES**  
Year Ended June 30, 2017

**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, 2017. 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.

**Note 3 - Loans Outstanding**

The City of Fayetteville had the following loan balances outstanding at June 30, 2017 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, 2017 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount 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	\$ 174,425
Swainey Ave Drainage Improvements	66.458	E-SRF-T-09-0196	150,964
Person St Sanitary Sewer Replacement	66.458	CS370434-13	2,019,447
Edgewater/Northview	66.458	H-LRX-F-09-1665	306,231
Outfall Rehabilitation	66.458	CS370434-12	3,316,401
Total Clean Water State Revolving Fund			<u>\$ 6,283,039</u>
Drinking Water State Revolving Fund			
2012 WTF Clearwell and Chemical Feed Improvements	66.468	2006A-701	\$ 4,243,485
Planning and Design for P.O. Hoffer WTP Rehabilitation State Revolving Loan	66.468	CS370434-11	15,150,451
Total Drinking Water State Revolving Fund			<u>\$ 19,393,936</u>

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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*City of*  
**Fayetteville**  
*North Carolina*

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



433 Hay Street  
Fayetteville, NC 28301-5537  
[www.FayettevilleNC.gov](http://www.FayettevilleNC.gov)

**Office of the  
Chief Financial Officer**  
City of Fayetteville  
433 Hay Street  
Fayetteville, NC 28301  
(910) 433-1682