

2012

COMPREHENSIVE ANNUAL

Financial Report

Fiscal Year Ended
June 30, 2012



City of
Fayetteville
North Carolina





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Introductory Section



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- List of Principal Officials
- Organizational Chart



November 26, 2012

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

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Fayetteville, North Carolina for the fiscal year ended June 30, 2012. State law requires that every local government publish a complete set of audited financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. This report complies with these requirements.

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

Cherry, Bekaert & Holland, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2012. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE CITY

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

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

Fort Bragg Army Base, one of the largest military complexes in the world, is located approximately 10 miles from the City's downtown and significantly adds to the culture of the community and the local economy. Fort Bragg has traditionally been known as the home of the Army's only Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command. 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 Airfield, formerly Pope Air Force Base, which provides strategic airlift aviation assets required to support Fort Bragg's missions. In November 2011, Livability.com recognized Fayetteville as the number one city in the country for military veterans to live, noting the city as "America's First Military Sanctuary Community" because of the strong support offered to service members and their families.

Fayetteville is the sixth largest municipality in the State with a population estimated at 208,000, and encompassing 148.64 square miles as of June 30, 2012. The City's population increased by 65.7% or 79,549 residents between the U.S. Census counts conducted in 2000 and 2010. Much of the population growth resulted from the City's statutory authority to extend its corporate limits through annexation. In September 2005, the City completed an annexation, referred to as "Phase V", of approximately 42,000 residents and 27 square miles. Most recently, the North Carolina General Assembly approved legislation to annex portions of Fort Bragg into the City effective September 1, 2008. This annexation added approximately 26,000 residents and 54 square miles to the City.

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

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

The Council is required to adopt a budget by July 1st of each year. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Fayetteville's financial planning and control. The annual budget is authorized at the department level in the General Fund, in operating, capital and transfer expenditure categories for the Electric, Water and Wastewater Funds, and at the fund level for 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 60,000 military personnel are stationed at Fort Bragg, with support from an additional 22,000 civilian employees. The direct impact of payroll alone added almost \$3.4 billion to the regional economy in federal fiscal year 2011.

The military reorganization resulting from the 2005 Base Realignment and Closure Commission (BRAC), most notably the relocation of FORSCOM, has been completed. Longer range economic gains anticipated from the relocation of defense contractors, however, have yet to be realized. Economists and the Fort Bragg Regional Alliance note that the economic impact of BRAC may not be fully attained for five to ten years. Local community and business leaders are carefully monitoring and petitioning Congress for action in light of the impending January, 2013 deadline to avert significant reductions in federal defense spending.

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

Significant investment to modernize plant equipment has been made at the Fayetteville Goodyear plant since 2007 with the State of North Carolina, Cumberland County and the City committing to economic incentives for the investment and job retention. In August 2012, the plant shut down for one week due to sluggish demand. Goodyear has announced plans to eliminate approximately 200 jobs, or about 7% of its workforce, at the local plant by the end of November, 2012 by offering buyouts in order to avoid involuntary layoffs.

During the past five years, Fayetteville's annual unemployment rates have ranged from a low of 4.3% to a high of 7.6%, according to the North Carolina Department of Commerce, Division of Employment Security. In August 2012, the unemployment rates for Fayetteville, North Carolina and the United States were 8.1%, 9.7% and 8.2%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the table below.

Unemployment Rates*			
Year	Fayetteville	North Carolina	United States
2011	7.6	10.5	9.0
2010	7.3	11.0	9.6
2009	6.7	10.5	9.3
2008	5.1	6.3	5.8
2007	4.3	4.8	4.6
* Source of unemployment data is the North Carolina Department of Commerce, Division of Employment Security			

Per capita personal income in Cumberland County grew 4.1% percent between 2009 and 2010, the 21st highest rate of growth among the nation's large counties. The 2010 per capita income level of \$42,523 ranked fifth among the state's 100 counties. Growth in compensation for military and federal civilian workers has helped to fuel local per capita income growth over the past decade.

During fiscal year 2012, the City approved 1,514 permits for new residential units valued at \$153.6 million and 62 new commercial building permits valued at \$36.6 million were issued for construction compared to 1,596 permits for new residential units valued at \$178.9 million and 87 new commercial building permits valued at \$82.2 million issued in fiscal year 2011.

The City is a major regional trade center in eastern North Carolina, with a significant number and variety of shopping plazas, centers and independent retailers. Evidence of the strong retail sector is reflected by one of the largest shopping areas of the Carolinas, a two-square mile area located within the city. Cross Creek Mall, the anchor of the shopping district, has more than one million square feet of floor space and four major department stores. Taxable sales in Cumberland County for fiscal year 2012 totaled approximately \$3.53 billion, which represented a 4.6% increase over fiscal year 2011. Historical sales for Fayetteville and Cumberland County are provided in the table below.

Retail /Taxable Sales*				
Fiscal Year	City of Fayetteville	% Change	Cumberland County	% Change
2012	N/A	N/A	\$3,531,570,536	4.6
2011	N/A	N/A	3,375,817,327	4.2
2010	N/A	N/A	3,240,731,656	13.9
2009	\$2,348,317,596	2.1	2,844,376,173	3.4
2008	2,300,524,240	2.1	2,751,850,877	0.2
*The NC Department of Revenue does not provide municipal sales data after June 30, 2009.				

While Fayetteville's economy is stable, the extent of potential local impacts of federal defense budget cuts under the 2013 budget sequestration are not known at this time. In 2011, the Milken Institute ranked the Fayetteville metropolitan statistical area (MSA) as the 36th best-performing of the 200 largest metropolitan areas based upon comparisons of job, wage and salary and technology growth. In 2012, the Policom Corporation ranked the Fayetteville MSA as having the 59th strongest economy of the 366 MSAs nationwide.

The City Council adopted a fiscal year 2013 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 citizens, while maintaining a strong financial position.

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

In June 2011, City Council adopted a fund balance policy that establishes a minimum General Fund unassigned fund balance of at least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for Cumberland County's recreation programs. The purpose of the policy is to maintain sufficient resources in the General Fund to cover unexpected expenditures and revenue shortfalls. In addition, the City's practice has been to appropriate fund balance for one-time expenditures or significant capital needs. These goals were achieved in fiscal year 2012 and were used to develop the fiscal year 2013 operating budget. Unassigned fund balance in the General Fund was \$20.2 million or 14.3 percent of the original FY2013 General Fund budget, excluding the county recreation programs; and therefore, exceeded the 10 percent minimum established by City Council.

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

Consistent with its capital funding policy, in fiscal year 2012 the City dedicated an amount equivalent to 5.65 cents of the 45.6-cent ad valorem tax rate, as well as specifically earmarked revenues, for the repayment of principal and interest on installment financing agreements for facilities and equipment and general obligation debt and for future cash funding of major capital improvements. The City assigns any excess dedicated revenues at year-end and accumulated fund balance for future capital projects

consistent with the adopted capital improvement funding plan. The City's commitment to the capital funding plan will generate significant funding capacity in future fiscal years.

In September 2009, the City received upgrades of its credit ratings on general obligation bonds from AA- to AA+ and from Aa3 to Aa2 from Standard & Poor's (S&P) and Moody's Investor Services (Moody's), respectively. In May 2010, Moody's recalibrated the City's credit rating for general obligation bonds from Aa2 to Aa1. These ratings are consistent with Council policy.

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

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

- In July 2011, the City adopted the Official Zoning Map which completed the process to implement its Unified Development Ordinance (UDO), the first comprehensive overhaul of its zoning and subdivision regulations in almost 50 years. The UDO became effective August 1, 2011 to make development regulations more user-friendly, streamline the review process, modernize zoning districts and uses, establish minimum development standards, encourage high-quality development, and incorporate sustainable development practices in the City's regulations.
- The City continued enhancements of transit service by adding evening service to three routes in September 2011 and extending a route to provide service to Methodist University and the Cape Fear Valley Health System's Health Pavilion North in January, 2012. These improvements were identified in the Transit Development Plan commissioned in 2009 to guide service improvements. From calendar year 2008 to 2011, transit system ridership has increased by 53.8%.
- The City and the County continued work toward the goal of a consolidated 911 call center by transitioning to a shared computer-aided dispatch system in February 2012. This transition and the City's recent implementation of emergency medical dispatch training and certifications have served to increase effectiveness in handling emergency calls for service.
- In March 2012, non-stop air service to Washington, D.C. began at the Fayetteville Regional Airport after a concerted, two-year local effort to address growing demand resulting from Fort Bragg growth due to the BRAC transition. Local efforts to acquire the service included an air service study conducted in 2010 and the cooperation of U.S. Airways, the BRAC Regional Task Force, the N.C. Division of Aviation, the military, and defense contractors.
- The Fayetteville Metropolitan Housing Authority (FMHA) was awarded a \$20 million HOPE VI Revitalization grant in April 2008 to demolish and replace two public housing projects comprised of barrack-style buildings built in the 1940s and 1950s. The City, the City's Public Works Commission (PWC) and the

County committed over \$18 million for land, infrastructure, park development, housing and various fee waivers. The total project investment is expected to be approximately \$119 million, the balance of which will be funded by private investment. During fiscal year 2012, the City acquired properties, approved the site and began planning for the HOPE VI Business Park, approved funding for a day care center, and established plans for a community resource center. To date, the FMHA has relocated 214 public housing residents, demolished 249 units of public housing, and has constructed 404 multi-family units. Twenty-five single family houses have also been built. Projects over the next year include the construction of 230 multi-family units and several single family units, and completion of the community resource center and daycare center.

- In the spring of 2009, the City, Cumberland County and a local developer entered into an agreement to develop a 216-acre business park adjacent to Fort Bragg to provide office, retail and research and production facilities to serve the needs of the military and its partners. The City and County received grants totaling \$1,325,400 from the Department of Housing and Urban Development to fund infrastructure improvements at the All American Military Business Park which have been completed. Construction of a 10,000 square foot complex in the park was completed in 2011 and a second facility is currently under construction.
- The Fayetteville-Cumberland County Chamber of Commerce, in partnership with the City, the City's PWC and the County, commissioned an economic development strategy report for the County which was completed in May 2012. The report provided a competitive analysis of the area, recommended target industries for recruitment and identified community improvements to enhance competitiveness for economic development.
- The City contracted with the Fayetteville-Cumberland County Chamber of Commerce to draft a plan of action for redeveloping Murchison Road. Murchison Road will become a crucial gateway to the City due to traffic flow changes following the closing of Bragg Boulevard through Fort Bragg.
- The City, with and through its PWC, accomplished or continued work on several utility system financial, operational and economic development policies and goals including:
 - Completed adjustments of rate classifications to more closely align with the cost structure of the new power supply agreement with Progress Energy effective July 1, 2012.
 - Began implementation of Navigate, PWC's Comprehensive Information Technology system project. The two-year project will replace the customer information, financial and work management systems and implement asset management and meter data management systems.
 - Began development of a Smart Grid strategy by evaluating infrastructure, resources and staffing, and created a Customer Programs Division to develop and manage programs made possible through new metering technology.
 - Achieved a Moody's rating upgrade of PWC's credit rating from Aa3 to Aa2 in July 2012.

- o Extension of sanitary sewer services to nearly 2,000 properties as part of the City's Annexation Phase V utility retrofitting project. Plans call for extending service to an additional 6,600 properties by 2024.

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

- In partnership with Cumberland County, the City and its PWC completed construction of a 298-space parking deck on Franklin Street in the downtown core in February, 2012. The construction of the deck was financed through an equity contribution from the City's PWC and the proceeds of a \$5.95 million Recovery Zone Economic Development Bond 15-year installment financing contract executed in August 2010.
- In March 2012, the City completed construction of Fire Station 19 in north Fayetteville. The construction of the single engine company facility began in December 2010 and was financed with the proceeds of a \$2.7 million 15-year installment financing contract.
- The City made significant progress toward several improvement projects at the Fayetteville Regional Airport. During fiscal year 2012, \$7.2 million of funding from federal and state grants, passenger facility fees and airport operating revenues was invested in the projects, which included airport runway, airfield and parking improvements.
- The City acquired land for a future multi-modal center for the bus system. The next phase of the project will include demolition of facilities on the acquired properties and design of the facility.
- The City issued a \$10.6 million revenue bond for its Storm Water Management System in August, 2011. During fiscal year 2012, the City invested \$5.2 million of the bond proceeds and storm water system revenues in various drainage system improvement projects throughout the community.
- PWC continued rehabilitation and replacement of both aging water and sanitary sewer system infrastructure. The project replaces and re-lines existing water and sewer mains to improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems.
- PWC also began rehabilitation of aging electric system infrastructure, including the rebuilding of substations and the replacement of aging wooden poles with steel poles with a 50-year life expectancy.

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, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive

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

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

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

Respectfully submitted,


Theodore L. Voorhees
City Manager


Lisa T. Smith
Chief Financial Officer

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Enen

Executive Director



Fayetteville City Council 2011-2012

LEFT TO RIGHT

William Joseph Leon Crisp
District 6

Kady-Ann Davy
District 2

Keith A. Bates, Sr.
District 1

James William Arp, Jr.
Mayor Pro Tem
District 9

Anthony G. Chavonne
Mayor



Valencia A. Applewhite
District 7

Robert Thomas Hurst, Jr.
District 5

D.J. Haire
District 4

Robert A. Massey, Jr.
District 3

Wade R. Fowler, Jr.
District 8

City Administrative, Legal and Financial Staff

Theodore L. Voorhees
City Manager

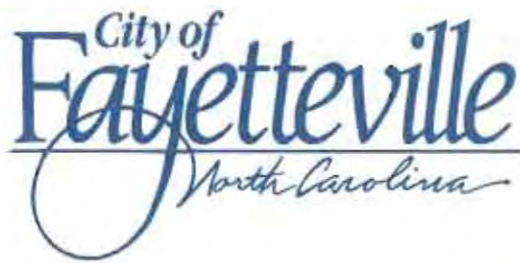
Karen McDonald
City Attorney

Kristoff Bauer
Assistant City Manager

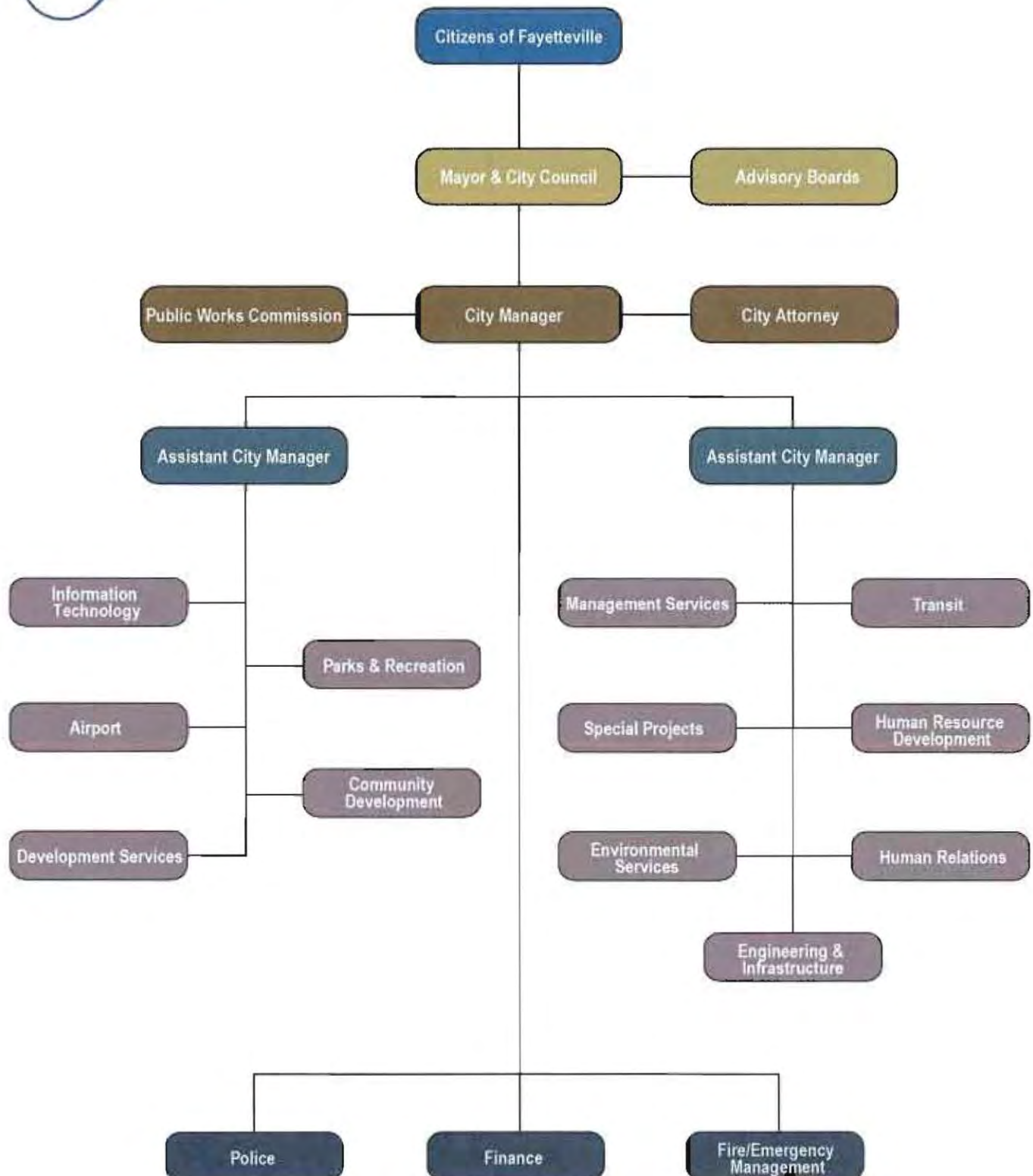
Lisa Smith
Chief Financial Officer

Pamela Megill
City Clerk





City Of Fayetteville Organizational Chart



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Financial Section



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

12

Independent Auditors' Report





INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the City's storm water activities have been reclassified from governmental funds and governmental activities to an enterprise fund and business-type activities, respectively, in accordance with a required change in accounting principle. Accordingly, an adjustment has been made to governmental and business-type net assets as of June 30, 2011 to reflect the reclassification. There is no change in total net assets as a result of this reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The combining and individual fund financial statements and schedules, and other supplemental financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of Passenger Facility Charges is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, for the year ended June 30, 2012, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, other supplemental financial data, the schedule of expenditures of federal and State awards, and the schedule of expenditures of Passenger Facility Charges have 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, the combining and individual fund financial statements and schedules, other supplemental financial data, schedule of expenditures of federal and State awards, and schedule of expenditures of Passenger Facility Charges, are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cherry, Bekaert + Holland LLP

Fayetteville, North Carolina
November 26, 2012

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Management's Discussion & Analysis



City of
Fayetteville
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fayetteville ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

Financial Highlights

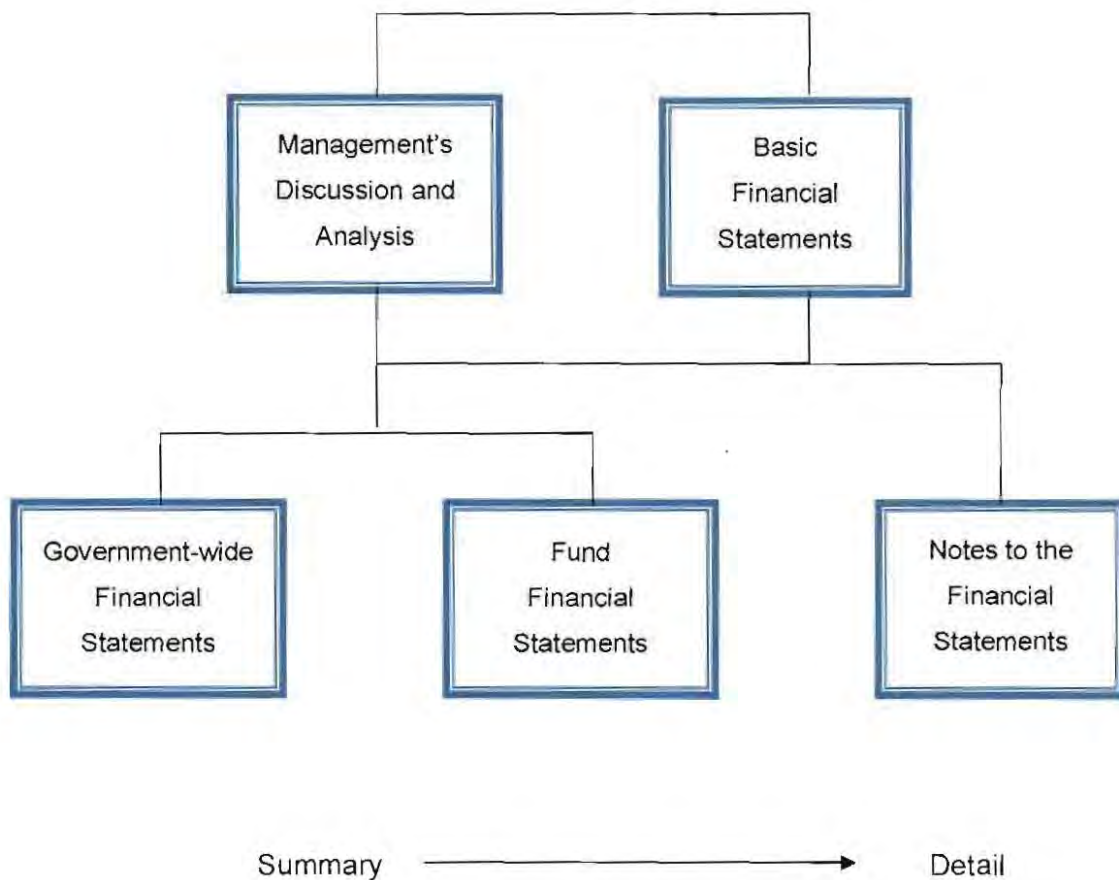
- The assets of the City of Fayetteville exceeded its liabilities at the close of the fiscal year by \$1.3 billion (*net assets*). Of this amount, \$303.0 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$79.9 million.
- Net assets decreased \$16.3 million to \$416.1 million in fiscal year 2012, down from \$432.4 million in fiscal year 2011 in the Governmental activities. The key factor for this decrease was the conversion of the Storm Water Management fund to an enterprise fund (previously general government special revenue and capital project funds) that resulted in a \$21.4 million reduction in net assets for governmental activities.
- Net assets increased \$96.2 million to \$896.6 million in fiscal year 2012, up from \$800.4 million in fiscal year 2011 in the Business type activities. By far, the largest portion of these net assets, \$635.2 million or 70.8 percent, reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Electric, Water and Wastewater, Storm Water Management, Transit, Airport and Solid Waste Recycling activities. Capital contributions and operating funds offset by capital asset depreciation contributed to the \$23.0 million increase in Capital Assets, Net of Related Debt. Current and other assets increased \$56.5 million or 20.8 percent in the Business type activities. This change is primarily due to a \$34.1 million increase in the Electric, Water and Wastewater Funds as well as the conversion of the Storm Water system to an enterprise activity that contributed \$17.8 million to this category.
- As of the close of fiscal year 2012, the City's governmental funds reported an ending fund balance of \$64.5 million, a decrease of \$10.2 million in comparison to the prior year. Approximately 40.9 percent of total fund balance, or \$26.4 million is nonspendable or restricted.
- At the end of fiscal year 2012, unassigned fund balance for the General Fund was \$20.2 million or 14.7 percent of total General Fund expenditures and transfers out for the fiscal year.
- The City's total debt decreased by \$9.3 million during fiscal year 2012.
- The City's most recent general obligation bond issue was rated Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's). The City's Public Works Commission outstanding revenue bonds carry an Aa3 and AA credit rating from Moody's and Standard and Poor's, respectively. During fiscal year 2012, Standard and Poor's upgraded the utility systems rating from AA- to AA and Moody's corrected its rating from Aa2 to Aa3 by changing the recalibration algorithm.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages F-1 – F-49 of this report.

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

Government-wide Financial Analysis

Net Assets. The following is a summary of net assets for the City of Fayetteville at June 30, 2012 with comparative data for June 30, 2011. The City's combined net assets increased \$79.9 million, or 6.5% from fiscal year 2011 to 2012. Net assets may serve over time as one useful indicator of a government's financial condition. The information provided below provides a more detailed view of the City's net assets.

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

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 128,089	\$ 111,743	\$ 271,786	\$ 328,283	\$ 399,875	\$ 440,026
Capital assets	393,022	380,715	746,945	798,131	1,139,967	1,178,846
Total assets	521,111	492,458	1,018,731	1,126,414	1,539,842	1,618,872
Long-term liabilities outstanding	63,513	58,928	181,586	181,952	245,099	240,880
Other liabilities	25,191	17,431	36,723	47,853	61,914	65,284
Total liabilities	88,704	76,359	218,309	229,805	307,013	306,164
Net assets:						
Invested in capital assets, net of related debt	358,665	346,265	612,211	635,244	970,876	981,509
Restricted	35,833	26,200	1,803	1,999	37,636	28,199
Unrestricted	37,909	43,634	186,408	259,366	224,317	303,000
Total net assets	\$ 432,407	\$ 416,099	\$ 800,422	\$ 896,609	\$ 1,232,829	\$ 1,312,708

The assets of the City exceeded liabilities by \$1.3 billion as of June 30, 2012. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$981.5 million; Restricted net assets of \$28.2 million; and Unrestricted net assets of \$303.0 million.

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

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

The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2012, \$303.0 million, or 23.1% of the reported total net assets of \$1.3 billion, is unrestricted.

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

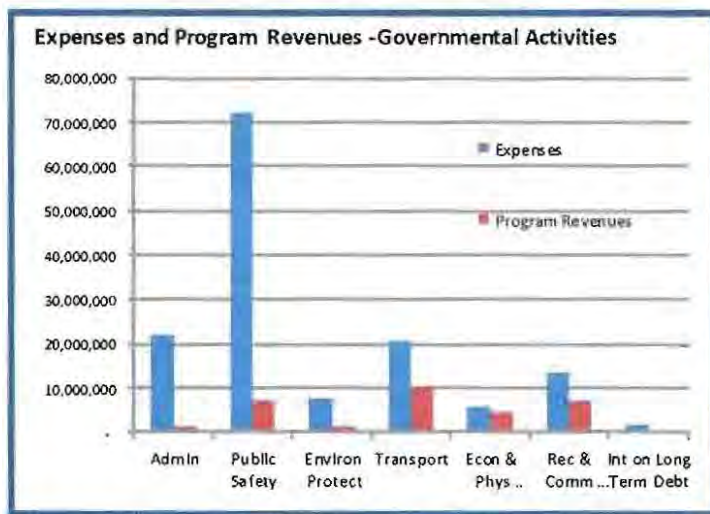
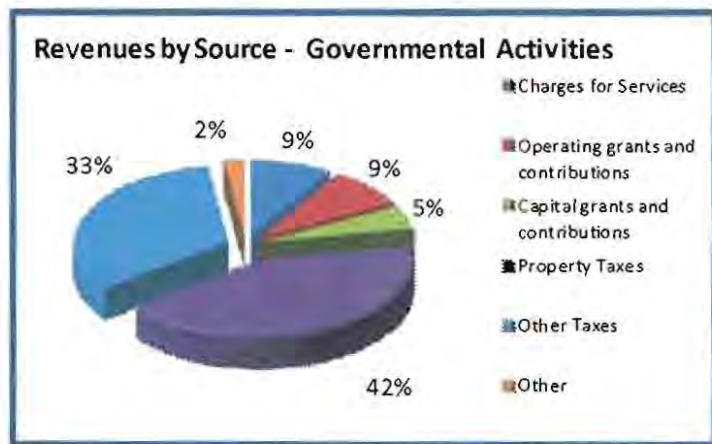
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program revenues:						
Charges for services	\$ 16,537	\$ 12,235	\$ 270,885	\$ 281,427	\$ 287,422	\$ 293,662
Operating grants and contributions	15,397	12,053	2,795	2,488	18,192	14,541
Capital grants and contributions	12,245	6,985	19,915	22,020	32,160	29,005
General revenues:						
Property taxes	59,017	60,130	-	-	59,017	60,130
Other taxes	45,850	47,168	-	-	45,850	47,168
Grants and contributions not restricted to specific programs	916	902	-	-	916	902
Other	1,577	2,125	2,519	4,231	4,096	6,356
Total revenues	151,539	141,598	296,114	310,166	447,653	451,764
Expenses:						
Administration	20,763	21,677	-	-	20,763	21,677
Public safety	70,904	72,119	-	-	70,904	72,119
Environmental protection	14,637	8,370	-	-	14,637	8,370
Transportation	19,233	19,948	-	-	19,233	19,948
Economic and physical development	9,324	5,569	-	-	9,324	5,569
Recreation and community facilities	12,992	13,490	-	-	12,992	13,490
Interest and fees	1,585	1,465	-	-	1,585	1,465
Electric	-	-	149,701	146,117	149,701	146,117
Water and wastewater	-	-	60,744	65,169	60,744	65,169
Storm water management	-	-	-	2,891	-	2,891
Transit	-	-	6,847	7,665	6,847	7,665
Airport	-	-	4,681	5,260	4,681	5,260
Solid waste recycling	-	-	1,927	2,145	1,927	2,145
Total expenses	149,438	142,638	223,900	229,247	373,338	371,885
Increase in net assets before transfers and special items	2,101	(1,040)	72,214	80,919	74,315	79,879
Transfers	7,578	6,083	(7,578)	(6,083)	-	-
Increase in net assets	9,679	5,043	64,636	74,836	74,315	79,879
Net assets, July 1	422,728	432,407	735,786	800,422	1,158,514	1,232,829
Change in accounting principle	-	(21,351)	-	21,351	-	-
Net assets, June 30	\$ 432,407	\$ 416,099	\$ 800,422	\$ 896,609	\$ 1,232,829	\$ 1,312,708

Governmental activities: The storm water special revenue and capital project funds reported as governmental activities in the prior year were converted to an enterprise fund and reported as business-type activities as of the beginning of this fiscal year. This resulted in a \$21.4 million reduction in net assets for governmental activities.

Revenues for the City's governmental activities were \$141.6 million, while total expenses were \$142.6 million in fiscal year 2012. The increase in net assets for governmental activities, after transfers in, was \$5.0 million. Key elements of this increase are as follows:

- Ad valorem property tax revenues increased \$1.1 million to \$60.1 million due to development within the City. Property taxes represent 42.6 percent of total governmental revenues.
- Other taxes, which accounted for \$47.2 million or 33.3 percent of total governmental revenues, increased \$1.3 million from 2011 primarily due to increases in sales taxes and privilege licenses.
- Those who directly benefited from service-fee based programs paid \$12.2 million in charges for services which represented a 26.0 percent or \$4.3 million decrease from 2011. This change was primarily due to the Storm water special revenue and capital project funds reported as governmental funds in the prior year that were converted to an enterprise fund as of the beginning of this fiscal year.
- Other governments and organizations subsidized certain

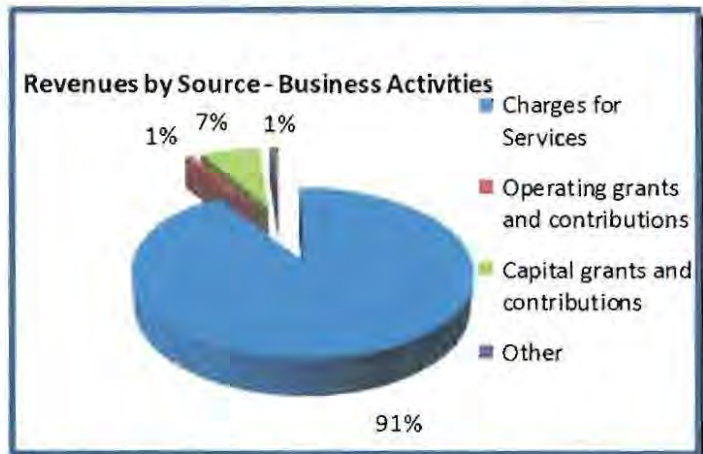


programs with operating grants and contributions totaling \$12.1 million, representing a decrease of 21.4 percent or \$3.3 million in 2012. This decrease can be primarily attributed to the federal and state grants totaling \$3.4 million for emergency protective measures and debris removal related to the April 16, 2011 tornado reflected in 2011.

other revenues such as capital grants and contributions, interest and unrestricted grants which represented a decrease of 32.1 percent or \$4.7 million. This change resulted primarily from a \$8.7 million decrease in the State grant revenues received in 2011 for development of the North Carolina State Veterans Park adjacent to the Airborne and Special Operations Museum offset by an increase of \$3.4 million in donated infrastructure and \$0.7 million in federal grant funding for the Military Business Park and the Energy Efficiency and Conservation Block Grant (EECBG).

- The governmental activities received \$10.0 million in

- The cost of all governmental activities this year was \$142.6 million as compared to \$149.4 million in fiscal year 2011. This change resulted from a \$6.3 million decrease in environmental protection that can be attributed to converting the storm water special revenue and capital project funds to an enterprise fund in the current fiscal year (\$3.6 million) and costs associated with the April 16, 2011 tornado (\$2.5 million); a \$3.8 million decrease in economic and physical protection that can be attributed to the HOPE VI project (\$1.8 million) compared to fiscal year 2011, CDBG-R and Homeless Prevention (ARRA) grant funding (\$0.8 million) and costs associated with the Festival Park Plaza Office, LLC (\$0.5 million) and the Lake Valley Drive Municipal Service District (\$0.5 million) that were reflected in the prior fiscal year; an offsetting increase in public safety of \$1.2 million that primarily consisted of personnel costs (\$0.5 million) and vehicle fuel and maintenance (\$0.3 million), an increase in transportation of \$0.7 million primarily due to municipal agreement projects and a \$0.9 million increase in administration for personnel costs and miscellaneous contract agreements.
- The City's four largest governmental programs – public safety (50.6 percent), administration (15.2 percent), transportation (14.0 percent), and recreation and community facilities (9.5 percent), represent 89.3 percent of the total governmental activities.



Business-type activities: Revenues for the

City's business-type activities were \$310.2 million, while total expenses were \$229.2 million in fiscal year 2012. The increase in net assets for business-type activities, after transfers out of \$6.1 million and the change in accounting principle of \$21.4 million was \$74.8 million, resulting in net assets of \$896.6 million. Specifically, net assets increased in the electric, water and wastewater activities by \$62.5 million, resulting in net assets of \$806.6 million in fiscal year 2012, compared to \$744.1 million in fiscal year 2011. By far, the largest portion of these net assets, \$568.3 million or 70.5 percent reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets. Capital contributions and operating funds offset by capital asset depreciation contributed to the \$0.5 million increase in Capital Assets, Net of Related Debt in the electric, water and wastewater activities. Current and Other Assets in the electric, water and wastewater activities increased \$34.1 million or 13.2 percent.

The storm water special revenue and capital project funds reported in the governmental activities in the prior year were converted to an enterprise fund as of the beginning of this fiscal year and are reported as a business-type activity as of June 30, 2012. The storm water net assets increased \$2.4 million in fiscal year 2012. The increase is due primarily to operating revenues exceeded operating expenses by \$2.3 million. Net assets of the airport funds at the end of the year amounted to \$50.0 million, an increase of \$6.7 million. This increase in net assets is attributable to capital contributions of \$6.4 million. The City continues to subsidize the transit operations, as net assets increased \$2.5 million in fiscal year 2012 from \$10.1 million to \$12.6 million. This increase is essentially due to the governmental activities general revenues transfer (\$2.8 million) to the transit operations.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City. At the end of fiscal year 2012, unassigned fund balance of the General Fund was \$20.2 million, while total fund balance reached \$52.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 14.7 percent of total General Fund expenditures and transfers out, while total fund balance represents 37.7 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 budgets for the County Recreation Program and JP Riddle Stadium. 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 \$3.2 million during the current fiscal year. This increase can be primarily attributed to:

- Overall revenues increased \$6.1 million in fiscal year 2012. Specifically, privilege license taxes increased \$1.3 million. Local sales tax increased \$1.7 million, reflecting modest economic growth. Federal grants increased \$2.1 million, this increase is primarily attributable to the revenues received for the emergency protective measures and debris removal related to the April 16, 2011 tornado. Property leases increased \$0.5 million, primarily reflecting the Festival Park Plaza rental income.
- Overall expenditures increased \$0.8 million in fiscal year 2012.
- Net other financing uses decreased \$4.2 million in fiscal year 2012.

At June 30, 2012, the governmental funds of the City reported a combined fund balance of \$64.5 million, reflecting a 13.7 percent decrease from the previous year.

General Fund Budgetary Highlights

The City Council approved a \$139.5 million general fund budget for fiscal year 2012, which represented a \$4.8 million or 3.6% increase from the original budget for fiscal year 2011. The tax rate remained the same at 45.6 cents per \$100 value. Significant appropriation increases for the fiscal year 2012 budget included: \$2.6 million in transfers to fund capital projects; \$1.4 million in increased debt service funding due to new debt issuances; \$707,000 for vehicle maintenance expenditures; and \$557,000 for fuel expenses. These appropriation increases were offset by a net reduction of \$1.5 million in personnel costs. Personnel cost increases for employee pay and benefits were offset by a \$2.2 million budget reduction for anticipated savings of 4.1% from position vacancies and employee turnover throughout the year. In prior fiscal years, personnel budgets were not reduced by anticipated vacancy savings. Rather, the anticipated savings from vacancies were offset by a fund balance appropriation which was not anticipated to be needed.

An additional \$1.5 million in current ad valorem taxes from real and personal property were expected to be generated compared to the fiscal year 2011 original budget, primarily reflecting natural growth in taxable values. Fiscal year 2012 proceeds from sales tax distributions were projected at \$1.0 million higher than the fiscal year 2011 budget, reflecting modest economic growth. Revenues from permits and fees were expected to be \$1.0 million higher in fiscal year 2012, primarily reflecting increased building activity. The \$4.3 million fund balance appropriation for one-time expenditures for fiscal year 2012 represented a \$1.3 million increase compared to the original \$3.0 million fund balance appropriation originally budgeted in fiscal year 2011.

During the fiscal year, the City Council approved budget increases of \$6.6 million or 4.8%, bringing the general fund budget for fiscal year 2012 to \$146.2 million. The budget increases related to appropriations of: \$3.6 million for expenditures for which funds were restricted or assigned at June 30, 2011; \$813,000 for additional reimbursements from increased annexation-related revenues; \$271,000 for expenditures related to the City Manager transition; \$251,000 to fund service delivery for the Gates Four annexation area; \$200,000 for expenditures related to recovery from the April, 2011 tornados; and \$1.5 million to cover year-end projections and other items across multiple departments. The increased budget appropriations were funded by additional fund balance appropriations of \$4.3 million, an additional \$1.0 million in privilege license revenues, an additional \$1.1 million in sales tax distributions and \$200,000 from federal and state tornado recovery cost reimbursements.

Actual revenues and other financing sources for the general fund totaled \$140.8 million, or \$5.3 million or 3.7% less than the final amended budget. The shortfall primarily related to a budgeted fund balance appropriation of \$8.6 million, which is another financing source that is not reflected as current year revenue. This shortfall was offset by: intergovernmental revenues that exceeded the budget by \$2.6 million primarily due to \$2.2 million in federal and state reimbursements related to the April, 2011 tornados and \$351,000 in sales tax revenues received beyond budgeted amounts; other taxes which exceeded the budget by \$553,000; sales and service revenues across multiple functions which exceeded the budget by \$545,000; and permit and fee revenues which fell short of budgeted amounts by \$210,000.

Actual expenditures and other financing uses totaled \$137.7 million, or \$8.5 million or 5.8% less than the final amended budget. There were approximately \$3.2 million in expenditures budgeted for fiscal year 2012 which were restricted or assigned at June 30, 2012 to be reappropriated in fiscal year 2013. In addition, the final budget retained appropriations of approximately \$1.8 million or 1.25% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year. Personnel expenditures across all departmental budgets were \$1.3 million or 1.6% less than projected and the remaining \$2.3 million variance between the final budget

and actual expenditures resulted from a variety of departmental operating expenditures being under budget including contract services (\$823,000), vehicle maintenance (\$320,000) and fuel (\$122,000).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$981.5 million (net of accumulated depreciation and related debt). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and electric, water, wastewater and storm water utility systems.

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

- \$8.2 million in governmental street, sidewalk and drainage infrastructure projects
- \$8.1 million for water and wastewater rehabilitation of mains, laterals and transmission lines
- \$7.2 million for airport runway, airfield and parking improvements
- \$6.0 million for installation of wastewater utility systems in annexed areas
- \$5.1 million for utility system software/hardware upgrade (Navlgate)
- \$5.2 million in storm water drainage improvements
- \$3.6 million for public safety (police and fire) vehicles and equipment
- \$3.5 million for downtown parking deck
- \$2.6 million for installation of water and wastewater mains and laterals
- \$2.4 million for transit buses and equipment
- \$2.1 million for electric, water and wastewater system vehicles and power-operated equipment
- \$1.9 million for electric distribution system transformers
- \$1.7 million for environmental services automated refuse trucks and equipment
- \$1.7 million for new installation and system improvements to electric underground distribution
- \$1.4 million for purchase and installation of electric and water meters
- \$1.1 million for Fire Station #19 land, building and improvements
- \$1.0 million for multimodal center land purchases and design

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land and land rights	\$ 37,898	\$ 37,984	\$ 18,251	\$ 19,325	\$ 56,149	\$ 57,309
Infrastructure	270,151	253,439	39	13,815	270,190	267,254
Electric utility system	-	-	173,869	177,838	173,869	177,838
Wastewater system	-	-	269,021	277,111	269,021	277,111
Water system	-	-	173,025	178,094	173,025	178,094
Equipment and machinery	-	-	11,225	11,217	11,225	11,217
Buildings and improvements	63,534	67,122	48,292	56,835	111,826	123,957
Equipment, furniture and fixtures	3,563	3,693	714	1,440	4,277	5,133
Computer software	1,108	695	1,296	2,798	2,404	3,493
Computer equipment	-	-	1,734	1,601	1,734	1,601
Vehicles	15,155	15,740	12,172	15,190	27,327	30,930
Construction in progress	1,613	2,042	37,307	42,867	38,920	44,909
Total	<u>\$ 393,022</u>	<u>\$ 380,715</u>	<u>\$ 746,945</u>	<u>\$ 798,131</u>	<u>\$ 1,139,967</u>	<u>\$ 1,178,846</u>

As discussed in Note 3 of the Basic Financial Statements, transfers of \$13.6 (net of accumulated depreciation) were transferred from the Governmental Activities to the Business-type Activities due to the conversion of the Storm Water Management fund to an enterprise fund.

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

Long-term Debt. As of June 30, 2012, The City had total bonded debt outstanding of \$171.1 million before loss on defeasance and reacquired debt, premiums, and discounts (see Note 5 in the financial statements), of which \$16.7 million is debt backed by the full faith and credit of the City. In addition, the City has a number of capital leases and several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Bonded debt	\$ 19,111	\$ 15,996	\$ 156,129	\$ 155,089	\$ 175,240	\$ 171,085
Obligations under capital leases	25,781	21,999	79	59	25,860	22,058
Installment note payable	1,151	600	16,683	15,866	17,834	16,466
Total long-term debt	\$ 46,043	\$ 38,595	\$ 172,891	\$ 171,014	\$ 218,934	\$ 209,609

The City's total long-term debt decreased by \$9.3 million, or 4.3 percent, during the past fiscal year. This decrease is due to regularly scheduled principal payments of \$19.9 million; offset by issuance of the 2011 series Storm Water System Revenue Bonds totaling \$10.6 million during fiscal year 2012.

The City transferred \$475,568 in installment notes payable to business-type activities that were previously reported as governmental activities as the governmental Storm Water Management funds were converted to the Storm Water Management enterprise fund.

The City's other long-term obligations include a liability for the estimated amount of vacation and compensatory leave to ultimately be paid (compensated absences) of \$9.4 million, and a \$19.0 million liability for Other Post Employment Benefits (OPEB).

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

The City's Public Works Commission outstanding revenue bonds carry an Aa3 and AA credit rating from Moody's and Standard and Poor's, respectively. During fiscal year 2012, Standard and Poor's upgraded the utility systems rating from AA- to AA and Moody's corrected its rating from Aa2 to Aa3 by changing the recalibration algorithm.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$991.8 million. The City has no bonds authorized but unissued at June 30, 2012.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-22 – F-32 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2013

The City Council approved a \$145.5 million general fund budget for fiscal year 2013, which represented a \$6.0 million or 4.3% increase from the original budget for fiscal year 2012. The tax rate remained the same at 45.6 cents per \$100 value. Significant appropriation increases in the fiscal year 2013 budget included: a \$2.8 million increase in personnel costs which reflected the impact of employee pay adjustments, implementation of pay plan adjustments and a net increase of 13 full-time positions; a \$2.0 million increase in funding for annexation area water and sewer infrastructure projects; and a \$1.1 million increase for local reimbursement agreements related to annexation revenues.

The original fiscal year 2013 budget anticipated an additional \$1.2 million in current ad valorem taxes from real and personal property as compared to the original fiscal year 2012 budget, primarily reflecting natural growth in taxable values. Other significant revenue increases anticipated in the original fiscal year 2013 budget as compared to fiscal year 2012 original budget included: a \$2.5 million increase in sales tax distributions reflecting better than expected economic recovery in fiscal year 2012 and continued modest growth in fiscal year 2013; a \$1.4 million increase in utility tax distributions from the State of North Carolina; and a \$1.1 million increase in transfers from the electric fund. The \$4.0 million fund balance appropriation for one-time expenditures for fiscal year 2013 represented a \$331,000 decrease compared to the original \$4.3 million fund balance appropriation originally budgeted in fiscal year 2012.

The City Council has since approved budget increases of \$437,000, or 0.3%, bringing the general fund budget for fiscal year 2013 to \$146.0 million. The budget increase was primarily funded by additional appropriations from fund balance and largely related to increased appropriations for transit grant matches and transportation improvements.

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.ci.fayetteville.nc.us/finance or send an email to smith@ci.fay.nc.us for more information.

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Basic Financial Statements



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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Assets
June 30, 2012

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and investments	\$ 74,317,328	\$ 109,269,263	\$ 183,586,591
Taxes receivable	3,234,853	-	3,234,853
Accounts receivable	3,964,819	46,987,269	50,952,088
Internal balances	(2,656,875)	2,656,875	-
Assessment receivable	988,112	-	988,112
Due from other governments	13,381,626	-	13,381,626
Inventories	170,322	14,601,024	14,771,346
Prepaid expenses	944,270	871,879	1,816,149
Noncurrent portion of note receivable	8,770,175	-	8,770,175
Restricted asset - cash and investments	8,220,005	135,124,755	143,344,760
Restricted asset - accounts receivable	2,791	671,566	674,357
Restricted asset - collateral pledged	-	229,404	229,404
Other assets	405,783	17,871,445	18,277,228
Capital assets:			
Land and construction in progress	40,025,559	62,191,828	102,217,387
Other capital assets, net of depreciation	340,689,156	735,938,727	1,076,627,883
Total assets	492,457,924	1,126,414,035	1,618,871,959
Liabilities			
Accounts payable and accrued expenses	13,162,268	30,251,877	43,414,145
Restricted liabilities - accounts payable	900,630	10,591,507	11,492,137
Unearned revenues	2,955,263	24,047	2,979,310
Unearned deposits	412,398	2,143,314	2,555,712
Long-term liabilities:			
Due within one year	10,502,893	16,052,645	26,555,538
Due in more than one year	48,425,369	165,899,304	214,324,673
Other liabilities	-	4,841,962	4,841,962
Total liabilities	76,358,821	229,804,656	306,163,477
Net assets			
Invested in capital assets, net of related debt	346,265,466	635,244,018	981,509,484
Restricted for:			
Capital projects	-	1,958,397	1,958,397
Debt service	-	40,952	40,952
Stabilization by State Statute	20,733,404	-	20,733,404
Downtown	261,724	-	261,724
Recreational and cultural	3,518,730	-	3,518,730
Donations	20,295	-	20,295
Lake Valley Drive MSD	4,302	-	4,302
Public safety	1,350,182	-	1,350,182
Economic and physical development	311,486	-	311,486
Unrestricted	43,633,514	259,366,012	302,999,526
Total net assets	\$ 416,099,103	\$ 896,609,379	\$ 1,312,708,482

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Administration	\$ 21,677,385	\$ 1,024,970	\$ 3,585	\$ -	\$ (20,648,830)	\$ -	\$ (20,648,830)
Public safety	72,118,645	4,473,761	3,078,134	27,563	(64,539,187)	-	(64,539,187)
Environmental protection	8,369,933	192,595	272,362	593,228	(7,311,748)	-	(7,311,748)
Transportation	19,948,019	1,266,686	5,311,546	3,511,719	(9,858,068)	-	(9,858,068)
Economic and physical development	5,568,559	562,138	3,061,017	847,788	(1,097,616)	-	(1,097,616)
Recreation and community facilities	13,490,480	4,714,656	140,384	2,004,325	(6,631,115)	-	(6,631,115)
Interest and fees	1,464,554	-	185,825	-	(1,278,729)	-	(1,278,729)
Total governmental activities	142,637,575	12,234,806	12,052,853	6,984,623	(111,365,293)	-	(111,365,293)
Business-type activities:							
Electric	146,116,831	197,656,327	-	371,766	-	51,911,262	51,911,262
Water and wastewater	65,169,196	70,930,218	-	10,760,807	-	16,541,829	16,541,829
Storm water management	2,891,487	5,183,444	-	-	-	2,291,957	2,291,957
Transit	7,664,911	1,025,180	2,050,348	3,592,128	-	(997,255)	(997,255)
Airport	5,259,583	4,346,702	138,131	7,275,532	-	6,500,782	6,500,782
Solid waste recycling	2,145,150	2,285,018	299,525	-	-	439,393	439,393
Total business-type activities	229,247,156	281,426,889	2,488,004	22,020,233	-	76,687,968	76,687,968
Total primary government	\$ 371,884,733	\$ 293,661,695	\$ 14,540,657	\$ 29,004,856	(111,365,293)	76,687,968	(34,677,325)
General revenues:							
Ad valorem taxes					60,130,081	-	60,130,081
Other taxes							
Sales tax					33,283,642	-	33,283,642
Utility franchise tax					4,774,681	-	4,774,681
Telecommunications sales tax					1,852,403	-	1,852,403
Piped natural gas tax					488,991	-	488,991
Video franchise tax					2,452,910	-	2,452,910
Vehicle license tax					622,979	649,471	1,272,450
Privilege license					2,557,864	-	2,557,864
Cablevision franchise tax					419,653	-	419,653
Vehicle gross receipts tax					572,634	-	572,634
Solid waste disposal tax					142,217	-	142,217
Unrestricted grants and contributions					902,467	-	902,467
Interest earned on investments					565,944	3,089,310	3,655,254
Miscellaneous					1,174,240	252,092	1,426,332
Gain on sale of capital assets					385,076	240,158	625,234
Total general revenues not including transfers					110,325,782	4,231,031	114,556,813
Transfers					6,082,634	(6,082,634)	-
Total general revenues and transfers					116,408,416	(1,851,603)	114,556,813
Change in net assets					5,043,123	74,836,365	79,879,488
Net assets - beginning					432,407,196	800,421,798	1,232,828,994
Change in accounting principle					(21,351,216)	21,351,216	-
Net assets - ending					\$ 416,099,103	\$ 896,609,379	\$ 1,312,708,482

CITY OF FAYETTEVILLE, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 44,711,052	\$ 11,168,888	\$ 55,879,940
Taxes receivable	3,051,196	-	3,051,196
Accounts receivable	14,057,164	10,636,704	24,693,868
Assessments receivable	988,112	-	988,112
Prepaid expenses	-	27	27
Inventories	170,322	-	170,322
Restricted cash and investments	3,596,732	4,623,273	8,220,005
Restricted accounts receivable	-	2,791	2,791
Total assets	\$ 66,574,578	\$ 26,431,683	\$ 93,006,261
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 8,129,253	\$ 1,646,122	\$ 9,775,375
Unearned deposits	412,398	-	412,398
Deferred revenues	6,137,079	11,233,896	17,370,975
Restricted accounts payable and accrued expenses	-	900,630	900,630
Total liabilities	14,678,730	13,780,648	28,459,378
Fund balances:			
Nonspendable			
For inventories	170,322	-	170,322
Restricted			
Stabilization by State Statute	14,421,378	6,312,026	20,733,404
For downtown	53,425	208,299	261,724
For county recreation	3,418,003	-	3,418,003
For JP Riddle Stadium	100,707	-	100,707
For donations	20,295	-	20,295
For Lake Valley Drive MSD	4,302	-	4,302
Public safety	-	1,350,182	1,350,182
Economic and physical development	-	311,486	311,486
Recreation and community facilities	-	20	20
Committed			
General government	-	79,368	79,368
Public safety	-	136,180	136,180
Environmental protection	-	-	-
Transportation	-	2,979,511	2,979,511
Economic and physical development	-	493,187	493,187
Recreation and community facilities	-	1,835,923	1,835,923
Assigned			
For subsequent year's expenditures	3,933,570	-	3,933,570
For special purpose	5,498,398	-	5,498,398
For capital projects	4,113,861	-	4,113,861
Unassigned	20,161,587	(1,055,147)	19,106,440
Total fund balances	51,895,848	12,651,035	64,546,883
Total liabilities and fund balances	\$ 66,574,578	\$ 26,431,683	\$ 93,006,261

CITY OF FAYETTEVILLE, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2012

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

Ending fund balance - governmental funds	\$	64,546,883
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		378,586,275
Land	\$	21,723,532
Right of Way		16,260,330
Construction in progress		1,953,604
Infrastructure		442,073,129
Buildings and improvements		98,249,879
Furniture and equipment		26,553,557
Vehicles		41,650,667
Accumulated depreciation		(269,878,423)
	\$	<u>378,586,275</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		14,426,545
Costs of bond issuance are current-period expenditures in the funds, but will be deferred in the statement of net assets and amortized over the life of the outstanding debt.		405,783
Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.		558,112
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		183,661
Internal service funds are used by management to charge the costs of PWC fleet maintenance and insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		16,127,067
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(381,898)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		39,939
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		(58,393,264)
General obligation bonds	\$	(12,016,772)
Revenue bonds		(4,459,648)
Notes payable		(600,000)
Obligations under capital leases		(21,998,896)
Net OPEB obligation		(13,558,507)
Compensated absences		(5,759,441)
	\$	<u>(58,393,264)</u>
Net assets of governmental activities	\$	<u>416,099,103</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 60,089,099	\$ -	\$ 60,089,099
Other taxes and fees	4,167,422	637,221	4,804,643
Unrestricted intergovernmental	44,355,628	-	44,355,628
Restricted intergovernmental	12,186,192	7,688,085	19,874,277
Permits and fees	2,757,155	-	2,757,155
Sales and services	4,424,754	-	4,424,754
Miscellaneous	1,966,706	2,287,930	4,254,636
Interest earned on investments	288,414	19,051	307,465
Total revenues	<u>130,235,370</u>	<u>10,632,287</u>	<u>140,867,657</u>
Expenditures			
Current:			
Administration	22,479,246	1,410,022	23,889,268
Public safety	67,149,982	4,055,696	71,205,678
Environmental protection	8,965,634	-	8,965,634
Transportation	6,715,609	4,307,048	11,022,657
Economic and physical development	1,428,819	8,992,206	10,421,025
Planning and development	-	178,653	178,653
Recreation and community facilities	12,455,971	1,925,205	14,381,176
Debt service:			
Principal	5,756,981	1,215,000	6,971,981
Interest	1,127,387	431,750	1,559,137
Total expenditures	<u>126,079,629</u>	<u>22,515,580</u>	<u>148,595,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,155,741</u>	<u>(11,883,293)</u>	<u>(7,727,552)</u>
Other financing sources (uses)			
Sale of capital assets	356,285	7,095	363,380
Transfers in	10,247,898	6,949,318	17,197,216
Transfers out	(11,571,467)	(43,298)	(11,614,765)
Total other financing sources (uses)	<u>(967,284)</u>	<u>6,913,115</u>	<u>5,945,831</u>
Net change in fund balances	3,188,457	(4,970,178)	(1,781,721)
Fund balance - beginning	<u>48,707,391</u>	<u>17,621,213</u>	<u>66,328,604</u>
Fund balance - ending	<u>\$ 51,895,848</u>	<u>\$ 12,651,035</u>	<u>\$ 64,546,883</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds \$ (1,781,721)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$20,951,719) exceeded capital outlay (\$18,586,780) in the current period. (2,364,939)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. 3,216,362

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,493,240)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. 4,915,688

Principal repayments	\$	6,971,981
Change in net OPEB obligation		(2,219,608)
Change in compensated absences		63,601
Other miscellaneous		99,714
	\$	<u>4,915,688</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 1,357,207

The net revenue of certain activities of internal service funds is reported with governmental activities. 2,193,766

Change in net assets of governmental activities \$ 5,043,123

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 60,179,374	\$ 60,179,374	\$ 60,089,099	\$ (90,275)
Other taxes	2,614,135	3,614,135	4,167,422	553,287
Unrestricted intergovernmental	43,054,309	44,189,309	44,355,628	166,319
Restricted intergovernmental	9,598,018	9,798,018	12,186,192	2,388,174
Permits and fees	2,967,105	2,967,105	2,757,155	(209,950)
Sales and services	3,879,432	3,879,432	4,424,754	545,322
Miscellaneous	2,072,180	2,072,180	1,966,706	(105,474)
Interest earned on investments	364,734	364,734	288,414	(76,320)
Total revenues	<u>124,729,287</u>	<u>127,064,287</u>	<u>130,235,370</u>	<u>3,171,083</u>
EXPENDITURES				
Current:				
Administration	22,309,881	24,184,804	22,479,246	1,705,558
Public safety	67,712,182	69,483,043	67,149,982	2,333,061
Environmental protection	8,776,386	10,010,001	8,965,634	1,044,367
Transportation	7,288,182	7,766,591	6,715,609	1,050,982
Economic and physical development	1,728,535	2,091,112	1,428,819	662,293
Recreation and community facilities	12,786,715	13,468,518	12,455,971	1,012,547
Debt Service:				
Principal	6,033,613	6,269,585	5,756,981	512,604
Interest	1,661,202	1,221,207	1,127,387	93,820
Total expenditures	<u>128,296,696</u>	<u>134,494,861</u>	<u>126,079,629</u>	<u>8,415,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,567,409)</u>	<u>(7,430,574)</u>	<u>4,155,741</u>	<u>11,586,315</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	230,000	230,000	356,285	126,285
Appropriated fund balance	4,310,254	8,619,933	-	(8,619,933)
Transfers in	10,262,145	10,262,145	10,247,898	(14,247)
Transfers out	(11,234,990)	(11,681,504)	(11,571,467)	110,037
Total other financing sources (uses)	<u>3,567,409</u>	<u>7,430,574</u>	<u>(967,284)</u>	<u>(8,397,858)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,188,457</u>	<u>\$ 3,188,457</u>
FUND BALANCE - BEGINNING			<u>48,707,391</u>	
FUND BALANCE - ENDING			<u>\$ 51,895,848</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds					
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets						
Cash and investments	\$ 64,493,034	\$ 24,822,156	\$ 11,929,393	\$ 8,024,680	\$ 109,269,263	\$ 18,437,395
Accounts receivable	26,147,950	15,038,473	179,882	5,620,964	46,987,269	1,382,812
Interfund receivable	189,327	4,337	-	-	173,664	(173,664)
Inventories	12,829,724	1,563,112	-	208,188	14,801,024	-
Prepaid expenses	281,114	590,765	-	-	871,879	386,128
Total unrestricted current assets	103,921,149	42,018,643	12,109,275	13,853,832	171,903,099	20,032,671
Restricted current assets						
Restricted cash and investments	89,860,895	37,693,821	5,733,405	1,838,834	135,124,755	-
Accounts receivable	128,863	424,819	-	117,884	671,565	-
Collateral pledged in lieu of deposits	229,404	-	-	-	229,404	-
Total restricted current assets	90,219,162	38,118,640	5,733,405	1,954,518	136,025,725	-
Total current assets	194,140,311	80,137,483	17,842,680	15,808,350	307,928,824	20,032,871
Noncurrent assets						
Other assets	5,183,253	12,607,649	80,343	-	17,871,445	-
Capital assets	236,109,876	489,806,355	18,794,527	53,419,797	798,130,555	2,128,440
Total noncurrent assets	241,293,129	502,414,204	18,874,870	53,419,797	816,002,000	2,128,440
Total assets	435,433,440	582,551,687	36,717,550	69,228,147	1,123,930,824	22,161,111
Liabilities and net assets						
Current liabilities to be paid from unrestricted assets						
Accounts payable and accrued expenses	14,759,688	10,701,986	432,195	4,358,008	30,251,877	3,004,995
Current portion of long term debt	2,510,976	12,505,036	665,064	270,569	16,052,645	109,386
Unearned deposits	-	-	1,184,378	1,025	1,185,403	-
Total current liabilities to be paid from unrestricted assets	17,370,664	23,208,022	2,281,637	4,829,802	47,489,925	3,114,381
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	6,602,154	3,715,453	268,021	5,879	10,591,507	-
Total current liabilities to be paid from restricted assets	6,602,154	3,715,453	268,021	5,879	10,591,507	-
Total current liabilities	23,972,818	26,923,475	2,549,658	4,635,481	58,081,432	3,114,381
Noncurrent liabilities						
Unearned deposits	815	957,096	-	-	957,911	-
Net OPEB obligation	1,871,790	2,175,132	251,299	747,559	5,045,780	385,017
Unearned revenues	-	-	-	24,047	24,047	10,833
Long-term debt	12,697,205	137,936,346	10,160,508	39,465	160,853,524	40,602
Other liabilities	-	4,841,962	-	-	4,841,962	-
Total noncurrent liabilities	14,589,810	145,910,536	10,431,807	811,071	171,723,224	436,452
Total liabilities	38,542,628	172,834,011	12,981,465	5,446,552	229,804,656	3,550,833
Net assets						
Invested in capital assets, net of related debt	222,362,214	345,982,636	13,479,371	53,419,797	635,244,018	2,128,440
Restricted net assets						
Capital projects	-	9,758	-	1,948,639	1,958,397	-
Debt service	10	40,942	-	-	40,952	-
Unrestricted	174,528,588	63,684,340	10,256,714	8,413,159	256,882,801	16,481,838
Total net assets	\$ 396,890,812	\$ 409,717,676	\$ 23,736,085	\$ 63,781,595	\$ 894,126,168	\$ 18,610,278
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business type activities.					2,483,211	
Net assets of business-type activities					<u>\$ 896,609,379</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services	\$ 197,656,327	\$ 70,915,208	\$ 5,164,229	\$ 7,463,139	\$ 281,198,903	\$ -
Other revenue from operations	-	-	19,215	193,761	212,976	8,537,425
Interfund charges and employee contributions	-	-	-	-	-	15,149,692
Miscellaneous operating revenue	-	15,010	-	-	15,010	1,390
Total operating revenues	197,656,327	70,930,218	5,183,444	7,656,900	281,426,889	23,688,507
Operating expenses						
General and administrative	13,509,839	14,130,014	-	-	27,639,853	-
Power supply and generation	103,619,819	-	-	-	103,619,819	-
Electric operation	12,501,170	-	-	-	12,501,170	-
Miscellaneous operating expense - water	-	15,010	-	-	15,010	-
Water operations	-	14,059,094	-	-	14,059,094	-
Wastewater operations	-	12,743,659	-	-	12,743,659	-
Salaries and employee benefits	-	-	1,406,052	5,498,097	6,904,149	291,121
Other operating expenses	-	-	881,264	6,120,635	7,001,899	21,688,505
Depreciation	15,096,341	16,308,785	559,991	3,011,810	34,976,927	124,727
Total operating expenses	144,727,169	57,256,562	2,847,307	14,830,542	219,461,580	22,104,353
Operating income (loss)	52,929,158	13,673,656	2,336,137	(6,973,642)	61,965,309	1,584,154
Nonoperating revenue (expense)						
Interest earned on investments	1,482,999	1,501,482	56,442	48,387	3,089,310	90,816
Federal and State grants	-	-	-	2,188,479	2,188,479	-
Passenger Facility Charges	-	-	-	906,962	906,962	-
Miscellaneous revenue	-	-	-	252,092	252,092	2,279
Gain (loss) on disposal of capital assets	(312,517)	154,119	36,470	49,569	(72,359)	16,334
County revenue	-	-	-	299,525	299,525	-
Vehicle fee revenue	-	-	-	649,471	649,471	-
Interest expense	(598,847)	(6,790,884)	(38,950)	(1,438)	(7,530,119)	-
Amortization	(372,570)	(1,108,053)	(5,230)	-	(1,485,853)	-
Miscellaneous expense	-	-	-	(437,684)	(437,684)	-
Issuance costs	(5,728)	(13,697)	-	-	(19,425)	-
Total nonoperating revenue (expense)	93,337	(6,257,033)	48,732	3,955,383	(2,159,581)	109,429
Income (loss) before transfers	53,022,495	7,416,623	2,384,869	(3,018,259)	59,805,728	1,693,583
Transfers in	20,847	1,311,230	-	2,833,187	4,165,264	1,094,517
Transfers out	(10,117,820)	(297,167)	-	(427,245)	(10,842,232)	-
Capital contributions	371,766	10,780,807	-	9,960,698	21,113,271	-
Change in net assets	43,297,288	19,211,493	2,384,869	9,348,381	74,242,031	2,788,100
Total net assets - beginning	353,593,524	390,506,183	-	54,433,214	-	15,822,178
Change in accounting principle	-	-	21,351,216	-	-	-
Total net assets - ending	\$ 396,890,812	\$ 409,717,676	\$ 23,736,085	\$ 63,781,595	-	\$ 18,610,278

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

594,334

Change in net assets of business-type activities

\$ 74,836,365

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Enterprise Funds					
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating activities						
Cash received from customers	\$ 200,780,581	\$ 71,592,750	\$ 5,427,928	\$ 6,301,003	\$ 284,102,242	\$ 22,131,894
Cash received for insurance reimbursements	-	-	-	-	-	1,092,688
Cash paid to or on behalf of employees for services	(15,973,244)	(17,243,898)	(1,355,534)	(5,325,845)	(39,908,521)	(2,497,962)
Cash paid for goods and services	(10,767,793)	(21,896,449)	(522,259)	(3,212,540)	(36,199,041)	(19,340,179)
Cash paid for power supply and generation	(103,619,819)	-	-	-	(103,619,819)	-
Net cash provided by (used in) operating activities	70,419,705	32,652,403	3,540,135	(2,237,382)	104,374,861	1,386,239
Noncapital financing activities						
Transfers in	20,847	1,311,230	-	2,833,187	4,165,264	1,094,517
Federal and State grants	-	-	-	2,188,479	2,188,479	-
Cost of debt issuance	-	-	(85,573)	-	(85,573)	-
Transfers out	(10,117,820)	(297,167)	-	(427,245)	(10,842,232)	-
Net cash provided (used) by noncapital financing activities	(10,096,973)	1,014,063	(85,573)	4,594,421	(4,574,082)	1,094,517
Capital and related financing activities						
Proceeds from sale of capital assets	109,715	198,282	36,470	49,569	394,036	16,334
Proceeds from debt issuance	-	-	10,595,000	-	10,595,000	-
Contributed capital received	371,768	3,988,913	-	9,960,898	14,321,377	-
Acquisition and construction of capital assets	(21,489,753)	(19,793,736)	(5,489,825)	(11,998,287)	(58,771,801)	(599,241)
Principal paid in debt maturities	(2,991,458)	(12,570,639)	(290,030)	(19,573)	(15,971,701)	-
Interest paid on debt maturities	(1,077,145)	(7,912,634)	(291,786)	(1,438)	(9,283,003)	-
Net cash provided (used) by capital and related financing activities	(25,076,876)	(36,189,814)	4,559,829	(2,009,031)	(58,715,892)	(582,907)
Investing activities						
Interest and dividends	1,482,999	1,501,482	72,989	48,367	3,105,857	90,816
Net change in investments	(1,892,900)	(1,068,922)	-	-	(2,959,822)	-
Net cash provided (used) by investing activities	(409,901)	434,560	72,989	48,367	146,035	90,816
Net Increase (decrease) in cash and cash equivalents/investments	34,835,955	(2,088,788)	8,087,380	396,395	41,230,942	1,986,665
Cash and cash equivalents/investments						
Beginning of year	45,699,754	41,618,974	9,575,418	9,484,919	106,359,065	16,448,730
End of year	\$ 80,535,709	\$ 39,530,186	\$ 17,662,798	\$ 9,881,314	\$ 147,590,007	\$ 18,437,395
Unrestricted cash and cash equivalents/investments	\$ 33,225,739	\$ 22,028,280	\$ 11,929,393	\$ 8,024,880	\$ 75,208,092	\$ 18,437,395
Restricted cash and equivalents/investments	47,309,970	17,501,906	5,733,405	1,856,434	72,381,915	-
Total cash and cash equivalents/investments	\$ 80,535,709	\$ 39,530,186	\$ 17,662,798	\$ 9,881,314	\$ 147,590,007	\$ 18,437,395

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Enterprise Funds					Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 52,929,158	\$ 13,873,658	\$ 2,336,137	\$ (6,973,642)	\$ 61,965,309	\$ 1,584,154
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	15,096,341	16,308,785	559,991	3,011,810	34,976,927	124,727
Nonoperating payments for goods and services	-	-	-	(437,664)	(437,664)	2,279
Allowance for uncollectible accounts	44,024	25,697	-	-	69,721	-
Nonoperating receipts from customers	-	-	-	2,108,050	2,108,050	-
Gain (loss) on sale of capital assets	(312,517)	154,119	-	-	(158,398)	16,334
Change in assets and liabilities						
(Increase) decrease in accounts receivable	3,037,022	636,835	(87,366)	(3,459,455)	127,036	(466,100)
(Increase) decrease in inventory	(689,074)	(252,778)	-	(40,467)	(982,319)	-
(Increase) decrease in prepaid items	-	-	-	-	-	(47,918)
(Increase) decrease in internal balances	(327,265)	(149,241)	-	-	(476,506)	476,506
(Increase) decrease in other current assets	(5,102)	(28,978)	-	-	(34,080)	-
(Increase) decrease in other assets	(1,120,418)	452,823	-	-	(667,595)	-
(Increase) decrease in unearned deposits	(8,509)	(23,094)	331,850	-	302,247	-
(Increase) decrease in accounts payable and accrued liabilities	1,658,810	1,987,744	359,005	3,366,226	7,571,785	(287,275)
(Increase) decrease in accrued compensated absences	(64,765)	(113,165)	1,636	28,296	(167,996)	(24,440)
(Increase) decrease in unearned revenues	-	-	-	(4,492)	(4,492)	(306)
(Increase) decrease in Net OPEB Obligation	-	-	38,880	143,958	182,838	8,278
Total adjustments	17,490,547	18,976,747	1,203,998	4,726,260	42,409,552	(197,915)
Net cash provided by (used in) operating activities	\$ 70,419,705	\$ 32,852,403	\$ 3,540,135	\$ (2,237,382)	\$ 104,374,861	\$ 1,386,239
Noncash Investing, capital, and financing activities						
Contributed capital assets	\$ -	\$ 6,373,633	\$ -	\$ -	\$ 6,373,633	\$ -
FIF Credits Awarded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FIF Credits Applied	\$ -	\$ 418,261	\$ -	\$ -	\$ 418,261	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust Fund	Private-purpose Trusts
Assets		
Cash and investments		
Cash and cash equivalents	\$ 2,596,407	\$ 1,374,480
Total cash and investments	2,596,407	1,374,480
Accounts receivable	1,773	4,020
Total assets	2,598,180	1,378,500
Liabilities		
Accounts payable	26,098	-
Total liabilities	26,098	-
Net assets		
Held in Trust for pension benefits and other purposes	2,572,082	1,378,500
Total net assets	\$ 2,572,082	\$ 1,378,500

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Pension Trust Fund	Private-purpose Trusts
Additions		
Employer contributions	\$ 686,544	\$ -
Other contributions	-	110,606
Investment earnings	12,971	11,114
Total additions	699,515	121,720
Deductions		
Benefit payments and premiums	531,202	124,675
Total deductions	531,202	124,675
Change in net assets	168,313	(2,955)
Total net assets - beginning	2,403,769	1,381,455
Total net assets - ending	\$ 2,572,082	\$ 1,378,500

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Notes to Financial Statements



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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

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

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

A - Reporting Entity

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

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

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

City of Fayetteville Finance Corporation

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

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

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds. Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The Emergency Telephone System Fund accounts for the 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 Bond Improvement Fund accounts for bond proceeds and their use. The Economic and Physical Development Fund accounts for construction and improvement of various public facilities. The 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 storm water special revenue and capital project funds reported as governmental funds in the prior year were converted to an enterprise fund as of the beginning of this fiscal year because revenue bonds were issued and the storm water revenues were pledged. This resulted in a change in accounting principle for the amount of storm water net assets as of June 30, 2011.

The City reports the following major enterprise funds:

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

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Storm Water Management Fund. This fund accounts for the operations and maintenance of storm water facilities for the customers within the City of Fayetteville. The storm water special revenue and capital project funds reported in the governmental activities in the prior year were converted to an enterprise fund as of the beginning of this fiscal year and are reported as a business-type activity as of June 30, 2012.

The City reports the following nonmajor enterprise funds: The Transit Fund accounts for operation of the municipal transit system. The Airport Fund accounts for the operation and capital asset acquisition and construction of the Fayetteville Regional Airport. The Solid Waste Recycling Fund accounts for specified fees and residential recycling services.

The City reports the following fund types:

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

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

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

C - Measurement Focus and Basis of Accounting

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on all registered motor vehicles in North Carolina. Effective with this change in the law, Cumberland County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Fayetteville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Cumberland County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

Intergovernmental revenues and sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

D – Budgetary Data

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

E - Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Cash and Cash Equivalents

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

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-136(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2011.

Receivables

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

Allowance for Uncollectible Receivables

The City recorded a receivable in the special revenue fund for \$3,320,921 related to loans associated with grants or other financial assistance that has been awarded. Many of these awarded loans are not expected to be collected and are scheduled to be forgiven based upon note compliance; therefore, they are included in the allowance for uncollectible receivables.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

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

The receivables shown on the Statement of Net Assets are presented net of the following allowances for doubtful accounts as of June 30, 2012:

Fund

General Fund:

Taxes receivable	\$ 841,966
Accounts receivable	175,353
Assessments receivable	147,637

Special Revenue Fund:

Notes receivable	3,320,921
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Transit:

Accounts receivable	10,046
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Airport:

Accounts receivable	16,141
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Solid Waste Recycling:

Accounts receivable	747
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Electric Fund:

Accounts receivable	389,927
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Water and Wastewater Fund:

Accounts receivable	88,925
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Storm Water Management Fund:

Accounts receivable	8,398
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Total	<u>\$ 5,000,061</u>
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Interfund Receivables and Payables

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

The deficit unrestricted net assets balance in the Annexation V Reserve Fund is due to an interfund loan advance from the Electric Rate Stabilization Fund (ERSF). The ERSF is loaning funds to this reserve fund to pay for projects that are to be financed with revenue bonds. The bonds are expected to be issued in fiscal year 2014 and the reimbursement of proceeds will be used to repay the ERSF loan and therefore will eliminate this negative balance.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items.

Restricted Assets and Liabilities

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 bond proceeds because their use is completely restricted to the purpose for which the bonds were issued or the purpose for which the funds were set aside. Liabilities due to be repaid from restricted assets are classified as restricted liabilities.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$2,500 in the Electric and Water and Wastewater Funds) and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 and storm water network assets acquired prior to July 1, 2004 are reported at estimated historical cost using deflated current cost. Utility (electric, water, and wastewater) capital assets purchased or constructed since 1958 are recorded at cost. Contributed utility assets are recorded at estimated value at the date of acquisition. Utility assets acquired prior to 1958 are carried on an estimated cost basis. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations.

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

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

Depreciation includes amortization of intangible assets. Interest expense that relates to the cost of acquiring or constructing capital assets in enterprise funds is capitalized. Interest expense incurred in connection with construction of capital assets is reduced by interest earned on the investment of funds borrowed for construction in accordance with ASC 835-20-30 "Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants."

Unearned Deposits

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

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

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

Statement of Cash Flows

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

At June 30, 2012, the City recorded as other liabilities in the government-wide financial statements, \$2,171,250 for an advance from the Electric Rate Stabilization Fund to the Water/Wastewater Fund, \$657,098 for the non-current portion in advance payments from Fort Bragg for gross receipt taxes, \$719,012 for the non-current portion due to the Department of Transportation and \$1,294,400 for the non-current portion in advance from the Electric Rate Stabilization Fund to the Annex Phase V Reserve.

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

Net Assets

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

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)).

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

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

Restricted for J.P. Riddle Stadium - portion of fund balance available to pay for the recreational activities of J.P. Riddle Stadium.

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

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

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

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

Restricted for recreation and community facilities – portion of fund balance restricted by external grantor for the NRPA Return and Restore Program.

Committed Fund Balance - consists of funds that have been set aside for a specific purpose by formal action by the City's highest level of decision making authority (City Council) and that remain binding unless removed in the same manner prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds. Any changes or removal of committed funds requires the passage of a resolution by a simple majority vote.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

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 or their designee.

Subsequent year's expenditures - portion of fund balance that is appropriated in the adopted 2012 - 2013 budget ordinance that is not already classified as restricted or committed.

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

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.

Fund Balance Policy

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

The City of Fayetteville has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least 10% of the succeeding year's general fund expenditure budget, excluding the budgets for the County Recreation Program and JP Riddle Stadium. 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.

F - Reclassification

For comparability, certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

G - Use of Estimates

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2 - Cash, Cash Equivalents and Investments

A - Deposits

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

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. 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.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

At June 30, 2012, the City's demand deposits had a carrying amount of \$82,003,823 and a bank balance of \$84,425,819. Of the bank balance, Federal Deposit Insurance covered \$609,247, and \$83,816,572 was covered by collateral under the Pooling Method.

At June 30, 2012, the City had certificates of deposit totaling \$11,412,269. Of this amount, Federal Deposit Insurance covered \$250,000, and \$11,162,269 was covered by collateral under the Pooling Method.

The City had \$10,241 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, 2012, the City investment balances were as follows:

	Fair Value	Less than 6 Months	6 Mos - 1 Yr	1-5 Years	5-10 Years	10-15 Years
U.S. Government Agencies	\$ 75,020,212	\$ -	\$ -	\$ 54,772,735	\$ 17,205,843	\$ 3,041,634
Commercial Paper	89,742,662	69,431,727	20,310,935	-	-	-
N.C. Capital Management Trust - Cash portfolio	62,710,724	62,710,724	-	-	-	-
N.C. Capital Management Trust - Term portfolio	10,002,307	10,002,307	-	-	-	-
Total Primary Government	237,475,905	142,144,758	20,310,935	54,772,735	17,205,843	3,041,634
Reporting Entity Total	\$ 237,475,905	\$ 142,144,758	\$ 20,310,935	\$ 54,772,735	\$ 17,205,843	\$ 3,041,634

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Credit Risk. The City has no formal policy regarding credit risk; however, the State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City minimizes credit risk by limiting investments to the types allowed by North Carolina General Statutes 159-30. The City diversifies the investment portfolio to minimize the impact of potential losses from any one security or from any one individual issuer. Also, the City pre-qualifies the financial institutions' brokers/dealers and requires them to meet specific financial and registration conditions. As of June 30, 2012, the City's commercial paper was rated P1 by Moody's Investors Service and A1 by Standard & Poor's. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's and the NC Capital Management Trust Term Portfolio was unrated as of June 30, 2012. The City's investments in US Agencies (Federal Home Loan Bank, Fannie Mae, Freddie Mac and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2012.

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

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in NC Cash Management Trust securities, Federal Home Loan Bank securities, Toyota Motor Credit commercial paper, Fannie Mae securities and FCAR Owner Trust commercial paper. These investments are 26.41%, 15.81%, 10.67%, 10.54% and 10.30% respectively, of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 237,475,905
Cash (demand deposits)	82,003,823
Certificates of Deposit	10,048,167
Fireman's Relief Fund Certificate of Deposit	1,364,102
Petty cash	10,241
Total cash and investments	<u>\$ 330,902,238</u>

Totals per Statement of Net Assets:

Cash and investments - unrestricted	\$ 183,586,591
Cash and investments - restricted	143,344,760
Pension trust cash and investments	2,596,407
Private-purpose trust cash and investments	1,374,480
Total cash and investments	<u>\$ 330,902,238</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Primary Government

	Balance July 1, 2011	Increases	Decreases	Transfers	Balance June 30, 2012
Governmental activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 37,897,575	\$ 290,265	\$ -	\$ (203,980)	\$ 37,983,860
Construction in progress	1,613,126	905,585	(319,104)	(157,908)	2,041,699
Total capital assets not being depreciated	39,510,701	1,195,850	(319,104)	(361,888)	40,025,559
Capital assets being depreciated:					
Infrastructure	461,280,431	8,226,504	-	(27,433,807)	442,073,128
Buildings and improvements	94,578,111	6,711,015	(20,108)	-	101,269,018
Equipment, furniture and fixtures	24,280,601	1,904,984	(2,708,951)	(802,133)	22,674,501
Computer software	4,594,649	270,673	(91,639)	(6,941)	4,766,742
Vehicles	41,621,956	4,614,016	(3,295,507)	(995,883)	41,944,582
Total capital assets being depreciated	626,355,748	21,727,192	(6,116,205)	(29,238,764)	612,727,971
Less accumulated depreciation for:					
Infrastructure	(191,129,164)	(12,414,577)	-	14,909,414	(188,634,327)
Buildings and improvements	(31,044,183)	(3,122,529)	19,771	-	(34,146,941)
Equipment, furniture and fixtures	(20,716,299)	(1,428,200)	2,708,951	454,973	(18,980,575)
Computer software	(3,487,225)	(683,519)	91,639	6,941	(4,072,164)
Vehicles	(26,467,493)	(3,427,620)	3,089,382	600,923	(26,204,808)
Total accumulated depreciation	(272,844,364)	\$ (21,076,445)	\$ 5,909,743	\$ 15,972,251	(272,038,815)
Total capital assets being depreciated, net	353,511,384				340,689,156
Governmental activity capital assets, net	\$ 393,022,085				\$ 380,714,715

Transfers are storm water capital assets removed from Governmental Activities and now reported in the Storm water Management enterprise fund established this year as discussed in Note 1.

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

Administration	\$ 310,990
Public safety	4,293,141
Environmental protection	1,062,962
Transportation	13,014,376
Economic and physical development	1,007,770
Recreation and community facilities	1,262,480
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the funds	124,726
Total depreciation expense	<u>\$ 21,076,445</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3 - Capital Assets (continued)

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

	Balance July 1, 2011	Increases	Decreases *	Transfers	Balance June 30, 2012
Business-type activities:					
Electric Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 5,270,980	\$ 49,480	\$ -	\$ -	\$ 5,320,460
Construction in progress	10,900,861	19,632,283	(18,765,212) *	-	11,767,932
Total capital assets not being depreciated	<u>16,171,841</u>	<u>19,681,763</u>	<u>(18,765,212)</u>	<u>-</u>	<u>17,088,392</u>
Capital assets being depreciated:					
Electric utility system	375,128,299	16,877,510	(2,304,206)	-	389,701,603
Buildings	41,354,654	2,141,816	-	-	43,496,470
Equipment and machinery	16,134,459	768,280	(119,099)	-	16,783,640
Intangibles	9,416,993	1,764,525	-	-	11,181,518
Computer equipment	3,426,399	247,614	(10,081)	-	3,663,932
Vehicles	6,259,959	1,003,137	(306,400)	14,711	6,971,407
Office equipment	1,104,188	42,068	(362)	(523)	1,145,371
Total capital assets being depreciated	<u>452,824,951</u>	<u>22,844,950</u>	<u>(2,740,148)</u>	<u>14,188</u>	<u>472,943,941</u>
Less accumulated depreciation for:					
Electric utility system	(201,259,281)	(12,514,861)	1,911,034	-	(211,863,108)
Buildings	(15,986,951)	(1,008,764)	-	-	(16,995,715)
Equipment and machinery	(8,205,005)	(591,449)	99,069	-	(8,697,385)
Intangibles	(8,762,354)	(233,268)	-	-	(8,995,622)
Computer equipment	(2,543,483)	(288,939)	10,081	-	(2,822,341)
Vehicles	(3,337,220)	(445,207)	294,189	(14,710)	(3,502,948)
Office equipment	(1,032,369)	(13,853)	362	522	(1,045,338)
Total accumulated depreciation	<u>(241,126,663)</u>	<u>\$ (15,096,341)</u>	<u>\$ 2,314,735</u>	<u>\$ (14,188)</u>	<u>(253,922,457)</u>
Total capital assets being depreciated, net	<u>211,698,288</u>				<u>219,021,484</u>
Electric fund capital assets, net	<u>\$ 227,870,129</u>				<u>\$ 236,109,876</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3 - Capital Assets (continued)

	Balance July 1, 2011	Increases	Decreases *	Transfers	Balance June 30, 2012
Business-type activities:					
Water and Wastewater Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 9,051,528	\$ 243,799	\$ -	\$ -	\$ 9,295,327
Construction in progress	13,192,967	29,729,877	(27,594,721) *	-	15,328,123
Total capital assets not being depreciated	<u>22,244,495</u>	<u>29,973,676</u>	<u>(27,594,721)</u>	<u>-</u>	<u>24,623,450</u>
Capital assets being depreciated:					
Water system	272,543,748	10,715,926	-	-	283,259,674
Sewer system	406,752,238	17,034,974	-	-	423,787,212
Buildings	4,942,049	17,209	-	-	4,959,258
Equipment and machinery	10,156,000	477,205	(223,681)	-	10,409,524
Intangibles	8,674,086	-	-	-	8,674,086
Computer equipment	3,268,875	179,851	(3,113)	-	3,445,613
Vehicles	6,558,147	675,073	(493,958)	(14,711)	6,724,551
Office equipment	466,959	-	(362)	523	467,120
Total capital assets being depreciated	<u>713,362,102</u>	<u>29,100,238</u>	<u>(721,114)</u>	<u>(14,188)</u>	<u>741,727,038</u>
Less accumulated depreciation for:					
Water system	(99,519,171)	(5,646,736)	-	-	(105,165,907)
Sewer system	(137,731,548)	(8,944,452)	-	-	(146,676,000)
Buildings	(2,573,912)	(107,527)	-	-	(2,681,439)
Equipment and machinery	(6,860,716)	(637,497)	219,618	-	(7,278,595)
Intangibles	(8,078,896)	(204,361)	-	-	(8,283,257)
Computer equipment	(2,418,111)	(271,356)	3,112	-	(2,686,355)
Vehicles	(3,362,387)	(487,172)	493,180	14,710	(3,341,669)
Office equipment	(421,067)	(9,684)	362	(522)	(430,911)
Total accumulated depreciation	<u>(260,965,808)</u>	<u>\$ (16,308,785)</u>	<u>\$ 716,272</u>	<u>\$ 14,188</u>	<u>(276,544,133)</u>
Total capital assets being depreciated, net	<u>452,396,294</u>				<u>465,182,905</u>
Water and Wastewater fund capital assets, net	<u>\$ 474,640,789</u>				<u>\$ 489,806,355</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3 - Capital Assets (continued)

	Balance July 1, 2011	Increases	Decreases	Transfers	Balance June 30, 2012
Business-type activities (continued):					
Storm Water Management Fund					
Capital assets not being depreciated:					
Land and land rights	\$ -	\$ 29,981	\$ -	\$ 203,980	\$ 233,961
Construction in progress	-	3,982,938	-	157,908	4,140,846
Total capital assets not being depreciated	-	4,012,919	-	361,888	4,374,807
Capital assets being depreciated:					
Infrastructure	-	1,411,239	-	27,433,807	28,845,046
Furniture, fixtures and equipment	-	202,919	(47,166)	802,133	957,886
Computer software	-	-	-	6,941	6,941
Vehicles	-	99,040	-	995,883	1,094,923
Total capital assets being depreciated	-	1,713,198	(47,166)	29,238,764	30,904,796
Less accumulated depreciation for:					
Infrastructure	-	(392,646)	-	(14,909,414)	(15,302,060)
Furniture, fixtures and equipment	-	(75,901)	47,166	(454,973)	(483,708)
Computer software	-	-	-	(6,941)	(6,941)
Vehicles	-	(91,444)	-	(600,923)	(692,367)
Total accumulated depreciation	-	\$ (559,991)	\$ 47,166	\$ (15,972,251)	(16,485,076)
Total capital assets being depreciated, net	-				14,419,720
Storm Water Management fund capital assets, net	\$ -				\$ 18,794,527

As discussed above, Storm Water capital assets were transferred from Governmental Activities to the Storm Water Management Enterprise fund which was established this year.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3 - Capital Assets (continued)

	Balance July 1, 2011	Increases	Decreases	Transfers	Balance June 30, 2012
Business-type activities (continued):					
Nonmajor enterprise funds					
Capital assets not being depreciated:					
Land and land rights	\$ 3,929,146	\$ 546,204	\$ -	\$ -	\$ 4,475,350
Construction in progress	13,213,796	7,395,868	-	(8,979,835)	11,629,829
Total capital assets not being depreciated	<u>17,142,942</u>	<u>7,942,072</u>	<u>-</u>	<u>(8,979,835)</u>	<u>16,105,179</u>
Capital assets being depreciated:					
Infrastructure	39,811	236,751	-	-	276,562
Buildings and improvements	52,408,000	509,874	(159,228)	8,979,835	61,738,481
Furniture, fixtures and equipment	3,211,146	490,315	(35,680)	-	3,665,781
Computer software	111,844	228,611	(50,575)	-	289,880
Vehicles	10,542,596	2,590,665	(1,286,143)	-	11,847,118
Total capital assets being depreciated	<u>66,313,397</u>	<u>4,056,216</u>	<u>(1,531,626)</u>	<u>8,979,835</u>	<u>77,817,822</u>
Less accumulated depreciation for:					
Infrastructure	(526)	(3,955)	-	-	(4,481)
Buildings and improvements	(31,852,951)	(1,988,290)	159,228	-	(33,682,013)
Furniture, fixtures and equipment	(2,615,233)	(257,687)	35,680	-	(2,837,240)
Computer software	(65,073)	(53,771)	50,575	-	(68,269)
Vehicles	(4,489,237)	(708,107)	1,286,143	-	(3,911,201)
Total accumulated depreciation	<u>(39,023,020)</u>	<u>\$ (3,011,810)</u>	<u>\$ 1,531,626</u>	<u>\$ -</u>	<u>(40,503,204)</u>
Total capital assets being depreciated, net	<u>27,290,377</u>				<u>37,314,618</u>
Nonmajor enterprise fund capital assets, net	<u>\$ 44,433,319</u>				<u>\$ 53,419,797</u>
Business-type activities capital assets, net	<u>\$ 746,944,237</u>				<u>\$ 798,130,555</u>

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

Electric	\$ 15,096,341
Water and Wastewater	16,308,785
Storm Water Management	559,991
Transit	941,053
Airport	2,067,009
Recycling	3,748
Total depreciation expense	<u>\$ 34,976,927</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2012:

	General	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Storm Water Management	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 4,531,985	\$ 673,010	\$ 519,595	\$ 5,824,590	\$ 19,285,250	\$ 10,453,634	\$ 239,485	\$ 416,271	\$ -
Incurred but not reported	-	-	2,474,978	2,474,978	1,026,638	1,026,638	-	-	-
Contracts payable	-	1,608,317	-	1,608,317	-	-	209,261	3,085,523	-
Interest payable	-	-	-	-	219,888	2,117,686	134,936	20	-
Retainage payable	578	265,425	-	266,003	-	-	67,879	679,000	-
Salaries and benefits payable	3,496,690	-	10,422	3,507,112	830,066	819,471	48,655	183,073	26,098
Total	\$ 8,129,253	\$ 2,548,752	\$ 3,004,995	13,681,000	\$ 21,361,842	\$ 14,417,439	\$ 700,216	\$ 4,383,887	\$ 26,098
Adjustment for interest payable				381,898					
				<u>\$ 14,062,898</u>					
Reconciliation to accounts payable on the financial statements:									
Unrestricted	\$ 8,129,253	\$ 1,546,122	\$ 3,004,995	\$ 12,780,370	\$ 14,759,688	\$ 10,701,986	\$ 432,195	\$ 4,358,008	\$ 26,098
Restricted	-	900,630	-	900,630	6,602,154	3,715,453	268,021	5,879	-
	<u>\$ 8,129,253</u>	<u>\$ 2,546,752</u>	<u>\$ 3,004,995</u>	<u>13,681,000</u>	<u>\$ 21,361,842</u>	<u>\$ 14,417,439</u>	<u>\$ 700,216</u>	<u>\$ 4,383,887</u>	<u>\$ 26,098</u>
Adjustment for interest payable				381,898					
				<u>\$ 14,062,898</u>					

Note 5 - Long-Term Obligations

A - General Obligation Indebtedness

The City has issued general obligation bonds (to include general obligation bonds for the benefit of the Electric and Water and Wastewater funds) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing power of the City. They are serviced by the general fund and the water and wastewater fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2012, are as follows:

Governmental activities

\$5,535,000 Refunding Bonds, Series 2002 due in various annual installments through June 1, 2016; interest at various rates between 3.75% and 4%.	\$ 1,260,000
\$8,450,000 Public Improvement Bonds, Series 2005 due in various semiannual installments through June 1, 2025; interest at various rates between 3.7% and 4.25%.	5,475,000
\$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>5,141,406</u>
	11,876,406
Add: Unamortized Premium	523,848
Less: Loss on Defeasance	<u>(383,482)</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

Total governmental general obligation bonds	\$ <u>12,016,772</u>
Business-type activities	
\$3,625,000 Street Improvement Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 3.75% and 4.5%.	1,825,000
\$4,403,885 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>3,018,594</u>
	4,843,594
Add: Unamortized Premium	290,896
Less: Loss on Defeasance	<u>(83,165)</u>
Total business-type general obligation bonds	<u>5,051,325</u>
Total general obligation bonds	<u>\$ <u>17,068,097</u></u>

B - Revenue Bonds

The City has issued revenue bonds, which have been used to finance the construction of facilities used in the City's operations. Resources generated by the facilities' operations are retiring the bonds. Revenue bonds outstanding for the year ended June 30, 2012, are as follows:

Governmental activities:

\$5,835,000 Municipal Building Project Refunding Bonds, Series 2005, due in various annual installments through February 1, 2018; interest at various rates between 5.0% and 5.25%.	\$ 2,790,000
\$2,685,000 Municipal Building Project Bonds, Series 2005, for the construction of Westover Recreation Center due in various annual installments through February 1, 2019; interest at various rates between 5.0% and 5.25%.	<u>1,330,000</u>
	4,120,000
Add: Unamortized Premium	339,648
Total governmental revenue bonds	<u>4,459,648</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$17,025,000 Revenue Bonds, Series 2008 due in various annual installments through March 1, 2023; interest at various rates between 3.75% and 4.5%.	\$ 14,625,000
\$114,155,000 Revenue Refunding Bonds, Series 2009A due in various annual installments through March 1, 2024; interest at various rates between 4.0% and 5.0%.	89,235,000
\$36,710,000 Revenue Bonds, Series 2009B due in various annual installments through March 1, 2035; interest at various rates between 3.5% and 5.0%.	36,055,000
\$10,595,000 Storm Water Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>10,330,000</u>
Total business-type revenue bonds	150,245,000
Add: Unamortized Premium	12,982,278
Less: Unamortized Discount	(22,795)
Less: Loss on Defeasance	<u>(10,809,229)</u>
Total revenue bonds	<u>\$ 152,395,254</u>

Interest expense related to the revenue and general obligation bonds totaled \$8,157,656 for the year ended June 30, 2012 and of that amount, \$370,962 was capitalized during the year.

The City has pledged future electric, water and wastewater customer revenues, net of specified operating expenses, to repay \$167,890,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2010. 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 2035. The total principal and interest remaining to be paid on the bonds is \$187,437,388. Principal and interest paid for the current year and total customer revenues were \$17,583,050 and \$268,571,535, respectively.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system and minimum revenue bond coverage, and requires that a reserve fund be established and maintained for the 2008 bonds. The reserve fund requirements have been met by the City through funding a reserve fund account and the purchase of surety bonds in full amount of the bond requirement. The City is in compliance with all such significant covenants at June 30, 2012.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012
Series 2011 Storm water System	3.135%	8/11/2011	8/21/2026	\$ 10,595,000	\$ 10,330,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Stormwater Revenue Bonds		
	Principal	Interest	Totals
2013	\$ 575,000	\$ 319,378	\$ 894,378
2014	595,000	301,195	896,195
2015	610,000	282,385	892,385
2016	625,000	263,183	888,183
2017	645,000	243,433	888,433
2018-2022	3,560,000	897,315	4,457,315
2023-2027	3,720,000	297,356	4,017,356
	<u>\$ 10,330,000</u>	<u>\$ 2,604,245</u>	<u>\$ 12,934,245</u>

As of June 30, 2012, 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	\$ 11,929,393
Trustee - Regions Bank	2,995,950
Trustee - NCCMT	2,737,455
Total	<u>\$ 17,662,798</u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$12,934,245 as of June 30, 2012. 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, 2012) 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, 2012

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service		
Storm water fee revenues	\$ 5,164,229	
Other operating revenues	19,215	
Nonoperating revenue (expense)	56,442	
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest	(1,614)	
Unrealized gain/loss on investments	2,488	
	<u>57,316</u>	
Total revenues		5,240,760
Operating expenses	2,847,307	
Less adjustments for:		
Depreciation	(559,991)	
Change in OPEB accrual	(38,880)	
Total current expenses		<u>2,248,436</u>
Income Available for Debt Service		<u>2,992,324</u>
Unrestricted cash 6/30/2011 (prior year)	8,733,303	
15% of unrestricted cash		<u>1,309,995</u>
Total resources available for debt service		<u>\$ 4,302,319</u>
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds - Principal	\$ 265,000	
Series 2011 Revenue Bonds - Interest	<u>156,850</u>	
		<u>\$ 421,850</u>
Total Available Resources Debt Service Coverage - Parity Indebtedness		10.20
Revenue Bond Covenant Requirement		1.20
Parity, Subordinated, and System G.O. Debt Service Requirement		
NC Storm water Note Payable 0196	\$ 11,613	
NC Storm water Note Payable 0231	13,417	
Series 2011 Revenue Bonds - Principal	265,000	
Series 2011 Revenue Bonds - Interest	<u>156,850</u>	
		<u>\$ 446,880</u>
Income Available for Debt Service Debt Service Coverage - All Indebtedness		6.70
Revenue Bond Covenant Requirement		1.00

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

C - Notes Payable

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

On July 23, 2009, the City entered into a \$750,000 loan agreement with the U.S. Department of Housing and Urban Development (HUD). The loan was made under the Section 108 Loan Guarantee Program. During fiscal year 2012 the Series HUD 2011-A was refinanced to fix rates, between 0.31% to 2.05%. The purpose of the note is for the financing of a community development project.

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

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

Additionally, in 2010, the City completed two storm water projects which were financed through two federal revolving loans for \$464,503 and \$536,692 administered through the State of North Carolina, Department of Environment and Natural Resources. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal was immediately reduced by one half of the loan amount to \$232,252 and \$268,346 as "Principal Forgiveness." These notes were previously reported as governmental activities. They are now reported as business-type activities, as they were transferred to the new Storm water Management enterprise fund which was established this year as discussed in Note 1. These notes payable are inferior and subordinate to the Storm Water Revenue Bonds of the City of Fayetteville.

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

Governmental activities

\$750,000 HUD Note Payable due in various annual installments of \$75,000 through August 1, 2019; interest rate between 0.31% to 2.05% paid semiannually.	\$ <u>600,000</u>
Total governmental notes payable	<u>600,000</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$7,595,127 State revolving loan due in annual installments through May 1, 2021; interest at 2.6% paid semiannually on May 1 and November 1.	\$ 3,417,807
\$16,969,848 State revolving loan due in annual installments through May 1, 2026; interest at 2.66% paid semiannually on May 1 and November 1.	11,878,894
\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest	118,800
\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1.	209,027
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1.	<u>241,511</u>
Total business-type notes payable	<u>15,866,039</u>
Total notes payable	<u>\$ 16,466,039</u>

Interest expense related to the notes payable obligations totaled \$435,004 for the year ended June 30, 2012.

D - Lease Agreements

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

Capital lease obligations are comprised of the following:

Governmental activities

Capital lease obligations payable in various semi-annual installments of approximately \$419,190 in 2013 including interest at rates ranging from 4.19% to 4.55%	\$ 4,700,973
Capital lease obligations payable in various monthly installments of approximately \$60,852 in 2013 including interest at 3.375%	669,374

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

Capital lease obligations payable in various monthly installments of approximately \$75,388 in 2013 including interest at 2.06%	\$ 2,638,564
Capital lease obligations payable in various monthly installments of approximately \$50,235 in 2013 including interest at 1.81%	1,205,650
Capital lease obligations payable in various semi-annual installments of approximately \$332,357 in 2013 including interest at 5.1%. The City receives a subsidy of 45 percent of interest cost from the Federal Government reducing the effective interest rate to 2.81%	7,266,736
Capital lease obligations payable in various semi-annual installments of approximately \$200,764 in 2013 including interest at estimated .996%	6,271,916
Capital lease obligations payable in various semi-annual installments of approximately \$97,652 in 2013 including interest at estimated 0.73%	<u>2,632,546</u>
	25,385,759
Less: amount representing interest	<u>(3,386,863)</u>
Present value of the minimum lease payments	<u>21,998,896</u>
Business-type activities	
Capital lease obligations payable in various monthly installments of approximately \$1,751 in 2013 including interest at 2.06%	<u>61,301</u>
Less: amount representing interest	<u>(1,856)</u>
Present value of the minimum lease payments	<u>59,445</u>
Total capital lease obligations	<u>\$ 22,058,341</u>

The following is an analysis of leased property under capital leases as of June 30, 2012:

Classes of Property	Cost	Depreciation	Value
Equipment	\$ 5,400,160	\$ 4,158,485	\$ 1,241,675
Vehicles	1,035,581	340,145	695,436
Buildings and improvement	30,578,773	5,209,318	25,369,455
Total	<u>\$ 37,014,514</u>	<u>\$ 9,707,948</u>	<u>\$ 27,306,566</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

Interest expense related to the capital lease obligations totaled \$680,338 for the year ended June 30, 2012.

E - Changes in Long-Term Obligations

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Governmental activities:					
General obligation debt	\$ 13,851,260	\$ -	\$ 1,974,854	\$ 11,876,406	\$ 1,959,856
Revenue bonds	5,260,000	-	1,140,000	4,120,000	600,000
Notes payable	1,150,568	-	550,568	600,000	75,000
Capitalized leases	25,781,023	-	3,782,127	21,998,896	3,694,961
Compensated absences	6,049,429	5,693,253	5,833,260	5,909,422	4,173,077
Net OPEB Obligation	11,884,899	2,271,044	212,419	13,943,524	-
	<u>63,977,179</u>	<u>\$ 7,964,297</u>	<u>\$ 13,493,228</u>	<u>58,448,248</u>	<u>10,502,893</u>
Add: Unamortized premium	1,063,010			863,496	
Less: loss on defeasance (net of amortization)	(464,731)			(383,482)	-
Total governmental activities	<u>\$ 64,575,458</u>			<u>\$ 58,928,262</u>	<u>\$ 10,502,893</u>

As discussed above, notes payable of \$475,568 were transferred to business-type activities. The transfer is shown as a decrease in the governmental activities above and an increase in the business type activities below.

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Business-type activities:					
General obligation debt	\$ 5,648,740	\$ -	\$ 805,146	\$ 4,843,594	\$ 805,145
Revenue bonds	150,480,000	10,595,000	10,830,000	150,245,000	11,800,000
Notes payable	16,683,349	475,568	1,292,878	15,866,039	1,292,879
Capitalized leases	79,018	-	19,573	59,445	19,980
Compensated absences	3,242,843	3,737,064	3,445,801	3,534,106	2,134,641
Net OPEB Obligation	4,071,564	974,216	-	5,045,780	-
	<u>180,205,514</u>	<u>\$ 15,781,848</u>	<u>\$ 16,393,398</u>	<u>179,593,964</u>	<u>16,052,645</u>
Add: Unamortized premium	14,531,606			13,273,174	-
Less: Unamortized discount	(23,800)			(22,795)	-
Less: loss on defeasance (net of amortization)	(13,127,864)			(10,892,394)	-
Total business-type activities	<u>\$ 181,585,456</u>			<u>\$ 181,951,949</u>	<u>\$ 16,052,645</u>

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

F - Maturities of Long-Term Obligations

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

Governmental activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Construction and Improvement Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,959,855	\$ 518,575	\$ 600,000	\$ 213,250	\$ 1,590,494	\$ 503,496
2014	1,954,855	430,483	620,000	183,250	1,601,174	448,764
2015	1,939,855	341,502	640,000	152,250	1,235,693	398,206
2016	1,684,855	252,960	665,000	118,650	1,247,062	360,383
2017	839,855	176,542	685,000	83,738	1,258,793	322,445
2018-2022	2,272,131	530,120	910,000	57,750	6,483,381	1,038,833
2023-2027	1,225,000	102,001	-	-	4,182,200	201,247
	<u>11,876,406</u>	<u>2,352,183</u>	<u>4,120,000</u>	<u>808,888</u>	<u>17,598,797</u>	<u>3,273,374</u>
Add: Unamortized premium	523,848	-	339,648	-	-	-
Less: loss on defeasance (net of amortization)	(383,482)	-	-	-	-	-
	<u>\$ 12,016,772</u>	<u>\$ 2,352,183</u>	<u>\$ 4,459,648</u>	<u>\$ 808,888</u>	<u>\$ 17,598,797</u>	<u>\$ 3,273,374</u>

Year Ended	Capitalized Leases		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,104,467	\$ 72,383	\$ 75,000	\$ 6,574	\$ 6,329,816	\$ 1,314,278
2014	1,474,851	32,624	75,000	6,296	5,725,880	1,101,417
2015	820,781	8,482	75,000	5,883	4,711,329	906,323
2016	-	-	75,000	5,284	3,671,917	737,277
2017	-	-	75,000	4,478	2,858,648	587,203
2018-2022	-	-	225,000	6,413	9,890,512	1,633,116
2023-2027	-	-	-	-	5,407,200	303,248
	<u>4,400,099</u>	<u>113,489</u>	<u>600,000</u>	<u>34,928</u>	<u>38,595,302</u>	<u>6,582,862</u>
Add: Unamortized premium	-	-	-	-	863,496	-
Less: loss on defeasance (net of amortization)	-	-	-	-	(383,482)	-
	<u>\$ 4,400,099</u>	<u>\$ 113,489</u>	<u>\$ 600,000</u>	<u>\$ 34,928</u>	<u>\$ 39,075,316</u>	<u>\$ 6,582,862</u>

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 - Long-Term Obligations (continued)

Business-type activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 805,145	\$ 216,275	\$ 11,800,000	\$ 6,924,378	\$ 1,292,879	\$ 404,842
2014	800,145	178,517	12,380,000	6,462,420	1,292,879	372,398
2015	625,145	140,510	12,755,000	5,873,510	1,292,879	339,954
2016	520,145	111,253	13,710,000	5,265,858	1,253,279	307,511
2017	575,145	87,246	15,520,000	4,615,908	1,253,279	275,067
2018-2022	1,517,869	161,916	53,365,000	13,228,202	5,886,637	888,683
2023-2027	-	-	17,900,000	4,919,107	3,519,119	225,699
2028-2032	-	-	8,000,000	2,355,750	75,088	-
2033-2035	-	-	4,815,000	481,500	-	-
	<u>4,843,594</u>	<u>895,717</u>	<u>150,245,000</u>	<u>50,126,633</u>	<u>15,866,039</u>	<u>2,814,154</u>
Add: Unamortized premium	290,896	-	12,982,278	-	-	-
Less: Unamortized loss	-	-	(22,795)	-	-	-
Less: loss on defeasance (net of amortization)	(83,165)	-	(10,809,229)	-	-	-
	<u>\$ 5,051,325</u>	<u>\$ 895,717</u>	<u>\$ 152,395,254</u>	<u>\$ 50,126,633</u>	<u>\$ 15,866,039</u>	<u>\$ 2,814,154</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2013	\$ 19,980	\$ 1,037	\$ 13,918,004	\$ 7,546,532
2014	20,396	622	14,493,420	7,013,957
2015	19,069	197	14,692,093	6,354,171
2016	-	-	15,483,424	5,684,622
2017	-	-	17,348,424	4,978,221
2018-2022	-	-	60,769,506	14,278,801
2023-2027	-	-	21,419,119	5,144,806
2028-2032	-	-	8,075,088	2,355,750
2033-2035	-	-	4,815,000	481,500
	<u>59,445</u>	<u>1,856</u>	<u>171,014,078</u>	<u>53,838,360</u>
Add: Unamortized premium	-	-	13,273,174	-
Less: Unamortized loss	-	-	(22,795)	-
Less: loss on defeasance (net of amortization)	-	-	(10,892,394)	-
	<u>\$ 59,445</u>	<u>\$ 1,856</u>	<u>\$ 173,372,063</u>	<u>\$ 53,838,360</u>

G - Legal Debt Margin

The legal debt margin of the City at June 30, 2012, approximated \$991,763,829.

H - Authorized But Un-issued Debt

At June 30, 2012, the City had no bonds authorized but un-issued.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6 - Defeasance of Debt

A – Prior Year Defeasance of Debt

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the City's liabilities. As of June 30, 2012, the amount of prior year defeased debt outstanding and removed from the City's liabilities amounted to \$0.

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds and the 2009 GO Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$10,492,316

In fiscal year 2011, the City exercised its option to call for early redemption the remaining outstanding maturities of the 2001 Revenue Refunding Electric/Water and Wastewater Bonds totaling \$7,680,000 at a redemption price of 101%. The difference between the amount paid upon reacquisition and the face value, plus any unamortized premium, less any unrelated unamortized debt expense, unamortized discount and reacquisition costs applicable to the debt redeemed is recorded as an Unamortized Loss on Reacquired Debt and is amortized equally on a monthly basis over the original life of the debt. At June 30, 2012, the unamortized value of the loss was \$400,078.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7 – Deferred/Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ 677,781	\$ 677,781
Prepaid retiree insurance premiums (Internal Service)	10,833	10,833
Unearned rent (Proprietary)	24,047	24,047
Unearned grant receipts (Special Revenue)	98,249	98,249
Unearned grant receipts (Capital Projects)	2,168,400	2,168,400
Taxes receivable, net (General)	3,051,196	-
Accounts and notes receivable (General)	1,199,958	-
Accounts and notes receivable (Special Revenue)	8,967,247	-
Special assessments receivable, net (General)	1,208,144	-
Total	\$ 17,405,855	\$ 2,979,310

Note 8 - Risk Management

The City (excluding the electric and water and wastewater funds) is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$150,000 per individual and approximately \$11,138,107 for all employees for the policy ending June 30, 2012), general liability (up to \$350,000 per occurrence), workers' compensation (\$600,000 per occurrence), public officials liability (up to \$350,000 per occurrence), law enforcement liability (\$350,000 per occurrence), and automobile liability (up to \$350,000 per occurrence). 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. Losses from asserted claims and from unasserted claims identified under the City's incident reporting system are accrued based on estimates that incorporate the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

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

The Electric and Water and Wastewater Funds are self-insured with respect to workers' compensation (up to approximately \$1,000,000) and self-insured with respect to health insurance claims (up to approximately \$2,000,000). In addition, these funds are self-insured with respect to certain policy deductible amounts as follows: up to \$100,000 per occurrence on public officials' liability, up to \$1,000,000 per occurrence on liability claims, and up to \$250,000

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8 - Risk Management (continued)

per occurrence on property claims. In addition, the Electric and Water and Wastewater Funds maintain excess liability insurance (\$10,000,000) to cover catastrophic losses and auto liability coverage with a \$5,000 deductible per occurrence. These funds maintain an investment account amounting to \$3,500,000 to cover possible workers' compensation and other claims. This investment is classified under restricted assets in the financial statements. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made, because the amount is not reasonably estimated. Further, a liability for an outstanding claim at June 30, 2012 was accrued for \$300,000.

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

At June 30, 2012, a liability for incurred but not reported claims of \$4,528,254 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City and the Electric and Water and Wastewater Funds is presented below.

	<u>2012</u>	<u>2011</u>
Liability at June 30,	\$ 3,486,794	\$ 3,359,781
Current year claims and changes in estimates	17,365,312	17,057,648
Actual claim payments	<u>(16,323,852)</u>	<u>(16,930,635)</u>
Liability at June 30,	<u>\$ 4,528,254</u>	<u>\$ 3,486,794</u>

The City (excluding the electric and water and wastewater funds) carries flood insurance through the National Flood Insurance Plan (NFIP) on a particular property commonly known as the police training facility located at 671 North Eastern Blvd. This property is covered by a separate insurance policy with damage limits of \$500,000 for building and \$250,000 for contents. The City's insurance carriers performed an analysis of the flood maps and made a determination that the remainder of the City facilities was not designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8 - Risk Management (continued)

Electric and Water and Wastewater fund employees who have access to \$100 or more of the utility's funds at any given time are insured under a crime policy in accordance with G.S. 159-29. The crime policy provides coverage for losses related to employee dishonesty, fraud, forgery/alteration and theft of money or securities up to \$1,000,000. This crime policy has a \$10,000 deductible per loss.

Note 9 - Commitments and Contingent Liabilities

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

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

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

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

The City has authorized expenditures totaling approximately \$203.1 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, bond improvement, Linear Park, electric, water and wastewater, storm water, transit and airport projects. At June 30, 2012, cumulative expenditures to date totaled approximately \$160.6 million leaving an unexpended balance of \$42.5 million for projects that are expected to be completed at various dates in future fiscal years.

In March 2002, the City entered into a new nine-year purchased power arrangement with Progress Energy Carolinas, Inc. (PEC) effective July 1, 2003. This contract terminated on its expiration date of June 30, 2012. Under the terms of the contract, the City was committed to purchasing a minimum load from PEC at a fixed capacity price and an annually determined energy price. The minimum load requirements range from approximately 275 MW to 300 MW during the term

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9 - Commitments and Contingent Liabilities (continued)

of the contract. The remaining capacity and energy was either produced at the Butler-Warner Generation Plant or purchased on the open market. When the market price was greater than the price at the Butler-Warner Generation Plant, the City was permitted to market its capacity and energy for sale to the open market.

In June 2009 the City executed a 20-year full requirements Power Supply and Coordination Agreement with Progress Energy (PEC) effective July 1, 2012. Subsequent amendments extended this term to 30 years. Under this agreement, PEC will provide the City's full power supply requirements at an annually determined capacity and energy price based on PEC's average system cost. The City will continue to utilize its SEPA allocation as permitted in the contract. The City may terminate this agreement effective July 1, 2022 with written notice provided by June 30, 2015. Also in June 2009, the City and PEC executed a 5-year Butler Warner Power Sales Agreement effective July 1, 2012. Under this agreement, the City will generate and deliver energy to PEC pursuant to scheduled energy requests provided by PEC. PEC will pay the City for capacity, energy (including any fuel costs) and start costs. Either party may terminate this agreement by 3 years advance written notice.

During the year ended June 30, 2012, the purchased power cost to PEC was \$95,097,746. The City did not sell power on the open market in fiscal year 2012.

The City leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2013 to 2015. Minimum lease provisions at June 30, 2012 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2013	\$ 759,953
2014	625,014
2015	250,308
Total	<u>\$ 1,635,275</u>

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

For the fiscal year ended June 30, 2012, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$50,826 for the 133 employed firemen who perform firefighting duties for the City's fire department. These employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a monthly contribution paid by each member, investment income, and a State appropriation.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11 - Employee Retirement Systems

The City maintains a single-employer, defined benefit pension plan (the Law Enforcement Officers' Special Separation Allowance System), which covers the law enforcement officers of the City. In addition, the City continues to participate in the statewide local governmental retirement system, a multiple-employer, cost-sharing public employee pension plan that covers substantially all employees.

A - Local Governmental Employees' Retirement System

Plan Description

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

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, exclusive of the Electric and Water and Wastewater funds, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.96% and 7.05%, respectively, of annual covered payroll. The rate for the Electric and Water and Wastewater funds is 12.11%. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for all employees, including law enforcement officers and Electric and Water and Wastewater funds, for the years ended June 30, 2012, 2011 and 2010, were \$8,267,967, \$7,714,470 and \$6,042,941, respectively. The contributions made by the City equaled the required contributions for each year.

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

Effective April 1, 2001, the Commission transferred the assets of the Employee's Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina ("ERP plan"), a single-employer defined benefit pension plan administered by the Public Works Commission Employees' Retirement Plan Board of Trustees into a new retirement plan: The Local Governmental Employees' Retirement System plan ("LGERS") (A cost-sharing multiple-employer defined benefit plan administered by the State of North Carolina). At the date of transition, approximately \$49.7 million of the plan assets were transferred to the LGERS plan.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11 - Employee Retirement Systems (continued)

C - Law Enforcement Officers' Special Separation Allowance

Plan Description

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

At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	31
Active plan members	<u>376</u>
Total	<u>407</u>

Summary of Significant Accounting Policies

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

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

Contributions

The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$686,544, or 3.52% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11 - Employee Retirement Systems (continued)

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 672,542
Interest on net pension obligation	(27,471)
Adjustment to annual required contribution	<u>32,775</u>
Annual pension cost	677,846
Contributions made	<u>686,544</u>
Increase (decrease) in net pension obligation	(8,698)
Net prepaid pension obligation beginning of year	<u>(549,414)</u>
Net prepaid pension obligation end of year	<u>\$ (558,112)</u>

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
2010	\$ 465,302	110.02%	\$ (533,806)
2011	689,012	102.27	(549,414)
2012	677,846	101.28	(558,112)

Funded Status and Funding Progress

As of June 30, 2012 the plan was not funded. The most recent actuarial valuation was December 31, 2011. The actuarial value of plan assets was \$2,494,212. The actuarial accrued liability (AAL) for benefits was \$7,577,761 and the unfunded actuarial accrued liability (UAAL) was \$5,083,549. The funded ratio was 32.91 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$19,642,118 and the ratio of the UAAL to the covered payroll was 25.88 percent.

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

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11 - Employee Retirement Systems (continued)

The fiscal year 2011-2012 financial statements for the City's pension trust funds are as follows:

STATEMENTS OF NET ASSETS

	Special Separation Allowance Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 2,596,407
Accounts receivable	1,773
Total assets	<u>2,598,180</u>
LIABILITIES	
Accounts payable	26,098
Total liabilities	<u>26,098</u>
NET ASSETS	
Held in trust for benefits and other purposes	2,572,082
Total net assets	<u>\$ 2,572,082</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Special Separation Allowance Pension Trust Fund
ADDITIONS	
Employer contributions	\$ 686,544
Investment earnings	12,971
Total additions	<u>699,515</u>
DEDUCTIONS	
Benefit payments and premiums	531,202
Total deductions	<u>531,202</u>
CHANGE IN NET ASSETS	168,313
Total net assets - beginning	2,403,769
Total net assets - ending	<u>\$ 2,572,082</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11 - Employee Retirement Systems (continued)

D - Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. The City does not make any contributions for non-law enforcement employees. All employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012, were \$1,902,679, which consisted of \$980,715 from the City and \$921,964 from employees.

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

Plan Description

As discussed in Note 10, the State of North Carolina contributes, on behalf of the City of Fayetteville, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12 - Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 11, the City (excluding the City's Public Works Commission) administers the Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan. For employees hired on or after February 1, 2008, this plan provides postemployment healthcare benefits to retirees of the City, up to the age of 65 or until they are eligible to receive medicare benefits, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. For employees hired prior to February 1, 2008, employees qualified for similar level benefits after at least five years of creditable service with the City and 10 years of service credit with the System. 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, 2011, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	520
Active plan members	<u>1,456</u>
Total	<u>1,976</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 current Annual Required Contribution (ARC) rate is 5.01 percent of annual covered payroll as reflected in the latest actuarial valuation. For the current year, the City contributed \$989,203 or 1.61 percent of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$11,138,107 for all employees and retirees for the policy ending June 30, 2012. Retiree members contributed \$269,444 or 0.44 percent of annual covered payroll for retiree and dependent coverage. The City offers a \$100 death benefit for each year of service up to a maximum of \$3,000. The City's and retiree members' obligation to contribute to the healthcare plan, including the death benefit, is established and may be amended by the City Manager consistent with the annual budget approved by City Council. The City has chosen to fund healthcare and death benefits on a pay-as-you-go basis.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2012, 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)	\$3,332,873
Interest on net OPEB obligation	488,512
Adjustment to annual required contribution	(421,459)
Annual OPEB cost (expense)	<u>3,399,926</u>
Contributions Made	<u>(989,203)</u>
Increase (decrease) in net OPEB obligation	2,410,723
Net OPEB obligation, beginning of the year	12,212,791
Net OPEB obligation, end of the year	<u>\$14,623,514</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 through 2012 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 3,005,268	26.61%	\$ 9,810,254
2011	3,266,270	26.44%	12,212,791
2012	3,399,926	29.09%	14,623,514

Funded Status and Funding Progress. As of June 30, 2012 the plan was not funded. The most recent actuarial valuation was December 31, 2011. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$31,318,000. The covered payroll (annual payroll of active employees covered by the plan) was \$61,529,547 and the ratio of the UAAL to the covered payroll was 50.90 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

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

Membership in the Commission's healthcare benefit plan consisted of the following at June 30, 2012:

Retirees	73
Active members	<u>554</u>
Total	627

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

The current Annual Required Contribution (ARC) rate is 6.6 percent of annual covered payroll. The Commission is self-insured with respect to healthcare coverage.

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

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the fiscal year ended June 30, 2012.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Annual Required Contribution (ARC)	\$ 2,125,256
Interest on net OPEB obligation	(981,746)
Annual OPEB cost (expense)	1,143,510
Contributions Made	(521,392)
Increase (decrease) in net OPEB obligation	622,118
Net OPEB obligation, beginning of the year	3,743,672
Net OPEB obligation, end of the year	<u>\$4,365,790</u>

The Commission's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for current year and two preceding actuarial years are as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	\$ 1,070,188	0.00%	\$ 1,070,188
2009	1,453,111	39.49%	1,949,481
2011	2,096,449	45.45%	3,743,672

As of June 30, 2012 the plan was not funded. The most recent actuarial valuation was June 30, 2011. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$22,033,091. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Wastewater and PWC Fleet Maintenance funds as a noncurrent liability and a general and administrative expense, respectively.

The covered payroll (annual payroll of active employees covered by the plan) at the last actuarial date was \$32,487,865 and the ratio of the UAAL to the covered payroll was 67.8 percent. For the current year, the Commission's annual covered payroll was \$32,261,107 and the ratio of the UAAL to the covered payroll was 68.3 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 30, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.25 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.00 to 5.00 percent annually.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments. The UAAL is being amortized as a level dollar amortization on an open basis. The remaining amortization period was 30 years. There are no assets set aside for these benefits. The plan is funded on a pay-as-you-go basis.

Note 13 – Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2012, consist of the following:

Due To:			
Due From:	Electric	Water Wastewater	Total
Internal Service Fund	\$ 169,327	\$ 4,337	\$ 173,664

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

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2012, consist of the following:

Transfer out:	Transfer in:						Total
	General	Nonmajor Governmental	Electric	Water and Wastewater	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ 6,934,420	\$ 20,847	\$ 1,311,230	\$ 2,804,787	\$ 500,183	\$ 11,571,467
Nonmajor Governmental	-	14,898	-	-	28,400	-	43,298
Electric	9,820,653	-	-	-	-	297,167	10,117,820
Water and Wastewater	-	-	-	-	-	297,167	297,167
Nonmajor Enterprise	427,245	-	-	-	-	-	427,245
Totals	\$ 10,247,898	\$ 6,949,318	\$ 20,847	\$ 1,311,230	\$ 2,833,187	\$ 1,094,517	\$ 22,456,997

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

During the fiscal year ended June 30, 2012, a total of \$9,820,653 was transferred from the electric fund to the general fund. This transfer consisted of two components: 3.1% of electric fund net assets at June 30, 2010 totaling \$ 9,769,883, and \$50,770 to reimburse a portion of general fund street light utility expenditures.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 13 – Interfund Balances and Activity (continued)

Transfers totaling \$6,934,420 were made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$5,375,567 for transportation projects including street resurfacing, sidewalks improvements, and transportation and railroad crossing improvement project commitments under municipal agreements; \$1,192,310 for general government projects including major facility maintenance projects and computer replacements; \$67,000 for a recreational and cultural project for playground equipment improvements. Additionally, transfers for special revenue funds included: \$296,117 transferred for local matches for Federal and State funded programs, and \$3,426 transferred to provide a match for an arts program grant from a local agency.

The general fund also made transfers totaling \$2,804,787 to a non-major enterprise fund to support transit system operations, capital purchases and planning functions.

Note 14 – Fund Balance

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

<i>Total fund balance - General Fund</i>	<i>\$ 51,895,848</i>
Less:	
Inventories	170,322
Stabilization by State Statute	14,421,378
Central Business Tax District	53,425
Cumberland County Recreation District	3,418,003
JP Riddle Stadium	100,707
Donations	20,295
Lake Valley Drive MSD	4,302
Appropriated Fund Balance in 2013 budget	3,933,570
Specific purpose assignments	5,498,398
Capital funding plan	4,113,861
Working Capital/Fund Balance Policy	14,152,548
Remaining Fund Balance	\$ 6,009,039

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.

<i>TOTAL Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
\$ 6,423,957	\$ 1,701,202	\$ 4,722,755

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 15 – Change in Accounting Principle

In August 2011 the City issued series 2011 Storm Water Revenue Bonds and pledged the revenues from storm water operations to pay for the debt. These bonds are not backed by the full faith and credit of the City. In these circumstances, generally accepted accounting principles require that an enterprise fund be used to account for the storm water activity. As discussed in Note 1, the City has previously used special revenue and capital project funds to account for storm water activity. Because of the requirement in generally accepted accounting principles, it is preferable to begin accounting for storm water activity in an enterprise fund in this year. The effect on beginning balances is reported below. Because there was no activity in the former storm water special revenue and capital project funds this year, those funds have not been included in the individual and combining fund supplemental information.

	Governmental Activities				Business-Type Activities
	Special Revenue	Capital Projects	Adjustments for Full Accrual	Total	Storm Water Management Fund
Fund balance and net assets as previously stated, June 30, 2011	\$ 7,148,683	\$ 1,279,381	\$ 12,923,152	\$ 21,351,216	\$ -
Effect of change in accounting principle	(7,148,683)	(1,279,381)	(12,923,152)	(21,351,216)	21,351,216
Fund balance and net assets as restated, June 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ 21,351,216

Note 16 – Subsequent Events

Management has evaluated subsequent events through November 26, 2012 in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

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Required Supplementary Information



CITY OF FAYETTEVILLE, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2006	\$ 2,023,488	\$ 4,632,567	\$ 2,609,079	43.68%	\$ 16,750,277	15.58%
12/31/2007	2,092,180	5,062,285	2,970,105	41.33%	16,792,423	17.69%
12/31/2008	2,101,963	5,449,006	3,347,043	38.58%	17,468,170	19.16%
12/31/2009	2,161,322	7,423,392	5,262,070	29.12%	18,645,039	28.22%
12/31/2010	2,299,829	7,099,596	4,799,767	32.39%	19,348,625	24.81%
12/31/2011	2,494,212	7,577,761	5,083,549	32.91%	19,642,118	25.88%

The annual required contribution for the fiscal year ended June 30, 2012 was determined as part of the December 31, 2010 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Actual Contributions
2007	\$ 329,564	117.11%	\$ 385,957
2008	388,882	97.54%	379,324
2009	415,308	107.04%	444,528
2010	465,302	110.02%	511,937
2011	687,124	102.55%	704,620
2012	672,542	102.08%	686,544

Notes to the Required Schedules:

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

Valuation date	December 31, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	5%
Projected salary increases*	4.25 -7.85%
* Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF FAYETTEVILLE, NORTH CAROLINA

Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 27,972,680	\$ 27,972,680	0.00%	\$ 53,061,647	52.72%
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%

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2008	\$ 6,585,964	\$ 995,265	15.11%
2010	2,963,516	799,635	26.98%
2012	3,332,873	989,203	29.68%

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, 2011
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*	9.5% - 5%
* Includes inflation at	3.00%

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/07	\$ -	\$ 11,080,476	\$ 11,080,476	0.00%	\$ 27,983,314	39.60%
6/30/09	-	15,772,610	15,772,610	0.00%	29,452,949	53.55%
6/30/11	-	22,033,901	22,033,901	0.00%	32,487,865	67.80%

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2007	\$ 1,070,188	\$ -	0.00%
2009	1,464,968	573,818	39.17%
2011	2,125,256	952,939	44.84%

Notes to the Required Schedules:

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

Valuation date	June 30, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amortization on an Open Basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	5.25%
Annual medical cost trend rates*	10% - 5%
* Includes inflation at	3.0%

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Supplemental Financial Information



Combining and Individual Fund Financial Statements and Schedules

These statements/schedules provide a more detailed view of the "Basis 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.

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Governmental Funds



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

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Comparative Balance Sheets
General Fund

June 30, 2012 and 2011

ASSETS	2012	2011
Cash and investments	\$ 44,711,052	\$ 43,292,440
Taxes receivable	3,051,196	3,009,540
Accounts receivable	14,057,164	16,641,498
Assessments receivable	988,112	938,565
Inventories	170,322	160,391
Restricted cash and investments	3,596,732	3,078,342
Total assets	\$ 66,574,578	\$ 67,120,776
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 8,129,253	\$ 9,593,146
Unearned deposits	412,398	291,795
Deferred revenues	6,137,079	8,528,444
Total liabilities	14,678,730	18,413,385
Fund balances		
Fund balances:		
Nonspendable		
For inventories	170,322	160,391
Restricted		
Stabilization by State Statute	14,421,378	15,082,516
For downtown	53,425	72,073
For Lake Valley Drive MSD	4,302	-
For county recreation	3,418,003	2,889,768
For JP Riddle Stadium	100,707	82,996
For donations	20,295	33,505
Assigned		
For subsequent year's expenditures	3,933,570	4,280,278
For special purpose	5,498,398	5,252,660
For capital projects	4,113,861	4,045,773
Unassigned	20,161,587	16,807,431
Total fund balances	51,895,848	48,707,391
Total liabilities and fund balances	\$ 66,574,578	\$ 67,120,776

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General FundYear Ended June 30, 2012
With Comparative Actual Statements for the Year Ended June 30, 2011

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 58,869,974	\$ (143,537)	\$ 58,726,437	\$ 57,536,655
Prior year	993,800	78,622	1,072,422	1,087,651
Penalties	315,600	(25,360)	290,240	363,133
Total ad valorem taxes	60,179,374	(90,275)	60,089,099	58,987,439
Other taxes				
Vehicle license tax	630,750	(13,479)	617,271	624,591
Privilege license	2,102,385	455,479	2,557,864	1,226,057
Cablevision franchise tax	400,000	19,653	419,653	426,687
Gross receipts tax on rental property	481,000	91,634	572,634	562,089
Total other taxes	3,614,135	553,287	4,167,422	2,839,424
Unrestricted intergovernmental				
Local option sales tax	32,933,043	350,599	33,283,642	31,633,373
Telecommunications sales tax	1,769,348	83,055	1,852,403	1,893,887
Utility franchise tax	5,072,555	(297,874)	4,774,681	5,016,756
Piped natural gas tax	623,720	(134,729)	488,991	631,875
Video franchise fee	2,342,051	110,859	2,452,910	2,636,167
Beer and wine tax	845,076	57,391	902,467	915,803
County - other	213,480	13,303	226,783	222,850
Local - public safety	298,740	2,036	300,776	290,782
Local - other	91,296	(18,321)	72,975	106,225
Total unrestricted intergovernmental	44,189,309	166,319	44,355,628	43,347,718
Restricted intergovernmental				
Federal - public safety	454,909	175,353	630,262	758,297
Federal - other	279,725	2,104,408	2,384,133	142,452
Powell Bill allocation	5,061,811	249,735	5,311,546	5,182,743
State - other	70,164	(29,871)	40,293	57,603
State - public safety	72,000	40,048	112,048	101,756
Solid waste disposal tax	134,662	7,555	142,217	140,923
County recreation	3,494,431	(106,655)	3,387,776	3,430,794
County - other	131,708	(13,457)	118,251	87,000
Local - other	98,608	(38,942)	59,666	198,333
Total restricted intergovernmental	9,798,018	2,388,174	12,186,192	10,099,901
Permits and fees	2,967,105	(209,950)	2,757,155	2,824,584
Sales and services				
Property leases	736,229	186,350	922,579	413,215
Engineering/planning services	418,133	89,450	507,583	525,201
Public safety services	1,073,370	46,638	1,120,008	1,047,405
Environmental services	154,075	56	154,131	59,200
Recreation and cultural services	1,265,951	148,015	1,413,966	1,249,691
Parking revenues	150,500	43,147	193,647	186,607
Other fees and services	81,174	31,666	112,840	80,577
Total sales and services	3,879,432	545,322	4,424,754	3,561,896

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2012

With Comparative Actual Statements for the Year Ended June 30, 2011

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Revenues (continued)				
Miscellaneous				
Refunds and sundry	\$ 726,652	\$ 36,362	\$ 763,014	\$ 693,645
Indirect cost allocation	1,160,528	(60,470)	1,100,058	1,152,696
Special use assessment	185,000	(81,366)	103,634	211,959
Total miscellaneous	2,072,180	(105,474)	1,966,706	2,058,300
Interest earned on investments	364,734	(76,320)	288,414	413,630
Total revenues	127,064,287	3,171,083	130,235,370	124,132,892
Expenditures				
Current				
Administration				
Legislative				
Salaries and employee benefits	304,216	22,550	281,666	276,927
Other operating expenditures	456,129	74,657	381,472	195,205
	<u>760,345</u>	<u>97,207</u>	<u>663,138</u>	<u>472,132</u>
City attorney				
Salaries and employee benefits	549,974	1	549,973	506,415
Other operating expenditures	511,054	8,790	502,264	486,203
	<u>1,061,028</u>	<u>8,791</u>	<u>1,052,237</u>	<u>992,618</u>
Executive				
Salaries and employee benefits	1,300,427	10,357	1,290,070	1,062,967
Other operating expenditures	150,004	55,774	94,230	63,690
	<u>1,450,431</u>	<u>66,131</u>	<u>1,384,300</u>	<u>1,126,657</u>
Human resources development				
Salaries and employee benefits	960,992	1,492	959,500	875,086
Other operating expenditures	380,548	49,928	330,620	200,120
Capital outlay	-	-	-	50,000
	<u>1,341,540</u>	<u>51,420</u>	<u>1,290,120</u>	<u>1,125,206</u>
Management services				
Salaries and employee benefits	509,852	3,885	505,967	467,724
Other operating expenditures	243,371	81,732	161,639	164,317
Capital outlay	49,390	49,390	-	-
Inventory	125,900	18,893	107,007	97,787
Cost redistribution	(162,500)	2,206	(164,706)	(176,957)
	<u>766,013</u>	<u>156,106</u>	<u>609,907</u>	<u>552,871</u>
Information technology				
Salaries and employee benefits	1,348,606	50,166	1,298,440	1,246,297
Other operating expenditures	1,465,023	298,629	1,166,394	1,347,138
Capital outlay	104,645	27,113	77,532	233,133
	<u>2,918,274</u>	<u>375,908</u>	<u>2,542,366</u>	<u>2,826,568</u>
Human relations				
Salaries and employee benefits	226,350	2,060	224,290	212,926
Other operating expenditures	53,005	30,910	22,095	13,296
Payments to agencies	2,389	-	2,389	2,302
	<u>281,744</u>	<u>32,970</u>	<u>248,774</u>	<u>228,524</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General FundYear Ended June 30, 2012
With Comparative Actual Statements for the Year Ended June 30, 2011

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Expenditures (continued)				
Current (continued)				
Administration (continued)				
Finance				
Salaries and employee benefits	\$ 1,192,965	\$ 14,038	\$ 1,178,927	\$ 1,221,445
Other operating expenditures	1,346,314	147,593	1,198,721	1,191,946
	<u>2,539,279</u>	<u>161,631</u>	<u>2,377,648</u>	<u>2,413,391</u>
General government				
Salaries and employee benefits	62,203	2,248	59,955	69,034
Other operating expenditures	10,627,462	496,457	10,131,005	10,068,577
Capital outlay	27,850	1	27,849	-
Inventory	2,297,700	56,119	2,241,581	1,649,835
Payments to agencies	307,375	-	307,375	376,500
Cost redistribution	(2,404,700)	(54,668)	(2,350,032)	(1,758,000)
	<u>10,917,890</u>	<u>500,157</u>	<u>10,417,733</u>	<u>10,405,946</u>
Public buildings				
Salaries and employee benefits	760,930	257	760,673	672,384
Other operating expenditures	1,122,600	239,616	882,984	897,442
Capital outlay	52,279	13,332	38,947	-
	<u>1,935,809</u>	<u>253,205</u>	<u>1,682,604</u>	<u>1,569,826</u>
Project management				
Salaries and employee benefits	200,304	165	200,139	177,536
Other operating expenditures	12,147	1,867	10,280	6,544
	<u>212,451</u>	<u>2,032</u>	<u>210,419</u>	<u>184,080</u>
Total Administration	<u>24,184,804</u>	<u>1,705,558</u>	<u>22,479,246</u>	<u>21,897,819</u>
Public Safety				
Police				
Salaries and employee benefits	34,508,768	355,226	34,153,542	33,576,420
Other operating expenditures	6,466,188	975,096	5,491,092	5,179,274
Capital outlay	1,716,794	117,113	1,599,681	2,222,444
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	(7,487)	(1,363)	(6,124)	(10,182)
	<u>42,687,263</u>	<u>1,446,072</u>	<u>41,241,191</u>	<u>40,970,956</u>
Fire				
Salaries and employee benefits	19,305,206	84,303	19,220,903	18,868,359
Other operating expenditures	3,196,973	322,350	2,874,623	2,628,743
Capital outlay	1,434,600	47,432	1,387,168	1,251,057
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>23,861,779</u>	<u>454,085</u>	<u>23,407,694</u>	<u>22,673,159</u>
Inspections				
Salaries and employee benefits	2,139,960	26,327	2,113,633	2,053,685
Other operating expenditures	794,041	406,577	387,464	562,051
Capital outlay	-	-	-	6,966
	<u>2,934,001</u>	<u>432,904</u>	<u>2,501,097</u>	<u>2,622,702</u>
Total public safety	<u>69,483,043</u>	<u>2,333,061</u>	<u>67,149,982</u>	<u>66,266,817</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General FundYear Ended June 30, 2012
With Comparative Actual Statements for the Year Ended June 30, 2011

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Expenditures (continued)				
Current (continued)				
Environmental protection				
Environmental services				
Salaries and employee benefits	\$ 3,867,593	\$ 85,140	\$ 3,782,453	\$ 3,962,705
Other operating expenditures	2,813,928	306,763	2,507,165	4,860,497
Capital outlay	2,106,792	466,722	1,640,070	714,701
Cost redistribution	(45,962)	(3)	(45,959)	(30,791)
	<u>8,742,351</u>	<u>858,622</u>	<u>7,883,729</u>	<u>9,507,112</u>
Cemeteries				
Salaries and employee benefits	102,978	146	102,832	100,039
Other operating expenditures	25,100	7,762	17,338	18,420
Capital outlay	145,680	7,303	138,377	-
	<u>273,758</u>	<u>15,211</u>	<u>258,547</u>	<u>118,459</u>
Urban forestry				
Salaries and employee benefits	134,253	112	134,141	119,366
Other operating expenditures	15,925	2,004	13,921	11,239
	<u>150,178</u>	<u>2,116</u>	<u>148,062</u>	<u>130,605</u>
Street sweeping				
Salaries and employee benefits	364,190	14,952	349,238	367,126
Other operating expenditures	479,524	153,466	326,058	405,152
	<u>843,714</u>	<u>168,418</u>	<u>675,296</u>	<u>772,278</u>
Total environmental protection	10,010,001	1,044,367	8,965,634	10,528,454
Transportation				
Streets				
Salaries and employee benefits	2,647,433	52,107	2,595,326	2,610,556
Other operating expenditures	2,270,910	335,948	1,934,962	1,990,773
Capital outlay	619,916	307,318	312,598	365,638
	<u>5,538,259</u>	<u>695,373</u>	<u>4,842,886</u>	<u>4,966,967</u>
Engineering				
Salaries and employee benefits	1,229,768	1,630	1,228,138	1,142,045
Other operating expenditures	591,798	321,681	270,117	94,256
Capital outlay	14,900	6,301	8,599	122
	<u>1,836,466</u>	<u>329,612</u>	<u>1,506,854</u>	<u>1,236,423</u>
Parking				
Other operating expenditures	391,866	25,997	365,869	317,447
Total transportation	7,766,591	1,050,982	6,715,609	6,520,837
Economic and physical development				
Central business district				
Other operating expenditures	84,508	15,001	69,507	69,496
Capital outlay	6,474	-	6,474	-
Cost redistribution	28,340	20	28,320	30,624
	<u>119,322</u>	<u>15,021</u>	<u>104,301</u>	<u>100,120</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General FundYear Ended June 30, 2012
With Comparative Actual Statements for the Year Ended June 30, 2011

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Expenditures (continued)				
Current (continued)				
Economic and physical development (continued)				
Community development				
Salaries and employee benefits	\$ 180,339	\$ 1,200	\$ 179,139	\$ 142,695
Other operating expenditures	741,578	431,663	309,915	1,077,014
Cost redistribution	(28,340)	(20)	(28,320)	(30,624)
	<u>893,577</u>	<u>432,843</u>	<u>460,734</u>	<u>1,189,085</u>
Planning and development				
Salaries and employee benefits	658,887	9,189	649,698	574,053
Other operating expenditures	405,126	192,506	212,620	319,578
Capital outlay	-	-	-	5,670
Payments to agencies	10,300	8,834	1,466	901
	<u>1,074,313</u>	<u>210,529</u>	<u>863,784</u>	<u>900,202</u>
Lake Valley Drive MSD				
Other operating expenditures	3,900	3,900	-	500,000
Total economic and physical development	<u>2,091,112</u>	<u>662,293</u>	<u>1,428,819</u>	<u>2,689,407</u>
Recreation and community facilities				
Parks and recreation				
Salaries and employee benefits	7,193,817	12,071	7,181,746	7,055,149
Other operating expenditures	5,126,705	764,727	4,361,978	3,939,208
Capital outlay	1,147,996	235,749	912,247	484,792
	<u>13,468,518</u>	<u>1,012,547</u>	<u>12,455,971</u>	<u>11,479,149</u>
Total recreation and community facilities	<u>13,468,518</u>	<u>1,012,547</u>	<u>12,455,971</u>	<u>11,479,149</u>
Debt service				
Principal	6,269,585	512,604	5,756,981	4,734,677
Interest	1,221,207	93,820	1,127,387	1,156,975
Total debt service	<u>7,490,792</u>	<u>606,424</u>	<u>6,884,368</u>	<u>5,891,652</u>
Total expenditures	<u>134,494,861</u>	<u>8,415,232</u>	<u>126,079,629</u>	<u>125,274,135</u>
Revenues over (under) expenditures	<u>(7,430,574)</u>	<u>11,586,315</u>	<u>4,155,741</u>	<u>(1,141,243)</u>
Other financing sources (uses)				
Sale of capital assets	230,000	126,285	356,285	296,816
Appropriated fund balance	8,619,933	(8,619,933)	-	-
Transfers in	10,262,145	(14,247)	10,247,898	12,339,363
Transfers (out)	(11,681,504)	110,037	(11,571,467)	(9,376,123)
Total other financing sources (uses)	<u>7,430,574</u>	<u>(8,397,858)</u>	<u>(967,284)</u>	<u>3,260,056</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,188,457</u>	<u>3,188,457</u>	<u>2,118,813</u>
Fund balance				
Beginning of year - July 1			<u>48,707,391</u>	<u>46,588,578</u>
End of year - June 30			<u>\$ 51,895,848</u>	<u>\$ 48,707,391</u>

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Nonmajor Governmental Funds



CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 744,750	\$ 10,424,138	\$ 11,168,888
Accounts receivable	9,518,388	1,118,316	10,636,704
Interfund receivable	-	279,102	279,102
Prepaid expenses	27	-	27
Restricted cash and investments	933,112	3,690,161	4,623,273
Restricted accounts receivable	629	2,162	2,791
Total assets	\$ 11,196,906	\$ 15,513,879	\$ 26,710,785
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 236,669	\$ 1,409,453	\$ 1,646,122
Interfund payables	279,102	-	279,102
Deferred revenues	9,065,496	2,168,400	11,233,896
Restricted accounts payable and accrued expenses	25,615	875,015	900,630
Total liabilities	9,606,882	4,452,868	14,059,750
Fund balances:			
Restricted			
Stabilization by State Statute	1,193,627	5,118,399	6,312,026
Downtown	-	208,299	208,299
Public safety	1,238,032	112,150	1,350,182
Economic and physical development	-	311,486	311,486
Recreation and community facilities	20	-	20
Committed			
Administration	-	79,368	79,368
Public safety	-	136,180	136,180
Transportation	-	2,979,511	2,979,511
Economic and physical development	-	493,187	493,187
Recreation and community facilities	213,492	1,622,431	1,835,923
Unassigned	(1,055,147)	-	(1,055,147)
Total fund balances	1,590,024	11,061,011	12,651,035
Total liabilities and fund balances	\$ 11,196,906	\$ 15,513,879	\$ 26,710,785

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Other taxes and fees	\$ 637,221	\$ -	\$ 637,221
Restricted intergovernmental	4,850,743	2,837,342	7,688,085
Miscellaneous	2,275,142	12,788	2,287,930
Interest earned on investments	7,259	11,792	19,051
Total revenues	<u>7,770,365</u>	<u>2,861,922</u>	<u>10,632,287</u>
Expenditures			
Current			
Administration	-	1,410,022	1,410,022
Public safety	2,403,338	1,652,358	4,055,696
Transportation	-	4,307,048	4,307,048
Economic and physical development	3,333,344	5,658,862	8,992,206
Planning and development	178,653	-	178,653
Recreation and community facilities	257,612	1,667,593	1,925,205
Debt service:			
Principal	1,215,000	-	1,215,000
Interest	273,197	158,553	431,750
Total expenditures	<u>7,661,144</u>	<u>14,854,436</u>	<u>22,515,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>109,221</u>	<u>(11,992,514)</u>	<u>(11,883,293)</u>
Other financing sources (uses)			
Sale of capital assets	7,095	-	7,095
Transfers in	299,543	6,649,775	6,949,318
Transfers out	(14,898)	(28,400)	(43,298)
Total other financing sources (uses)	<u>291,740</u>	<u>6,621,375</u>	<u>6,913,115</u>
Net change in fund balances	<u>400,961</u>	<u>(5,371,139)</u>	<u>(4,970,178)</u>
Fund balance - beginning	<u>1,189,063</u>	<u>16,432,150</u>	<u>17,621,213</u>
Fund balance - ending	<u>\$ 1,590,024</u>	<u>\$ 11,061,011</u>	<u>\$ 12,651,035</u>

12

Special Revenue Funds



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

The following comprise the City's Special Revenue Funds:

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 529,541	\$ -	\$ -	\$ 215,209	\$ 744,750
Accounts receivable	53,463	9,461,862	-	3,063	9,518,388
Prepaid expenses	-	27	-	-	27
Restricted cash and investments	-	931,394	-	1,718	933,112
Restricted accounts receivable	-	629	-	-	629
Total assets	\$ 583,004	\$ 10,393,912	\$ -	\$ 219,990	\$ 11,196,906
Liabilities and fund balances					
Liabilities					
Accounts payable and accrued expenses	\$ 56,691	\$ 179,978	\$ -	\$ -	\$ 236,669
Interfund payables	-	279,102	-	-	279,102
Deferred revenues	-	9,063,778	-	1,718	9,065,496
Restricted accounts payable and accrued expenses	-	25,615	-	-	25,615
Total liabilities	56,691	9,548,473	-	1,718	9,606,882
Fund balances					
Restricted					
Stabilization by State Statute	53,463	1,135,384	-	4,780	1,193,627
Public safety	472,850	765,182	-	-	1,238,032
Recreation and community facilities	-	20	-	-	20
Committed					
Recreation and community facilities	-	-	-	213,492	213,492
Assigned					
Unassigned	-	(1,055,147)	-	-	(1,055,147)
Total fund balances	526,313	845,439	-	218,272	1,590,024
Total liabilities and fund balances	\$ 583,004	\$ 10,393,912	\$ -	\$ 219,990	\$ 11,196,906

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2012**

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Revenues					
Other taxes and fees	\$ 637,221	\$ -	\$ -	\$ -	\$ 637,221
Restricted intergovernmental	-	4,833,152	-	17,591	4,850,743
Miscellaneous	-	693,056	1,413,492	168,594	2,275,142
Interest earned on investments	2,275	4,249	18	717	7,259
Total revenues	<u>639,496</u>	<u>5,530,457</u>	<u>1,413,510</u>	<u>186,902</u>	<u>7,770,365</u>
Expenditures					
Current:					
Public safety	620,409	1,782,929	-	-	2,403,338
Economic and physical development	-	3,330,084	3,260	-	3,333,344
Planning and development	-	178,653	-	-	178,653
Recreation and community facilities	-	122,085	-	135,527	257,612
Debt Service:					
Principal	-	75,000	1,140,000	-	1,215,000
Interest	-	2,947	270,250	-	273,197
Total expenditures	<u>620,409</u>	<u>5,491,698</u>	<u>1,413,510</u>	<u>135,527</u>	<u>7,661,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,087</u>	<u>38,759</u>	<u>-</u>	<u>51,375</u>	<u>109,221</u>
Other financing sources (uses)					
Sale of capital assets	-	7,095	-	-	7,095
Transfers in	-	299,543	-	-	299,543
Transfers out	-	(14,898)	-	-	(14,898)
Total other financing sources (uses)	<u>-</u>	<u>291,740</u>	<u>-</u>	<u>-</u>	<u>291,740</u>
Net change in fund balances	<u>19,087</u>	<u>330,499</u>	<u>-</u>	<u>51,375</u>	<u>400,961</u>
Fund balance - beginning	<u>507,226</u>	<u>514,940</u>	<u>-</u>	<u>166,897</u>	<u>1,189,063</u>
Fund balance - ending	<u>\$ 526,313</u>	<u>\$ 845,439</u>	<u>\$ -</u>	<u>\$ 218,272</u>	<u>\$ 1,590,024</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Emergency Telephone System FundYear Ended June 30, 2012
(With Comparative Actual Amounts For Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Revenues				
Other fees	\$ 637,221	\$ -	\$ 637,221	\$ 1,060,306
Interest earned on investments	3,275	(1,000)	2,275	3,062
Total revenues	640,496	(1,000)	639,496	1,063,368
Expenditures				
Current				
Public safety				
Other operating expenditures	1,005,827	429,283	576,544	612,775
Capital outlay	-	-	-	427,023
Cost redistribution	7,487	1,363	6,124	10,182
S.L. 2010-158 Expenditures	38,255	514	37,741	181,403
Total public safety	1,051,569	431,160	620,409	1,231,383
Total expenditures	1,051,569	431,160	620,409	1,231,383
Revenues over (under) expenditures	(411,073)	430,160	19,087	(168,015)
Other financing sources (uses)				
Appropriated fund balance	411,073	(411,073)	-	-
Transfers in	-	-	-	972
Total other financing sources (uses)	411,073	(411,073)	-	972
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 19,087	19,087	(167,043)
Fund balance				
Beginning of year - July 1			507,226	674,269
End of year - June 30			\$ 526,313	\$ 507,226

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 22,140,855	\$ 14,476,024	\$ 213,663	\$ 4,428,603	\$ 18,690,964
State grants	1,651,612	1,554,838	282,485	390,657	1,663,010
County	49,304	8,560	2,129	13,892	20,323
Total restricted intergovernmental	<u>23,841,771</u>	<u>16,039,422</u>	<u>498,277</u>	<u>4,833,152</u>	<u>20,374,297</u>
Miscellaneous	<u>4,389,852</u>	<u>3,585,603</u>	<u>61,751</u>	<u>693,056</u>	<u>4,216,908</u>
Interest earned on investments	<u>81,869</u>	<u>89,613</u>	<u>-</u>	<u>4,249</u>	<u>93,862</u>
Total revenues	<u>28,313,492</u>	<u>19,714,638</u>	<u>560,028</u>	<u>5,530,457</u>	<u>24,685,067</u>
Expenditures					
Current					
Public safety	7,445,445	4,606,451	561,712	1,782,929	5,827,668
Economic and physical development	20,859,688	14,961,597	-	3,330,084	18,291,681
Planning and development	200,000	-	-	178,653	178,653
Recreation and community facilities	595,746	272,231	31,823	122,085	362,493
Total current	<u>29,100,879</u>	<u>19,840,279</u>	<u>593,535</u>	<u>5,413,751</u>	<u>24,660,495</u>
Debt service	<u>233,327</u>	<u>155,347</u>	<u>-</u>	<u>77,947</u>	<u>233,294</u>
Total expenditures	<u>29,334,206</u>	<u>19,995,626</u>	<u>593,535</u>	<u>5,491,698</u>	<u>24,893,789</u>
Revenues over (under) expenditures	<u>(1,020,714)</u>	<u>(280,988)</u>	<u>(33,507)</u>	<u>38,759</u>	<u>(208,722)</u>
Other financing sources (uses)					
Sale of capital assets	89,188	89,187	-	7,095	96,282
Transfers in	1,110,463	876,413	39,507	299,543	1,136,449
Transfers out	(178,937)	(169,672)	(6,000)	(14,898)	(178,570)
Total other financing sources (uses)	<u>1,020,714</u>	<u>795,928</u>	<u>33,507</u>	<u>291,740</u>	<u>1,054,161</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 514,940</u>	<u>\$ -</u>	<u>330,499</u>	<u>\$ 845,439</u>
Fund balance					
Beginning of year - July 1				<u>514,940</u>	
End of year - June 30				<u>\$ 845,439</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 2,223,519	\$ 1,417,914	\$ -	\$ 461,643	\$ 1,879,557
PSN Anti-Gang; Operation Ceasefire	60,101	45,529	-	13,281	58,810
PSN Task Force	4,162	-	-	2,446	2,446
Domestic Violence Training 2011	17,224	-	-	4,614	4,614
Multi Disciplinary Team Training 2011	18,852	-	-	-	-
PSN Law Enforcement Consortium	15,492	-	-	13,680	13,680
PSN Media Blitz	23,000	19,889	-	-	19,889
Gangs across the Carolinas	62,069	51,669	51,669	56,293	56,293
Juvenile Restitution	262,504	152,836	74,527	59,895	138,204
Sobriety Court Grant	95,419	-	-	78,243	78,243
Cumberland County STARS Drug Treatment Court	265,285	-	-	60,848	60,848
Justice Assistance Grant	698,459	545,174	84,992	198,047	658,229
COPS Technology Grant	150,000	142,800	-	-	142,800
FY08 Hazmat Equipment	-	205,714	205,714	-	-
FY09 Hazmat Equipment	135,714	113,283	-	22,431	135,714
FY10 Hazmat Equipment	51,429	-	-	-	-
FY11 Hazmat Equipment and Training	25,000	-	-	-	-
FY08 FEMA Firefighter Operations and Safety Grant	-	144,810	144,810	-	-
FY10 FEMA Defibrillators Grant	100,000	89,224	-	10,776	100,000
COPS Hiring Recovery Program (ARRA)	2,528,240	1,011,245	-	782,374	1,793,619
Justice Assistance Grant (ARRA)	708,976	666,364	-	18,358	684,722
Total public safety	7,445,445	4,606,451	561,712	1,782,929	5,827,668
Economic and physical development					
Community Development Block Grant	11,628,029	8,313,270	-	1,600,210	9,913,480
NC Rural Economic Development	47,335	47,320	-	-	47,320
Community Garden	28,261	25,247	-	-	25,247
HOME	7,945,831	5,620,791	-	1,702,255	7,323,046
CDBG-R (ARRA)	385,584	375,584	-	10,000	385,584
Homeless Prevention (ARRA)	589,648	579,385	-	10,262	589,647
Washington St School Site Project	235,000	-	-	7,357	7,357
Total economic and physical development	20,859,688	14,961,597	-	3,330,084	18,291,681
Recreation and community facilities					
Wayfinding signage	500,586	188,609	-	91,927	280,536
Cultural arts program	38,520	28,468	-	6,852	35,320
2010-2011 Take Me Fishing	-	5,000	5,000	-	-
National Recreation & Parks Association	10,000	-	-	-	-
Badges for Baseball 2010	-	26,823	26,823	-	-
Badges for Baseball 2011	23,331	23,331	-	-	23,331
Badges for Baseball 2012	23,309	-	-	23,306	23,306
Total recreation and community facilities	595,746	272,231	31,823	122,085	362,493
Planning and development					
Bragg Blvd Corridor Plan	200,000	-	-	178,653	178,653
Total planning and development	200,000	-	-	178,653	178,653
Total expenditures by project	\$ 29,100,879	\$ 19,840,279	\$ 593,535	\$ 5,413,751	\$ 24,660,495

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
City of Fayetteville Finance Corporation FundYear Ended June 30, 2012
(With Comparative Actual Amounts For Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Revenues				
Miscellaneous				
Property leases	\$ 1,414,250	\$ (758)	\$ 1,413,492	\$ 1,449,979
Total miscellaneous	1,414,250	(758)	1,413,492	1,449,979
Interest earned on investments	-	18	18	31
Total revenues	1,414,250	(740)	1,413,510	1,450,010
Expenditures				
Current				
Economic and physical development				
Other operating expenditures	4,000	740	3,260	3,760
Debt service				
Principal	1,140,000	-	1,140,000	1,120,000
Interest	270,250	-	270,250	326,250
Total debt service	1,410,250	-	1,410,250	1,446,250
Total expenditures	1,414,250	740	1,413,510	1,450,010
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Total financing sources (uses)	-	-	-	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ -	-	-
Fund balance				
Beginning of year - July 1			-	-
End of year - June 30			\$ -	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
County grants and contributions	\$ 130,000	\$ 110,691	\$ -	\$ 17,591	\$ 128,282
Total restricted intergovernmental	130,000	110,691	-	17,591	128,282
Miscellaneous					
Other (donations)	1,500,654	1,500,654	-	168,594	1,669,248
Total miscellaneous	1,500,654	1,500,654	-	168,594	1,669,248
Interest earned on investments	42,905	44,932	-	717	45,649
Total revenues	1,673,559	1,656,277	-	186,902	1,843,179
Expenditures					
Current					
Recreational and community facilities					
Linear Park	1,723,738	1,539,559	-	135,527	1,675,086
Total expenditures	1,723,738	1,539,559	-	135,527	1,675,086
Revenues over (under) expenditures	(50,179)	116,718	-	51,375	168,093
Other financing sources (uses)					
Transfers in	50,179	50,179	-	-	50,179
Total other financing sources (uses)	50,179	50,179	-	-	50,179
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 166,897	\$ -	51,375	\$ 218,272
Fund balance					
Beginning of year - July 1				166,897	
End of year - June 30				\$ 218,272	



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

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

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2012

	General Government Fund	Public Safety Fund	Transportation Fund	Bond Improvement Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
Assets							
Cash and investments	\$ 948,960	\$ 136,179	\$ 5,368,744	\$ -	\$ 1,725,115	\$ 2,245,140	\$ 10,424,138
Accounts receivable	267,576	37,398	337,671	-	382,477	93,194	1,118,316
Interfund receivable	-	-	279,102	-	-	-	279,102
Restricted cash and investments	-	117,389	208,299	-	656,377	2,708,096	3,690,161
Restricted accounts receivable	-	-	147	-	-	2,015	2,162
Total assets	\$ 1,216,536	\$ 290,966	\$ 6,193,963	\$ -	\$ 2,763,969	\$ 5,048,445	\$ 15,513,879
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued expenses	\$ 218,049	\$ -	\$ 511,891	\$ -	\$ 642,827	\$ 36,686	\$ 1,409,453
Deferred revenues	-	-	-	-	-	2,168,400	2,168,400
Restricted accounts payable and accrued expenses	-	-	-	-	333,304	541,711	875,015
Total liabilities	218,049	-	511,891	-	976,131	2,746,797	4,452,868
Fund balances:							
Restricted							
Stabilization by State Statute	919,119	42,636	2,494,262	-	983,165	679,217	5,118,399
Downtown	-	-	208,299	-	-	-	208,299
Public safety	-	112,150	-	-	-	-	112,150
Economic and physical development	-	-	-	-	311,486	-	311,486
Committed							
Administration	79,368	-	-	-	-	-	79,368
Public safety	-	136,180	-	-	-	-	136,180
Transportation	-	-	2,979,511	-	-	-	2,979,511
Economic and physical development	-	-	-	-	493,187	-	493,187
Recreation and community facilities	-	-	-	-	-	1,622,431	1,622,431
Total fund balances	998,487	290,966	5,682,072	-	1,787,838	2,301,648	11,061,011
Total liabilities and fund balances	\$ 1,216,536	\$ 290,966	\$ 6,193,963	\$ -	\$ 2,763,969	\$ 5,048,445	\$ 15,513,879

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended June 30, 2012

	General Government Fund	Public Safety Fund	Transportation Fund	Bond Improvement Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
Revenues							
Restricted intergovernmental	\$ 593,228	\$ -	\$ 130,987	\$ -	\$ 845,338	\$ 1,267,789	\$ 2,837,342
Miscellaneous	-	400	2	-	-	12,386	12,788
Interest earned in investments	-	529	1,089	-	4,347	5,827	11,792
Total revenues	<u>593,228</u>	<u>929</u>	<u>132,078</u>	<u>-</u>	<u>849,685</u>	<u>1,286,002</u>	<u>2,861,922</u>
Expenditures							
Administration	1,410,022	-	-	-	-	-	1,410,022
Public safety	-	1,652,358	-	-	-	-	1,652,358
Transportation	-	-	4,307,048	-	-	-	4,307,048
Economic and physical development	-	-	-	-	5,658,862	-	5,658,862
Recreational and community facilities	-	-	-	-	-	1,667,593	1,667,593
Debt service:							
Interest	-	-	-	-	158,553	-	158,553
Total expenditures	<u>1,410,022</u>	<u>1,652,358</u>	<u>4,307,048</u>	<u>-</u>	<u>5,817,415</u>	<u>1,667,593</u>	<u>14,854,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(816,794)</u>	<u>(1,651,429)</u>	<u>(4,174,970)</u>	<u>-</u>	<u>(4,967,730)</u>	<u>(381,591)</u>	<u>(11,992,514)</u>
Other financing sources (uses)							
Transfers in	1,192,310	14,898	5,375,567	-	-	67,000	6,649,775
Transfers out	-	-	(28,400)	-	-	-	(28,400)
Total other financing sources (uses)	<u>1,192,310</u>	<u>14,898</u>	<u>5,347,167</u>	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>6,621,375</u>
Net change in fund balances	<u>375,516</u>	<u>(1,636,531)</u>	<u>1,172,197</u>	<u>-</u>	<u>(4,967,730)</u>	<u>(314,591)</u>	<u>(5,371,139)</u>
Fund balance - beginning	<u>622,971</u>	<u>1,927,497</u>	<u>4,509,875</u>	<u>-</u>	<u>6,755,568</u>	<u>2,616,239</u>	<u>16,432,150</u>
Fund balance - ending	<u>\$ 998,487</u>	<u>\$ 290,966</u>	<u>\$ 5,682,072</u>	<u>\$ -</u>	<u>\$ 1,787,838</u>	<u>\$ 2,301,648</u>	<u>\$ 11,061,011</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,716,400	\$ 345,557	\$ -	\$ 593,228	\$ 938,785
Expenditures					
Current					
Administration					
Clean Cities project	385,491	192,491	-	85,756	278,247
Computer replacements	1,143,262	394,240	-	411,858	806,098
Telephone system upgrade	123,440	111,409	-	11,834	123,243
Planning software	51,700	18,261	-	33,439	51,700
Integrated cashiering system	106,180	71,543	-	22,496	94,039
Grove Street roof replacement	60,500	50,773	-	-	50,773
Building projects	1,031,085	202,750	-	257,411	460,161
Parking lot projects	206,000	138,911	-	-	138,911
Council chambers upgrade	158,453	158,452	-	-	158,452
Energy Efficiency Conservation Block Grant (ARRA)	1,645,400	286,557	-	587,228	873,785
Total expenditures	4,911,511	1,625,387	-	1,410,022	3,035,409
Revenues over (under) expenditures	(3,195,111)	(1,279,830)	-	(816,794)	(2,096,624)
Other financing sources (uses)					
Transfers in	3,202,611	1,910,301	-	1,192,310	3,102,611
Transfer out	(7,500)	(7,500)	-	-	(7,500)
Total other financing sources (uses)	3,195,111	1,902,801	-	1,192,310	3,095,111
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 622,971	\$ -	375,516	\$ 998,487
Fund balance					
Beginning of year - July 1				622,971	
End of year - June 30				\$ 998,487	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants and contributions	\$ -	\$ 400,000	\$ 400,000	\$ -	\$ -
Miscellaneous	-	-	-	400	400
Interest earned on investments	-	85,000	9,159	529	76,370
Total revenues	-	485,000	409,159	929	76,770
Expenditures					
Current					
Public Safety					
Fire station #15	2,564,410	2,532,054	-	-	2,532,054
Police department server upgrade	208,000	184,910	-	1,000	185,910
Fire station #12	125,000	-	-	-	-
Fire training tower	-	500,000	500,000	-	-
Fire station #19	2,692,000	1,328,615	-	1,274,785	2,603,400
Police department CAD and RMS	3,209,917	2,757,753	-	376,573	3,134,326
Police department 800mhz radios	3,600,000	3,169,870	-	-	3,169,870
Total expenditures	12,399,327	10,473,202	500,000	1,652,358	11,625,560
Revenues over (under) expenditures	(12,399,327)	(9,988,202)	(90,841)	(1,651,429)	(11,548,790)
Other financing sources (uses)					
Issuance of debt	11,031,386	10,571,023	-	-	10,571,023
Transfers in	3,748,381	3,725,116	90,841	14,898	3,649,173
Transfers out	(2,380,440)	(2,380,440)	-	-	(2,380,440)
Total other financing sources (uses)	12,399,327	11,915,699	90,841	14,898	11,839,756
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,927,497	\$ -	(1,636,531)	\$ 290,966
Fund balance					
Beginning of year - July 1				1,927,497	
End of year - June 30				\$ 290,966	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 105,000	\$ -	\$ -	\$ -	\$ -
State grants	570,710	343,586	-	130,987	474,573
Total restricted intergovernmental	675,710	343,586	-	130,987	474,573
Miscellaneous					
Owner contributions	172,217	172,217	-	-	172,217
Other	15,204	35,406	-	2	35,408
Total miscellaneous	187,421	207,623	-	2	207,625
Interest earned on investments	4,413	9,127	-	1,089	10,216
Total revenues	867,544	560,336	-	132,078	692,414
Expenditures					
Current					
Transportation					
Sidewalks	2,002,321	567,944	-	413,139	981,083
Downtown railroad enhancements	1,892,000	-	-	105,242	105,242
Transportation improvements	10,657,341	7,490,725	3,178,332	3,788,667	8,101,060
Total expenditures	14,551,662	8,058,669	3,178,332	4,307,048	9,187,385
Revenues (over) under expenditures	(13,684,118)	(7,498,333)	(3,178,332)	(4,174,970)	(8,494,971)
Other financing sources (uses)					
Transfers in	13,752,518	12,048,208	3,178,332	5,375,567	14,245,443
Transfers out	(68,400)	(40,000)	-	(28,400)	(68,400)
Total other financing sources (uses)	13,684,118	12,008,208	3,178,332	5,347,167	14,177,043
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 4,509,875	\$ -	1,172,197	\$ 5,682,072
Fund balance					
Beginning of year - July 1				4,509,875	
End of year - June 30				\$ 5,682,072	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ 453,801	\$ 452,782	\$ -	\$ -	\$ 452,782
Total revenues	453,801	452,782	-	-	452,782
Expenditures					
Current					
Economic and physical development					
Bond administration	54,476	54,475	-	-	54,475
	54,476	54,475	-	-	54,475
Transportation					
Streets	2,971,410	2,971,401	-	-	2,971,401
Sidewalks	796,972	796,971	-	-	796,971
	3,768,382	3,768,372	-	-	3,768,372
Environmental Protection					
Drainage	584,673	584,672	-	-	584,672
	584,673	584,672	-	-	584,672
Public Safety					
FSU Fire Station	3,494,187	3,494,183	-	-	3,494,183
	3,494,187	3,494,183	-	-	3,494,183
Recreational and community facilities					
Cape Fear River Park	902,239	897,452	-	-	897,452
	902,239	897,452	-	-	897,452
Debt service	457,844	457,858	-	-	457,858
Total expenditures	9,261,801	9,257,012	-	-	9,257,012
Revenues over (under) expenditures	(8,808,000)	(8,804,230)	-	-	(8,804,230)
Other financing sources (uses)					
Transfers in	358,000	354,230	-	-	354,230
Issuance of debt	8,450,000	8,450,000	-	-	8,450,000
Total other financing sources (uses)	8,808,000	8,804,230	-	-	8,804,230
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ -	\$ -	-	\$ -
Fund balance					
Beginning of year - July 1				-	
End of year - June 30				\$ -	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Economic and Physical Development Fund

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted Intergovernmental					
Federal grants	\$ 1,251,150	\$ 405,709	\$ -	\$ 845,338	\$ 1,251,047
County	250,243	250,242	-	-	250,242
Total restricted intergovernmental	1,501,393	655,951	-	845,338	1,501,289
Interest earned on investments	12,000	6,602	-	4,347	10,949
Total revenues	1,513,393	662,553	-	849,685	1,512,238
Expenditures					
Current					
Economic and physical development					
300 Block of Hay Street	1,857,475	1,857,474	-	-	1,857,474
Texfi Project	588,619	519,334	-	40,606	559,940
HOPE VI	6,526,000	3,735,177	-	1,202,970	4,938,147
Downtown parking deck	5,719,998	2,000,926	-	3,569,948	5,570,874
Military Business Park	1,251,150	405,709	-	845,338	1,251,047
Festival Park Plaza	6,400,000	6,243,324	-	-	6,243,324
Total economic and physical development	22,343,242	14,761,944	-	5,658,862	20,420,806
Debt service	242,002	83,449	-	158,553	242,002
Total expenditures	22,585,244	14,845,393	-	5,817,415	20,662,808
Revenues over (under) expenditures	(21,071,851)	(14,182,840)	-	(4,967,730)	(19,150,570)
Other financing sources (uses)					
Transfers in	8,487,851	8,511,976	-	-	8,511,976
Sale of capital assets	334,000	245,435	-	-	245,435
Issuance of debt	12,250,000	12,180,997	-	-	12,180,997
Total other financing sources (uses)	21,071,851	20,938,408	-	-	20,938,408
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 6,755,568	\$ -	(4,967,730)	\$ 1,787,838
Fund balance					
Beginning of year - July 1				6,755,568	
End of year - June 30				\$ 1,787,838	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 275,000	\$ 25,000	\$ -	\$ -	\$ 25,000
State grants and contributions	18,000,000	14,254,812	-	1,124,428	15,379,240
Local	529,202	88,202	-	143,361	231,563
Total restricted intergovernmental	18,804,202	14,368,014	-	1,267,789	15,635,803
Miscellaneous					
Other	-	127,750	-	11,406	139,156
Donations	225,505	228,590	-	980	229,570
Total miscellaneous	225,505	356,340	-	12,386	368,726
Interest earned on investments	503,670	521,127	-	5,827	526,954
Total revenues	19,533,377	15,245,481	-	1,286,002	16,531,483
Expenditures					
Current					
Recreational and community facilities					
Disabled accessibility minibus	65,000	54,069	-	-	54,069
Freedom Park	482,175	473,736	-	4,949	478,685
NC State Veterans Park	2,397,000	2,298,002	-	11,259	2,309,261
Western Area Neighborhood Park	800,000	-	-	143,361	143,361
NC State Veterans Park #2	14,050,000	11,151,115	-	1,120,096	12,271,211
Playground equipment and improvements	526,000	424,534	-	45,707	470,241
Reid Ross track facility	176,404	174,346	-	-	174,346
Joint use facilities with Cumberland County	431,000	-	-	282,564	282,564
Cape Fear River Trail Phase 2	2,614,345	64,161	-	59,657	123,818
Total expenditures	21,541,924	14,639,963	-	1,667,593	16,307,556
Revenues over (under) expenditures	(2,008,547)	605,518	-	(381,591)	223,927
Other financing sources (uses)					
Transfers in	2,094,702	2,094,520	-	67,000	2,161,520
Transfers out	(86,155)	(86,155)	-	-	(86,155)
Issuance of debt	-	2,356	-	-	2,356
Total other financing sources (uses)	2,008,547	2,010,721	-	67,000	2,077,721
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 2,616,239	\$ -	(314,591)	\$ 2,301,648
Fund balance					
Beginning of year - July 1				2,616,239	
End of year - June 30				<u>\$ 2,301,648</u>	

12



Proprietary Funds



- Enterprise Funds
- Internal Service Funds

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



Enterprise Funds



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

The following comprise the City's Enterprise Funds:

- Electric Fund
- Water and Wastewater Fund
- Storm Water Management Fund
- Nonmajor Enterprise Funds
 - Transit Fund
 - Airport Fund
 - Solid Waste Recycling Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Electric Fund
June 30, 2012

	Electric Fund	Rate Stabilization Fund	Total
Assets			
Current unrestricted assets			
Cash and cash equivalents	\$ 33,225,739	\$ -	\$ 33,225,739
Investments	31,267,295	-	31,267,295
Receivables	26,537,877	-	26,537,877
Internal balances	169,327	-	169,327
Less allowance for doubtful accounts	(389,927)	-	(389,927)
Inventories	12,829,724	-	12,829,724
Other current assets	281,114	-	281,114
Total current unrestricted assets	103,921,149	-	103,921,149
Current restricted assets			
Cash and cash equivalents	9,029,339	38,280,631	47,309,970
Investments	13,764,900	28,786,025	42,550,925
Collateral pledged in lieu of deposits	229,404	-	229,404
Receivables	49,631	79,232	128,863
Total current restricted assets	23,073,274	67,145,888	90,219,162
Total current assets	126,994,423	67,145,888	194,140,311
Noncurrent assets			
Other assets	1,717,603	3,465,650	5,183,253
Capital assets:			
Land	5,320,460	-	5,320,460
Construction in process	11,767,932	-	11,767,932
Electric utility systems	177,838,495	-	177,838,495
Buildings	26,500,755	-	26,500,755
Equipment and machinery	8,086,255	-	8,086,255
Computer programs	841,591	-	841,591
Intangibles	2,185,898	-	2,185,898
Vehicles	3,468,459	-	3,468,459
Office equipment	100,033	-	100,033
Capital assets, net	236,109,876	-	236,109,876
Total noncurrent assets	237,827,479	3,465,650	241,293,129
Total assets	\$ 364,821,902	\$ 70,611,538	\$ 435,433,440
Liabilities and net assets			
Current liabilities to be paid from unrestricted current assets			
Current portion of long-term liabilities	\$ 2,610,976	\$ -	\$ 2,610,976
Accounts payable and accrued expenses	14,759,688	-	14,759,688
Total current liabilities to be paid from unrestricted current assets	17,370,664	-	17,370,664
Current liabilities to be paid from restricted current assets			
Accounts payable and accrued expenses	6,602,154	-	6,602,154
Total current liabilities to be paid from restricted current assets	6,602,154	-	6,602,154
Total current liabilities	23,972,818	-	23,972,818
Noncurrent liabilities			
Long-term liabilities	12,697,205	-	12,697,205
Other liabilities	1,871,790	-	1,871,790
Unearned deposits	815	-	815
Total noncurrent liabilities	14,569,810	-	14,569,810
Total liabilities	38,542,628	-	38,542,628
Net assets			
Invested in capital assets, net of related debt	222,362,214	-	222,362,214
Restricted for -			
Capital Projects	-	-	-
Debt service	10	-	10
Unrestricted net assets	103,917,050	70,611,538	174,528,588
Total net assets	326,279,274	70,611,538	396,890,812
Total liabilities and net assets	\$ 364,821,902	\$ 70,611,538	\$ 435,433,440

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets Electric Fund Year ended June 30, 2012

	Electric Fund	Electric Rate Stabilization Fund	Total
Operating revenues			
Charges for services	\$ 197,656,327	\$ -	\$ 197,656,327
Total operating revenues	<u>197,656,327</u>	<u>-</u>	<u>197,656,327</u>
Operating expenses			
Power supply and generation	103,619,819	-	103,619,819
Electric operation	12,501,170	-	12,501,170
General and administrative	13,509,839	-	13,509,839
Depreciation	15,096,341	-	15,096,341
Total operating expenses	<u>144,727,169</u>	<u>-</u>	<u>144,727,169</u>
Operating income	<u>52,929,158</u>	<u>-</u>	<u>52,929,158</u>
Nonoperating revenue (expense)			
Interest earned on investments	1,129,274	353,725	1,482,999
Gain (loss) on disposal of assets	(312,517)	-	(312,517)
Interest expense	(698,847)	-	(698,847)
Amortization	(372,570)	-	(372,570)
Finance costs	(5,728)	-	(5,728)
Total nonoperating revenue (expense)	<u>(260,388)</u>	<u>353,725</u>	<u>93,337</u>
Income before transfers and contributions	<u>52,668,770</u>	<u>353,725</u>	<u>53,022,495</u>
Transfers in	-	29,327,200	29,327,200
Transfers out	(29,624,367)	-	(29,624,367)
Transfers in - City of Fayetteville	20,847	-	20,847
Transfers out - City of Fayetteville	(9,820,653)	-	(9,820,653)
Contributions	<u>371,766</u>	<u>-</u>	<u>371,766</u>
Change in net assets	13,616,363	29,680,925	43,297,288
Total net assets - beginning	<u>312,662,911</u>	<u>40,930,613</u>	<u>353,593,524</u>
Total net assets - ending	<u>\$ 326,279,274</u>	<u>\$ 70,611,538</u>	<u>\$ 396,890,812</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)**

	2012			2011	
	Budget	Variance Positive (Negative)	Actual	Actual	
Revenues					
Operating revenues					
Electric operations					
Sale of electricity	\$ 189,466,400	\$ (3,530,828)	\$ 185,935,572	\$ 186,850,799	
City Services	3,849,200	(2,601,779)	1,247,421	1,100,297	
Non-utility charges	1,801,200	46,958	1,848,158	1,385,620	
Service charges	5,340,000	(420,614)	4,919,386	2,093,038	
Miscellaneous	4,830,000	(1,124,210)	3,705,790	3,381,765	
Total operating revenues	<u>205,286,800</u>	<u>(7,630,473)</u>	<u>197,656,327</u>	<u>194,811,519</u>	
Non-operating revenues					
Gain (loss) on asset disposal	-	(312,517)	(312,517)	(1,266,138)	
Interest earned on investments	780,000	349,274	1,129,274	586,663	
Total non-operating revenues	<u>780,000</u>	<u>36,757</u>	<u>816,757</u>	<u>(679,475)</u>	
Contributions					
Contributions	1,191,600	(819,834)	371,766	1,519,199	
Total contributions	<u>1,191,600</u>	<u>(819,834)</u>	<u>371,766</u>	<u>1,519,199</u>	
Transfers in					
Transfer from City of Fayetteville	20,800	47	20,847	20,847	
Total transfers in	<u>20,800</u>	<u>47</u>	<u>20,847</u>	<u>20,847</u>	
Budgetary appropriations					
Appropriated net assets	5,395,600	14	5,395,614	264,686	
Total budgetary appropriations	<u>5,395,600</u>	<u>14</u>	<u>5,395,614</u>	<u>264,686</u>	
Total revenues	<u><u>\$ 212,674,800</u></u>	<u><u>\$ (8,413,489)</u></u>	<u><u>\$ 204,261,311</u></u>	<u><u>\$ 195,936,776</u></u>	
Expenditures					
Operating expenditures					
Electric operations					
Power supply and generation	\$ 105,613,290	\$ 1,993,471	\$ 103,619,819	\$ 107,702,994	
Administration	576,360	41,086	535,274	415,997	
Apparatus repair shop	390,120	37,643	352,477	402,862	
Electric meter shop	710,430	182,824	527,606	848,801	
Construction and maintenance	6,853,550	151,761	6,701,789	6,341,588	
Substation construction	1,711,490	897	1,710,593	1,186,411	
Engineering	2,560,780	297,754	2,263,006	2,243,597	
Fiber	17,500	402	17,098	-	
SCADA	34,800	76	34,724	-	
CT metering crews	264,800	718	264,082	-	
Compliance	94,600	79	94,521	-	
Total electric operations	<u>118,827,700</u>	<u>2,706,711</u>	<u>116,120,989</u>	<u>119,142,250</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Budget	Variance - Positive (Negative)	Actual	Actual
Expenditures (continued)				
General and administrative				
Executive	\$ 1,077,405	\$ 196,298	\$ 881,107	\$ 1,410,370
Internal audit	127,830	22,056	105,774	120,680
Communications and community relations	611,895	21,109	590,786	593,995
Financial administration	272,560	27,634	244,926	243,313
Support systems administration	623,085	348,782	274,303	165,662
Human resources	833,700	200,160	633,540	494,857
Accounting	834,375	7,701	626,674	499,884
Accounts receivable	824,450	42,673	781,777	782,756
Payroll	72,425	4,899	67,526	70,445
Customer accounts	2,503,575	1,050	2,502,525	2,210,797
Utility field services	1,286,825	42,671	1,244,154	1,302,390
Business planning	195,690	80,733	134,957	265,473
Corporate development	398,500	205	396,295	316,316
Risk management	451,920	51,899	400,221	560,704
Capital projects	251,870	10,550	241,320	231,873
Rates	328,555	37	328,518	148,845
Budget	121,520	134	121,386	118,988
Purchasing	258,290	17	258,273	222,728
Warehouse	533,800	73	533,527	487,922
Fleet maintenance	1,041,800	126,135	915,665	909,166
Facilities maintenance	223,190	82	223,108	248,568
Customer programs and call center	111,450	99	111,351	-
Corporate services administration	128,900	-	128,900	-
Development and marketing	590,470	86,259	524,211	211,715
Telecommunications systems	636,945	83,068	553,877	562,451
Information systems	1,508,580	99	1,508,481	1,196,770
Pension expense	1,000	(17,109)	18,109	2,194
Medical insurance	3,390,900	116,236	3,274,664	2,873,916
Other	3,036,000	832,200	2,203,600	1,382,331
Allocated rent and fiber clearing	(2,276,400)	122	(2,276,522)	(2,457,086)
Overhead cleaning	(4,099,600)	208,863	(4,308,663)	(2,877,084)
Total general and administrative	15,698,105	2,454,535	13,243,570	12,292,737
Total operating expenditures	134,526,805	5,161,246	129,365,559	131,434,967
Non-operating expenditures				
Interest expense	964,300	265,453	698,847	986,553
Finance costs	10,000	4,272	5,728	5,471
Total non-operating expenditures	974,300	269,725	704,575	992,024

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		2011
	Budget	Variance Positive (Negative)	Actual
Transfers out			Actual
Transfers to City of Fayetteville	\$ 9,834,900	\$ 14,247	\$ 9,820,653
Transfers to Electric Rate Stabilization Fund	29,327,200	-	29,327,200
Transfers to Fleet Maintenance Fund	313,400	16,233	297,167
Total transfers out	39,475,500	30,480	39,445,020
Budgetary appropriations			
Inventory increase (decrease)	269,100	(587,626)	856,726
Vehicle and equipment	-	24,077	(24,077)
Debt principal payments	1,469,400	30	1,469,370
Capital outlay	27,810,400	3,630,584	24,179,816
Finance costs	-	-	-
Appropriated net assets	8,149,295	3,984,507	4,164,788
Total budgetary appropriations	37,698,195	7,051,572	30,646,623
Total expenditures	\$ 212,674,800	\$ 12,513,023	\$ 200,161,777
Reconciliation of change in net assets			
Total revenues		\$ (8,413,489)	\$ 204,261,311
Total expenditures		12,513,023	200,161,777
Subtotal		\$ 4,099,534	4,099,534
Reconciling items:			
Budgetary appropriations			25,251,009
Developer			16,415
Depreciation			(15,096,341)
Amortization			(372,570)
OP&B expense			(265,269)
Total reconciling items			9,516,829
Change in net assets			\$ 13,616,363

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes In the Status of Electric Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	3,230,000	2,960,888	353,725	3,314,613
Total revenues	<u>7,399,725</u>	<u>7,130,613</u>	<u>353,725</u>	<u>7,484,338</u>
Other financing sources				
Transfer from Electric Fund	68,127,200	38,800,000	29,327,200	68,127,200
Transfer to Electric Fund	(5,000,000)	(5,000,000)	-	(5,000,000)
Loan to Annexation Phase V Reserve Fund	(9,036,235)	-	(1,294,400)	(1,294,400)
Loan to Electric & WWWW General Fund	(2,171,250)	(2,171,250)	-	(2,171,250)
Appropriated net assets	(59,319,440)	-	-	-
Total other financing sources (uses)	<u>(7,399,725)</u>	<u>31,628,750</u>	<u>28,032,800</u>	<u>59,661,550</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 38,759,363</u>	<u>28,386,525</u>	<u>\$ 67,145,888</u>
Reconciling items:				
Advance receivable from Annexation Phase V Reserve			1,294,400	
Change in net assets			<u>\$ 29,880,925</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2012

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Ft. Bragg Interim Water Service Project Fund	Annexation Phase V Reserve Fund	2009B Revenue Bond Capital Project Fund	Annexation Phase V Areas 6/7 Capital Project Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Total
Assets								
Current unrestricted assets								
Cash and cash equivalents	\$ 22,028,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,028,280
Investments	2,793,876	-	-	-	-	-	-	2,793,876
Receivables	15,127,398	-	-	-	-	-	-	15,127,398
Internal balances	1,119,109	-	-	(391,180)	(497,013)	-	(226,579)	4,337
Less Allowance for doubtful accounts	(88,925)	-	-	-	-	-	-	(88,925)
Inventories	1,563,112	-	-	-	-	-	-	1,563,112
Other current assets	590,765	-	-	-	-	-	-	590,765
Total current unrestricted assets	43,133,615	-	-	(391,180)	(497,013)	-	(226,579)	42,018,843
Current restricted assets								
Cash and cash equivalents	10,633,392	1,516,576	-	391,239	4,960,699	-	-	17,501,906
Investments	15,691,915	4,500,000	-	-	-	-	-	20,191,915
Receivables	85,466	7,701	-	-	42,328	-	289,324	424,819
Total current restricted assets	26,410,773	6,024,277	-	391,239	5,003,027	-	289,324	38,118,640
Total current assets	69,544,388	6,024,277	-	59	4,506,014	-	62,745	80,137,483
Noncurrent assets								
Other assets	12,607,849	-	-	-	-	-	-	12,607,849
Capital Assets:								
Land	9,295,327	-	-	-	-	-	-	9,295,327
Construction in process	7,922,691	-	-	-	2,479,500	-	4,925,932	15,328,123
Water system	178,093,787	-	-	-	-	-	-	178,093,787
Sewer system	277,111,212	-	-	-	-	-	-	277,111,212
Buildings	2,277,819	-	-	-	-	-	-	2,277,819
Equipment and machinery	3,130,929	-	-	-	-	-	-	3,130,929
Computer equipment	759,258	-	-	-	-	-	-	759,258
Intangibles	390,829	-	-	-	-	-	-	390,829
Vehicles	3,382,882	-	-	-	-	-	-	3,382,882
Office equipment	36,209	-	-	-	-	-	-	36,209
Capital assets, net	482,400,923	-	-	-	2,479,500	-	4,925,932	489,806,355
Total noncurrent assets	495,008,772	-	-	-	2,479,500	-	4,925,932	502,414,204
Total assets	\$ 564,553,160	\$ 6,024,277	\$ -	\$ 59	\$ 6,985,514	\$ -	\$ 4,988,677	\$ 582,551,687

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2012

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	FL Bragg Interim Water Service Project Fund	Annexation Phase V Reserve Fund	2009B Revenue Bond Capital Project Fund	Annexation Phase V Areas 6/7 Capital Project Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Total
Liabilities and net assets								
Current portion of long-term liabilities	\$ 12,506,036	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,506,036
Accounts payable and accrued expenses	10,701,986	-	-	-	-	-	-	10,701,986
Total current liabilities to be paid from unrestricted current assets	23,208,022	-	-	-	-	-	-	23,208,022
Current liabilities to be paid from restricted current assets								
Accounts payable and accrued expenses	2,232,371	-	-	5,773	190,642	-	1,286,667	3,715,453
Total current liabilities to be paid from restricted current assets	2,232,371	-	-	5,773	190,642	-	1,286,667	3,715,453
Total current liabilities	25,440,393	-	-	5,773	190,642	-	1,286,667	26,923,475
Noncurrent liabilities								
Long-term liabilities	137,936,346	-	-	-	-	-	-	137,936,346
Other liabilities	5,722,694	-	-	1,294,400	-	-	-	7,017,094
Unearned deposits	957,096	-	-	-	-	-	-	957,096
Total noncurrent liabilities	144,616,136	-	-	1,294,400	-	-	-	145,910,536
Total liabilities	170,056,529	-	-	1,300,173	190,642	-	1,286,667	172,834,011
Net assets								
Invested in capital assets, net of related debt	338,577,204	-	-	-	2,479,500	-	4,925,932	345,982,636
Restricted for -								
Capital Projects	9,758	-	-	-	-	-	-	9,758
Debt service	40,942	-	-	-	-	-	-	40,942
Unrestricted net assets	55,866,727	6,024,277	-	(1,300,114)	4,315,372	-	(1,223,922)	63,884,340
Total net assets	394,496,631	6,024,277	-	(1,300,114)	6,794,672	-	3,702,010	409,717,676
Total liabilities and net assets	\$ 564,553,160	\$ 6,024,277	\$ -	\$ 59	\$ 6,985,514	\$ -	\$ 4,988,677	\$ 582,551,687

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Water and Wastewater Fund
Year ended June 30, 2012

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Ft. Bragg Interim Water Service Project Fund	Annexation Phase V Reserve Fund	2009B Revenue Bond Capital Project Fund	Annexation Phase V Areas 6/7 Capital Project Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Total
Operating revenues								
Charges for services	\$ 70,915,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,915,208
Miscellaneous operating income-water	-	-	15,010	-	-	-	-	15,010
Total operating revenues	70,915,208	-	15,010	-	-	-	-	70,930,218
Operating expenses								
Water operations	14,059,094	-	-	-	-	-	-	14,059,094
Miscellaneous operating expense-water	-	-	15,010	-	-	-	-	15,010
Wastewater operations	12,743,659	-	-	-	-	-	-	12,743,659
General and administrative	14,130,014	-	-	-	-	-	-	14,130,014
Depreciation	16,308,785	-	-	-	-	-	-	16,308,785
Total operating expenses	57,241,552	-	15,010	-	-	-	-	57,256,562
Operating Income	13,673,656	-	-	-	-	-	-	13,673,656
Nonoperating revenue (expense)								
Interest earned on investments	1,473,953	27,292	-	237	-	-	-	1,501,482
Gain (loss) on disposal of assets	154,119	-	-	-	-	-	-	154,119
Interest expense	(6,783,932)	-	-	(6,952)	-	-	-	(6,790,884)
Amortization	(1,108,053)	-	-	-	-	-	-	(1,108,053)
Finance costs	(13,697)	-	-	-	-	-	-	(13,697)
Total nonoperating revenue (expense)	(6,277,610)	27,292	-	(6,715)	-	-	-	(6,257,033)
Income (loss) before transfers and contributions	7,396,046	27,292	-	(6,715)	-	-	-	7,416,623
Transfers in	14,965,966	250,000	-	2,608,387	232,262	-	5,556,709	23,613,324
Transfers out	(3,155,554)	-	-	(5,908,010)	(9,439,189)	(232,262)	(5,175,476)	(23,910,491)
Transfers in - City of Fayetteville	385,200	-	-	926,030	-	-	-	1,311,230
Capital Contributions	10,780,807	-	-	-	-	-	-	10,780,807
Change in net assets	30,372,465	277,292	-	(2,380,308)	(9,206,927)	(232,262)	381,233	19,211,493
Total net assets - beginning	364,124,166	5,746,985	-	1,080,194	16,001,799	232,262	3,320,777	390,506,183
Total net assets - ending	\$ 394,496,631	\$ 6,024,277	\$ -	\$ (1,300,114)	\$ 6,794,872	\$ -	\$ 3,702,010	\$ 409,717,676

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Water operations				
Water Sales	\$ 31,786,000	\$ (434,289)	\$ 31,351,711	\$ 30,963,222
Connection fees	250,000	135,297	385,297	315,583
City Services	173,200	94,447	267,647	214,263
Total water operations	<u>32,209,200</u>	<u>(204,545)</u>	<u>32,004,655</u>	<u>31,493,068</u>
Wastewater operations				
Sewer charges	36,023,500	(837,266)	35,386,234	34,707,277
Connection fees	170,000	78,952	248,952	172,870
City services	70,400	24,315	94,715	76,702
Total wastewater operations	<u>36,263,900</u>	<u>(533,999)</u>	<u>35,729,901</u>	<u>34,956,849</u>
Other operating revenues				
Non-utility charges	1,218,200	248,214	1,466,414	1,241,382
Service charges	1,562,000	(17,707)	1,544,293	463,399
Miscellaneous	259,300	(89,355)	169,945	267,225
Total other operating revenues	<u>3,039,500</u>	<u>141,152</u>	<u>3,180,652</u>	<u>1,972,006</u>
Total operating revenues	<u>71,512,600</u>	<u>(597,392)</u>	<u>70,915,208</u>	<u>68,421,923</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	154,119	154,119	62,139
Interest earned on investments	1,000,000	473,953	1,473,953	1,230,093
Total non-operating revenues	<u>1,000,000</u>	<u>628,072</u>	<u>1,628,072</u>	<u>1,292,232</u>
Contributions				
Contributions	3,488,600	500,313	3,988,913	4,471,139
Total contributions	<u>3,488,600</u>	<u>500,313</u>	<u>3,988,913</u>	<u>4,471,139</u>
Transfers In				
Transfer from City of Fayetteville	385,200	-	385,200	385,200
Transfer from Annexation Phase V Reserve Fund	351,300	1	351,301	252,789
Total transfers in	<u>736,500</u>	<u>1</u>	<u>736,501</u>	<u>637,989</u>
Budgetary appropriations				
Department of Transportation financing	328,400	750,118	1,078,518	-
Cumberland County note proceeds	39,600	-	39,600	39,600
Fort Bragg note proceeds	143,400	(12,300)	131,100	145,219
Appropriations of net assets	4,131,350	(3,059,313)	1,072,037	623,105
Total budgetary appropriations	<u>4,642,750</u>	<u>(2,321,495)</u>	<u>2,321,255</u>	<u>807,924</u>
Total revenues	<u>\$ 81,380,450</u>	<u>\$ (1,790,501)</u>	<u>\$ 79,589,949</u>	<u>\$ 75,631,207</u>
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,193,365	\$ 58,239	\$ 1,135,126	\$ 1,077,521
Water meter shop	207,620	140,499	67,121	129,018
Water maintenance and repair	4,738,410	872	4,737,538	4,656,102
Contract system maintenance	161,550	(32,192)	193,742	174,361
P. O. Hoffer water treatment plant	4,928,850	21,473	4,907,377	4,481,531
Glennville Lake water treatment plant	2,358,110	62,903	2,295,207	1,970,687
Water Resources environmental system protection	177,910	2,510	175,400	170,600
Laboratory	236,515	12	236,503	225,121
Environmental	109,110	1,072	108,038	109,669
Watersheds	203,080	38	203,042	155,208
Total water operations	<u>14,314,520</u>	<u>255,426</u>	<u>14,059,094</u>	<u>13,149,818</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	Budget	2012 Variance Positive (Negative)	Actual	2011 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,193,365	\$ 58,239	\$ 1,135,126	\$ 1,077,521
Sewer maintenance and repair	5,980,270	(881)	5,981,151	4,853,387
Contract system maintenance	161,550	32,389	129,161	116,241
Cross Creek WW treatment plant	2,565,320	139,091	2,426,229	2,383,808
Rockfish Creek WW treatment plant	2,474,730	219,271	2,255,459	2,400,256
Residuals management	296,630	40	296,590	266,184
Water resource environmental system protection	177,910	2,510	175,400	170,600
Laboratory	236,515	11	236,504	225,121
Environmental	109,110	1,071	108,039	109,669
Total wastewater operations	<u>13,195,400</u>	<u>451,741</u>	<u>12,743,659</u>	<u>11,602,787</u>
General and administrative				
Executive	432,305	33,821	398,484	351,936
Internal audit	125,930	21,323	104,607	119,729
Communications and community relations	610,695	17,873	592,822	578,215
Financial administration	272,560	35,157	237,403	239,305
Support Systems	185,285	102,081	83,204	132,194
Human resources	830,900	211,943	618,957	466,324
Accounting	507,075	31,008	476,067	497,026
Accounts receivable	824,450	46,029	778,421	782,052
Payroll	72,425	5,475	66,950	66,962
Customer accounts	1,883,975	56,249	1,827,726	1,649,837
Utility field service	1,257,325	50,351	1,206,974	1,108,042
Corporate development	413,700	19,008	394,692	312,980
Business planning	170,620	30,823	139,797	258,632
Risk management	439,990	55,480	384,510	556,978
Capital projects	251,870	14,622	237,248	228,388
Rates	193,255	70,954	122,301	103,315
Budget	121,120	71	121,049	118,967
Purchasing	257,490	80	257,410	222,188
Warehouse	370,100	159,577	210,523	269,308
Fleet maintenance	1,595,900	44	1,595,856	1,605,290
Facilities maintenance	219,990	16	219,974	247,819
Customer programs administration and call center	104,450	442	104,008	-
Corporate services administration	128,700	50	128,650	-
Development and marketing	479,170	47,592	431,578	205,475

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Budget	Variance Positive (Negative)	Actual	Actual
Expenditures (continued)				
Operating expenditures (continued)				
General and administrative (continued)				
Telecommunications systems	\$ 549,745	\$ 35	\$ 549,710	\$ 556,726
Information systems	1,503,680	95	1,503,565	1,194,759
Pension expenses	1,000	(17,109)	18,109	2,194
Medical insurance	3,390,900	(1,111,978)	4,502,878	2,940,267
Other	1,187,700	249,740	937,960	940,152
Overhead cleaning	(3,805,300)	629,830	(4,435,130)	(4,470,497)
Total general and administrative	14,577,005	760,682	13,816,323	11,284,563
Total operating expenditures	42,086,925	1,467,849	40,619,076	36,037,168
Non-operating expenditures				
Interest expense	7,620,600	836,868	6,783,932	7,120,583
Finance costs	25,000	11,303	13,897	15,754
Total non-operating expenditures	7,645,600	847,971	6,797,629	7,136,337
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	500,000
Transfer to Annexation Phase V Reserve Fund	2,591,400	(16,987)	2,608,387	1,748,898
Transfer to Fleet Maintenance Fund	313,300	18,133	297,167	-
Total transfers out	3,154,700	(854)	3,155,554	2,248,898
Budgetary appropriations				
Inventory increase	488,700	134,034	354,666	(53,893)
Vehicle and equipment	-	(239,046)	239,046	677,958
Finance costs	-	-	-	34,560
Debt principal payments	11,168,700	1,267,925	9,900,775	13,125,472
Note payments	-	(1,267,849)	1,267,849	1,267,849
NC DOT project payments	714,100	385,701	328,399	-
Capital outlay	13,081,700	427,051	12,654,649	9,553,300
Appropriation of net assets	3,040,025	790,025	2,250,000	4,800,000
Total budgetary appropriations	28,493,225	1,497,841	26,995,384	29,405,246
Total expenditures	\$ 81,380,450	\$ 3,812,807	\$ 77,567,643	\$ 74,827,649

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

		2012		2011
	Budget	Variance Positive (Negative)	Actual	Actual
Reconciliation of change in net assets				
Total revenue		\$ (1,790,501)	\$ 79,589,949	\$ 75,631,207
Total expenditures		3,812,807	77,567,643	74,827,649
Subtotal		<u>\$ 2,022,306</u>	2,022,306	803,558
Reconciling items:				
Budgetary appropriations			24,674,129	28,597,322
Depreciation			(16,308,785)	(15,566,497)
Amortization			(1,108,053)	(1,103,337)
OPEB expense			(313,691)	(572,739)
Developer and FIF credits			6,594,433	6,117,924
Assessments			197,461	29,479
Transfer of assets (to) / from Annexation Capital Project Fund Phase V-1			-	343,412
Transfer of assets (to) / from Annexation Capital Project Fund Phase V-6/7			-	5,499,460
Transfer of assets (to) / from Annexation Phase V, Areas 8-13			5,175,476	113,647
Transfer of assets (to) / from Series 2009B Revenue Bond Capital Project Fund			9,439,189	5,572,517
Total reconciling items			<u>28,350,159</u>	<u>29,031,188</u>
Change in net assets			<u>\$ 30,372,465</u>	<u>\$ 29,834,746</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
From Inception and for the Period Ended June 30, 2012

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 285,000	\$ 246,985	\$ 27,292	\$ 274,277
Total revenues	<u>285,000</u>	<u>246,985</u>	<u>27,292</u>	<u>274,277</u>
Other financing sources				
Transfer from Water and Wastewater Fund	5,750,000	5,500,000	250,000	5,750,000
Appropriated net assets	(6,035,000)	-	-	-
Total other financing sources	<u>(285,000)</u>	<u>5,500,000</u>	<u>250,000</u>	<u>5,750,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 5,746,985</u>	<u>277,292</u>	<u>\$ 6,024,277</u>
Change in net assets			<u>\$ 277,292</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Fort Bragg Interim Water Service Project Fund
From Inception and for the Period Ended June 30, 2012

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Miscellaneous Operating Revenues	\$ 22,003,776	\$ 21,988,766	\$ 15,010	\$ 22,003,776
Total Revenues	<u>22,003,776</u>	<u>21,988,766</u>	<u>15,010</u>	<u>22,003,776</u>
Expenditures				
Design, budget and schedule	2,398,490	2,398,490	-	2,398,490
Initial capital payment	14,864,714	14,864,714	-	14,864,714
Transition costs	274,112	274,112	-	274,112
Interim plant operations	3,763,455	3,763,455	-	3,763,455
Interim operations major	291,965	291,965	-	291,965
Fluoride Spill Remediation	411,040	396,030	15,010	411,040
Total expenditures	<u>22,003,776</u>	<u>21,988,766</u>	<u>15,010</u>	<u>22,003,776</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Reconciling items:				
Change in net assets			<u>\$ -</u>	

Capital Project Fund closed at June 30, 2012.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation Phase V Reserve Fund
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 6,500	\$ 3,788	\$ 237	\$ 4,025
Total revenues	<u>6,500</u>	<u>3,788</u>	<u>237</u>	<u>4,025</u>
Expenditures				
Interest Expense	92,818	-	6,952	6,952
Total expenditures	<u>92,818</u>	<u>-</u>	<u>6,952</u>	<u>6,952</u>
Revenues over (under) expenditures	<u>(86,318)</u>	<u>3,788</u>	<u>(6,715)</u>	<u>(2,927)</u>
Other financing sources				
Advance from Electric Rate Stabilization Fund	9,036,235	-	1,294,400	1,294,400
Assessments transfer	1,305,000	931,801	1,017,037	1,948,838
Transfer from Water and Wastewater Fund	3,908,447	2,317,097	1,591,350	3,908,447
Transfer from the City	1,804,133	878,103	926,030	1,804,133
Transfer from Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer to Annexation Phase V, Areas 8-13 Fund	(16,000,000)	(3,434,424)	(5,556,710)	(8,991,134)
Transfer to Water and Wastewater Fund	(695,400)	(344,074)	(351,300)	(695,374)
Total other financing sources (uses)	<u>85,318</u>	<u>1,076,406</u>	<u>(1,079,193)</u>	<u>(2,787)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,080,194</u>	<u>(1,085,908)</u>	<u>\$ (5,714)</u>
Reconciling items:				
Advance Payable to Electric Rate Stabilization Fund			(1,294,400)	
Change in net assets			<u>\$ (2,380,308)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2009B Revenue Bond Capital Project Fund
From Inception and for the Period Ended June 30, 2012**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ 44,000	\$ 41,963	\$ 4,425	\$ 46,388
Total revenues	<u>44,000</u>	<u>41,963</u>	<u>4,425</u>	<u>46,388</u>
Expenditures				
Construction	-	19,093,865	5,230,775	24,324,640
Engineering	-	531,308	(102,627)	428,681
Land and Land Rights	-	20,000	-	20,000
DOT project payments	-	3,360,277	38,782	3,399,059
Other	-	834,304	314,044	1,148,348
Total expenditures	<u>33,633,712</u>	<u>23,839,754</u>	<u>5,480,974</u>	<u>29,320,728</u>
Revenues under expenditures	<u>(33,589,712)</u>	<u>(23,797,791)</u>	<u>(5,476,549)</u>	<u>(29,274,340)</u>
Other financing sources				
Bond proceeds	<u>33,589,712</u>	<u>33,357,450</u>	<u>232,262</u>	<u>33,589,712</u>
Total other financing sources	<u>33,589,712</u>	<u>33,357,450</u>	<u>232,262</u>	<u>33,589,712</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 9,559,659</u>	<u>(5,244,287)</u>	<u>\$ 4,315,372</u>
Reconciling items:				
Capital outlay			5,437,767	
DOT project payments			38,782	
Transfer of assets (to)/from the Water and Wastewater Fund			(9,439,189)	
Change in net assets			<u>\$ (9,206,927)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation - Phase V-Areas 6 and 7 Capital Project Fund
From Inception and for the Period Ended June 30, 2012

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ 4,853	\$ 4,853	\$ -	\$ 4,853
Total revenues	<u>4,853</u>	<u>4,853</u>	<u>-</u>	<u>4,853</u>
Expenditures				
Construction	-	4,623,471	-	4,623,471
Engineering	-	691,767	-	691,767
Rights of way	-	173,764	-	173,764
Less City of Fayetteville participation	-	(187,589)	-	(187,589)
Other	-	376,263	-	376,263
Total expenditures	<u>5,677,676</u>	<u>5,677,676</u>	<u>-</u>	<u>5,677,676</u>
Revenues under expenditures	<u>(5,672,823)</u>	<u>(5,672,823)</u>	<u>-</u>	<u>(5,672,823)</u>
Other financing sources				
Bond proceeds	5,672,823	5,905,085	(232,262)	5,672,823
Total other financing sources (uses)	<u>5,672,823</u>	<u>5,905,085</u>	<u>(232,262)</u>	<u>5,672,823</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 232,262</u>	<u>(232,262)</u>	<u>\$ -</u>
Reconciling items:				
Change in net assets			<u>\$ (232,262)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation - Phase V-Areas 8 through 13 Capital Project Fund
From Inception and for the Period Ended June 30, 2012

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	2,742,985	4,868,810	7,611,795
Engineering	-	1,400,986	745,741	2,146,727
Rights of way	-	169,722	239,807	409,529
Less City of Fayetteville participation	-	(157,908)	(511,354)	(669,262)
Other	-	300,866	415,401	716,267
Total expenditures	16,000,000	4,456,651	5,758,405	10,215,056
Revenues under expenditures	(16,000,000)	(4,456,651)	(5,758,405)	(10,215,056)
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	16,000,000	3,434,424	5,556,709	8,991,133
Total other financing sources	16,000,000	3,434,424	5,556,709	8,991,133
Revenues and other financing sources under expenditures	\$ -	\$ (1,022,227)	(201,696)	\$ (1,223,923)
Reconciling items:				
Capital outlay			5,758,405	
Transfer of assets (to)/from the Water and Wastewater Fund			(5,175,476)	
Change in net assets			\$ 381,233	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Balance Sheet
 Storm Water Management Fund
 June 30, 2012

	2012
Assets	
Current assets	
Cash and investments	\$ 11,929,393
Accounts receivable	179,882
Restricted cash and investments	5,733,405
Total current assets	<u>17,842,680</u>
Noncurrent assets	
Other assets	80,343
Capital assets	18,794,527
Total noncurrent assets	<u>18,874,870</u>
Total assets	<u>\$ 36,717,550</u>
Liabilities and net assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 432,195
Current portion of long-term liabilities	665,064
Unearned deposits	1,184,378
Restricted accounts payable and accrued expenses	268,021
Total current liabilities	<u>2,549,658</u>
Noncurrent liabilities	
Net OPEB obligation	251,299
Long-term debt	10,180,508
Total noncurrent liabilities	<u>10,431,807</u>
Total liabilities	<u>12,981,465</u>
Net assets	
Invested in capital assets, net of related debt	13,479,371
Unrestricted	10,256,714
Total net assets	<u>23,736,085</u>
Total liabilities and net assets	<u>\$ 36,717,550</u>

The Storm Water Management Fund was converted to an enterprise fund as of the beginning of this fiscal year and no comparative information is available.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Storm Water Management Fund
Year Ended June 30, 2012**

	<u>2012</u>
Operating revenues	
Charges for services	\$ 5,164,229
Other revenue from operations	19,215
Total operating revenues	<u>5,183,444</u>
Operating expenses	
Salaries and employee benefits	1,406,052
Other operating expenses	881,264
Depreciation	559,991
Total operating expenses	<u>2,847,307</u>
Operating income (loss)	<u>2,336,137</u>
Nonoperating revenue (expense)	
Interest earned on investments	56,442
Gain (loss) on disposal of capital assets	36,470
Interest expense	(38,950)
Amortization	(5,230)
Total nonoperating revenue (expense)	<u>48,732</u>
Income (loss) before transfers and contributions	<u>2,384,869</u>
Change in net assets	2,384,869
Total net assets - beginning	<u>-</u>
Change in accounting principle	<u>21,351,216</u>
Total net assets - ending	<u>\$ 23,736,085</u>

The Storm Water Management Fund was converted to an enterprise fund as of the beginning of this fiscal year and no comparative information is available.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Storm Water Management FundYear Ended June 30, 2012
(With Comparative Actual Amounts for Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Operating revenues				
Charges for services	\$ 5,184,218	\$ (29,866)	\$ 5,154,352	\$ 5,164,363
Other revenue from operations	16,550	2,665	19,215	25,135
Total operating revenues	<u>5,200,768</u>	<u>(27,201)</u>	<u>5,173,567</u>	<u>5,189,498</u>
Operating expenditures				
Personnel	1,407,022	41,488	1,365,534	1,366,068
Other operating expenditures	2,590,497	1,784,247	806,250	785,261
Capital outlay	302,969	1,013	301,956	-
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>4,375,488</u>	<u>1,826,748</u>	<u>2,548,740</u>	<u>2,226,329</u>
Operating income (loss)	<u>825,280</u>	<u>1,799,547</u>	<u>2,624,827</u>	<u>2,963,169</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	57,000	(11,806)	45,194	57,723
Debt service - principal payment	(290,030)	-	(290,030)	(25,030)
Interest expense	(156,851)	1	(156,850)	-
Nonoperating revenues (expenditures)	<u>(389,881)</u>	<u>(11,805)</u>	<u>(401,686)</u>	<u>32,693</u>
Revenues over (under) expenditures	<u>435,399</u>	<u>1,787,742</u>	<u>2,223,141</u>	<u>2,995,862</u>
Other financing sources (uses)				
Sale of capital assets	-	36,470	36,470	31,500
Transfers in	830,789	(830,789)	-	-
Transfers out	(1,718,277)	-	(1,718,277)	(3,126,007)
Appropriated fund balance	452,089	(452,089)	-	-
Total other financing sources (uses)	<u>(435,399)</u>	<u>(1,246,408)</u>	<u>(1,681,807)</u>	<u>(3,094,507)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 541,334</u>	<u>\$ 541,334</u>	<u>\$ (98,645)</u>
Reconciliation of change in net assets				
Total revenues			\$ 5,255,231	
Total expenditures			<u>4,713,897</u>	
Subtotal			541,334	
Depreciation			(559,991)	
Change in accrued vacation			(1,638)	
Capital outlay			301,956	
Proceeds from sale of assets			(36,470)	
Gain (loss) on disposal of assets			36,470	
Principal payment			290,030	
Deferred revenue			9,877	
Bad debt expense			(14)	
Capitalized interest			252,836	
Accrued interest			(134,936)	
Net OPEB expense			(38,880)	
Subtotal			<u>119,240</u>	
Change in net assets			<u>\$ 660,574</u>	

As discussed in Note 1 to the Financial Statements, the Stormwater Special Revenue and Capital Project Funds reported in the prior year were converted to an enterprise fund as of the beginning of this fiscal year. The 2011 actual revenues, expenditures, and other financing sources (uses) reported above are the actual amounts reported for the Stormwater Special Revenue Fund in the prior year Comprehensive Annual Financial Report. No reconciliation to the change in net assets is presented above for that year because no change in net assets was reported for that year.

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Local	\$ -	\$ 10,499	\$ -	\$ -	\$ 10,499
Total restricted ingovernmental	-	10,499	-	-	10,499
Interest earned on investments	-	-	-	27,795	27,795
Total revenues	-	10,499	-	27,795	38,294
Expenditures					
Current					
Environmental Protection					
Annexation area improvements	2,490,085	539,236	-	769,073	1,308,309
Godfrey Outfall	58,500	-	-	35,100	35,100
James Creek at Trayburn	69,756	-	-	49,756	49,756
Norwood/Ancor	67,421	67,421	-	-	67,421
Bonnie Doone	45,000	35,982	-	-	35,982
Lyon Rd/Rogers Dr Construction	150,006	150,006	-	-	150,006
Lockwood and Ravenhill	216,454	216,702	-	(248)	216,454
Seabrook	407,779	63,280	-	311,730	375,010
Spruce St/Forest Hill Dr	940,260	141,496	-	76,219	217,715
LaFayette Village/Spruce Dr	3,006,989	80,773	-	2,098,088	2,178,861
Cottonade	482,194	8,775	-	462,902	471,677
Buckhead Creek Group 1	281,649	5,625	-	252,356	257,981
McNeill Circle	1,366,886	70,500	-	56,280	126,780
Yadkin Rd	2,657,283	78,337	-	56,378	134,715
Summerhill	1,067,246	46,400	-	353,015	399,415
Anson Pond	322,791	-	-	322,791	322,791
Buckhead Creek Watershed	871,908	265,570	-	330,346	595,916
Stormwater drainage miscellaneous	937,077	87,022	-	99,656	186,678
Total expenditures	15,439,284	1,857,125	-	5,273,442	7,130,567
Revenues over (under) expenditures	(15,439,284)	(1,846,626)	-	(5,245,647)	(7,092,273)
Other financing sources (uses)					
Transfers in	4,844,284	3,126,007	-	1,718,277	4,844,284
Bond proceeds	10,595,000	-	-	10,595,000	10,595,000
Total other financing sources (uses)	15,439,284	3,126,007	-	12,313,277	15,439,284
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,279,381	\$ -	\$ 7,067,630	\$ 8,347,011
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 7,067,630	
Capital outlay				5,187,869	
Cost of issuance				85,573	
Amortization				(5,230)	
Bond proceeds				(10,595,000)	
Capitalized interest				(16,547)	
Change in net assets				\$ 1,724,295	

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Nonmajor Enterprise Funds



City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2012

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and investments	\$ 276,508	\$ 6,598,925	\$ 1,149,247	\$ 8,024,680
Accounts receivable	1,366,353	4,109,764	144,847	5,620,964
Inventories	181,162	5,609	21,417	208,188
Restricted accounts receivable	-	117,884	-	117,884
Restricted cash and investments	-	1,836,634	-	1,836,634
Total current assets	<u>1,824,023</u>	<u>12,668,816</u>	<u>1,315,511</u>	<u>15,808,350</u>
Noncurrent assets				
Capital assets	11,833,940	41,552,125	33,732	53,419,797
Total noncurrent assets	<u>11,833,940</u>	<u>41,552,125</u>	<u>33,732</u>	<u>53,419,797</u>
Total assets	<u>\$ 13,657,963</u>	<u>\$ 54,220,941</u>	<u>\$ 1,349,243</u>	<u>\$ 69,228,147</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 310,257	\$ 3,880,572	\$ 167,179	\$ 4,358,008
Current portion of long-term liabilities	191,002	78,810	757	270,569
Restricted accounts payable and accrued expenses	-	5,879	-	5,879
Unearned deposits	-	1,025	-	1,025
Total current liabilities	<u>501,259</u>	<u>3,966,286</u>	<u>167,936</u>	<u>4,635,481</u>
Noncurrent liabilities				
Net OPEB obligation	540,937	205,946	676	747,559
Unearned revenues	-	24,047	-	24,047
Long-term debt	39,465	-	-	39,465
Total noncurrent liabilities	<u>580,402</u>	<u>229,993</u>	<u>676</u>	<u>811,071</u>
Total liabilities	<u>1,081,661</u>	<u>4,196,279</u>	<u>168,612</u>	<u>5,446,552</u>
Net assets				
Invested in capital assets, net of related debt	11,833,940	41,552,125	33,732	53,419,797
Restricted for:				
Capital projects	-	1,948,639	-	1,948,639
Unrestricted	742,362	6,523,898	1,146,899	8,413,159
Total net assets	<u>12,576,302</u>	<u>50,024,662</u>	<u>1,180,631</u>	<u>63,781,595</u>
Total liabilities and net assets	<u>\$ 13,657,963</u>	<u>\$ 54,220,941</u>	<u>\$ 1,349,243</u>	<u>\$ 69,228,147</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2012

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 1,013,331	\$ 4,173,705	\$ 2,276,103	\$ 7,463,139
Other revenue from operations	11,849	172,997	8,915	193,761
Total operating revenues	1,025,180	4,346,702	2,285,018	7,656,900
Operating expenses				
Salaries and employee benefits	4,197,801	1,278,039	22,257	5,498,097
Other operating expenses	2,524,619	1,476,871	2,119,145	6,120,635
Depreciation	941,053	2,067,009	3,748	3,011,810
Total operating expenses	7,663,473	4,821,919	2,145,150	14,630,542
Operating income (loss)	(6,638,293)	(475,217)	139,868	(6,973,642)
Nonoperating revenue (expense)				
Interest earned on investments	3,508	37,441	7,438	48,387
Federal and State grants	2,050,348	138,131	-	2,188,479
Passenger facility charges	-	906,962	-	906,962
Miscellaneous revenues	-	83,769	168,323	252,092
Gain (loss) on disposal of capital assets	19,017	30,552	-	49,569
County revenue	-	-	299,525	299,525
Vehicle fee revenue	649,471	-	-	649,471
Interest expense	(1,438)	-	-	(1,438)
Miscellaneous expense	-	(437,664)	-	(437,664)
Total nonoperating revenue (expense)	2,720,906	759,191	475,286	3,955,383
Income (loss) before transfers and contributions	(3,917,387)	283,974	615,154	(3,018,259)
Transfers in	2,833,187	-	-	2,833,187
Transfers out	-	-	(427,245)	(427,245)
Capital contributions	3,592,128	6,368,570	-	9,960,698
Change in net assets	2,507,928	6,652,544	187,909	9,348,381
Total net assets - beginning	10,068,374	43,372,118	992,722	54,433,214
Total net assets - ending	\$ 12,576,302	\$ 50,024,662	\$ 1,180,631	\$ 63,781,595

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2012

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers	\$ 699,542	\$ 2,809,632	\$ 2,791,829	\$ 6,301,003
Cash paid to or on behalf of employees for services	(4,054,459)	(1,250,562)	(20,824)	(5,325,845)
Cash paid for goods and services	(2,388,748)	1,145,894	(1,969,686)	(3,212,540)
Net cash provided by (used in) operating activities	(5,743,665)	2,704,964	801,319	(2,237,382)
Noncapital financing activities				
Transfers in	2,833,187	-	-	2,833,187
Federal and State grants	2,050,348	138,131	-	2,188,479
Transfers out	-	-	(427,245)	(427,245)
Net cash provided (used) by noncapital financing activities	4,883,535	138,131	(427,245)	4,594,421
Capital and related financing activities				
Proceeds from sale of assets	19,017	30,552	-	49,569
Contributed capital received	3,592,128	6,368,570	-	9,960,698
Acquisition and construction of capital assets	(3,772,894)	(8,187,913)	(37,480)	(11,998,287)
Principal paid in debt maturities	(19,573)	-	-	(19,573)
Interest paid on debt maturities	(1,438)	-	-	(1,438)
Net cash provided (used) by capital and related financing activities	(182,760)	(1,788,791)	(37,480)	(2,009,031)
Investing activities				
Interest and dividends	3,508	37,441	7,438	48,387
Net cash provided (used) by investing activities	3,508	37,441	7,438	48,387
Net increase (decrease) in cash and cash equivalents/investments	(1,039,382)	1,091,745	344,032	396,395
Cash and cash equivalents/investments				
Beginning of year	1,315,890	7,343,814	805,215	9,464,919
End of year	\$ 276,508	\$ 8,435,559	\$ 1,149,247	\$ 9,861,314
Cash and cash equivalents	\$ 276,508	\$ 8,435,559	\$ 1,149,247	\$ 9,861,314
Total cash and cash equivalents/investments	\$ 276,508	\$ 8,435,559	\$ 1,149,247	\$ 9,861,314
Unrestricted cash and cash equivalents/investments	\$ 276,508	\$ 6,598,925	\$ 1,149,247	\$ 8,024,680
Restricted cash and equivalents/investments	-	1,836,634	-	1,836,634
Total cash and cash equivalents/investments	\$ 276,508	\$ 8,435,559	\$ 1,149,247	\$ 9,861,314

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2012

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (6,638,293)	\$ (475,217)	\$ 139,868	\$ (6,973,642)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	941,053	2,067,009	3,748	3,011,810
Nonoperating payments for goods and services	-	(437,684)	-	(437,684)
Nonoperating receipts from customers	649,471	990,731	467,848	2,108,050
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(975,109)	(2,523,309)	38,963	(3,459,455)
(Increase) decrease in inventory	(24,410)	1,662	(17,719)	(40,467)
(Increase) decrease in prepaid items	-	-	-	-
(Increase) decrease in unearned deposits	-	-	-	-
(Increase) decrease in accounts payable and accrued liabilities	160,281	3,058,767	167,178	3,386,226
(Increase) decrease in accrued compensated absences	33,890	(8,351)	757	28,296
(Increase) decrease in unearned revenues	-	(4,492)	-	(4,492)
(Increase) decrease in Net OPEB Obligation	109,452	33,828	676	143,956
Total adjustments	894,628	3,180,181	661,451	4,736,260
Net cash provided by (used in) operating activities	\$ (5,743,665)	\$ 2,704,964	\$ 801,319	\$ (2,237,382)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Transit FundYear Ended June 30, 2012
(With Comparative Actual Amounts for Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Operating revenues				
Charges for services	\$ 878,424	\$ 134,907	\$ 1,013,331	\$ 878,366
Other revenues from operations	13,981	(2,132)	11,849	13,088
Total operating revenues	<u>892,405</u>	<u>132,775</u>	<u>1,025,180</u>	<u>891,454</u>
Operating expenditures				
Salaries and employee benefits	4,055,179	720	4,054,459	3,678,756
Other operating expenditures	2,236,452	217,382	2,019,070	2,075,001
Total operating expenditures	<u>6,291,631</u>	<u>218,102</u>	<u>6,073,529</u>	<u>5,753,757</u>
Operating loss	<u>(5,399,226)</u>	<u>350,877</u>	<u>(5,048,349)</u>	<u>(4,862,303)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	3,508	3,508	-
Federal grants	1,230,282	(36,386)	1,193,896	1,004,786
State grants	552,496	122,502	674,998	587,762
Vehicle fee revenue	623,750	1,532	625,282	612,880
Interest expense	(1,445)	7	(1,438)	(1,843)
Debt service - principal payment	(19,573)	-	(19,573)	(19,174)
Total nonoperating revenues (expenditures)	<u>2,385,510</u>	<u>91,163</u>	<u>2,476,673</u>	<u>2,184,411</u>
Revenues under expenditures	<u>(3,013,716)</u>	<u>442,040</u>	<u>(2,571,676)</u>	<u>(2,677,892)</u>
Other financing sources (uses)				
Transfers in	2,995,716	(440,076)	2,555,640	2,677,864
Proceeds from sale of assets	18,000	1,017	19,017	-
Total other financing sources (uses)	<u>3,013,716</u>	<u>(439,059)</u>	<u>2,574,657</u>	<u>2,677,864</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,981</u>	<u>\$ 2,981</u>	<u>\$ (28)</u>
Reconciliation of change in net assets:				
Total revenues			\$ 6,097,521	\$ 5,774,746
Total expenditures			(6,094,540)	(5,774,774)
Subtotal			<u>2,981</u>	<u>(28)</u>
Depreciation			(941,053)	(754,462)
Net OPEB expense			(109,452)	(101,057)
Change in inventory			8,284	2,030
Decrease (increase) in accrued vacation			(33,890)	(2,802)
Bad debt expense			(344)	-
Debt principal payments			19,573	19,174
Deferred revenue			24,189	32,725
Proceeds from sale of assets			(19,017)	-
Gain (loss) on disposal of assets			19,017	-
Subtotal			<u>(1,032,693)</u>	<u>(804,392)</u>
Change in net assets			<u>\$ (1,029,712)</u>	<u>\$ (804,420)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of
Transit Capital Project Fund

From Inception and for Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 10,729,025	\$ 6,148,948	\$ -	\$ 2,936,538	\$ 9,085,486
State grants	1,147,545	315,157	-	655,590	970,747
Miscellaneous	-	43,000	-	-	43,000
Total revenues	11,876,570	6,507,105	-	3,592,128	10,099,233
Expenditures					
FTA Capital 0327	940,000	385,922	-	483,404	869,326
FTA Capital 0406	270,209	159,222	-	96,309	255,531
FTA Capital 0425	387,000	377,853	-	6,988	384,841
FTA Capital 0444	-	-	-	-	-
FTA Capital 04.0027	1,880,844	1,868,832	-	5,130	1,873,962
Multi-Modal Center (no grant)	372,144	278,387	-	655	279,042
FTA Capital 0457	203,422	179,768	-	23,652	203,420
NCDOT Capital 09-AT-004	419,012	-	-	394,084	394,084
FTA Capital 0464	811,667	319,503	-	314,634	634,137
Improvements & Enhancements (no grant)	466,909	263,296	-	84,065	347,361
New Freedom Sidewalks FY11	200,000	-	-	198,281	198,281
Transit Multimodal Center Land	1,662,307	628,809	-	545,597	1,174,406
FTA Capital 90.469	2,856,131	-	-	1,931,964	1,931,964
New Freedom Sidewalks FY12	145,426	-	-	-	-
ARRA Capital 06.002	3,129,010	2,959,662	-	-	2,959,662
Total expenditures	13,744,081	7,421,254	-	4,084,763	11,506,017
Revenues over (under) expenditures	(1,867,511)	(914,149)	-	(492,635)	(1,406,784)
Other financing sources (uses)					
Proceeds from the sale of assets	-	23,592	-	-	23,592
Transfers in	1,867,511	1,793,764	-	257,547	2,051,311
Total other financing sources (uses)	1,867,511	1,817,356	-	257,547	2,074,903
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 903,207	\$ -	\$ (235,088)	\$ 668,119
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (235,088)	
Capital outlay				4,084,763	
Non-capitalizable items				(311,869)	
Change in net assets				\$ 3,537,806	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Intergovernmental					
Federal grants	\$ 1,025,946	\$ 615,477	\$ -	\$ 161,293	\$ 776,770
State grants	128,243	76,934	-	20,161	97,095
Total intergovernmental	1,154,189	692,411	-	181,454	873,865
Total revenues	1,154,189	692,411	-	181,454	873,865
Expenditures					
Current					
Transportation	1,282,433	769,343	-	201,620	970,963
Total expenditures	1,282,433	769,343	-	201,620	970,963
Revenues over (under) expenditures	(128,244)	(76,932)	-	(20,166)	(97,098)
Other financing sources (uses)					
Transfers in	128,244	128,244	-	20,000	148,244
Total other financing sources (uses)	128,244	128,244	-	20,000	148,244
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 51,312	\$ -	\$ (166)	\$ 51,146
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (166)	
Change in net assets				\$ (166)	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Transportation					
FTA 90.2406	\$ 292,300	\$ 278,868	\$ -	\$ 11,413	\$ 290,281
FTA 90.2425	181,750	156,618	-	23,988	180,606
FTA 90.2453	300,000	236,250	-	43,975	280,225
FTA 90.2464	273,236	97,607	-	93,364	190,971
FTA 90.2469	235,147	-	-	28,880	28,880
Total transportation	<u>1,282,433</u>	<u>769,343</u>	<u>-</u>	<u>201,620</u>	<u>970,963</u>
 Total expenditures by project	 <u>\$ 1,282,433</u>	 <u>\$ 769,343</u>	 <u>\$ -</u>	 <u>\$ 201,620</u>	 <u>\$ 970,963</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Airport FundYear Ended June 30, 2012
(With Comparative Actual Amounts for Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Operating revenues				
Charges for services	\$ 4,037,711	\$ 135,994	\$ 4,173,705	\$ 3,987,507
Other revenues from operations	149,448	23,549	172,997	169,956
Total operating revenues	4,187,159	159,543	4,346,702	4,157,463
Operating expenditures				
Salaries and employee benefits	1,290,287	39,725	1,250,562	1,216,945
Other operating expenditures	1,819,448	360,716	1,458,732	1,308,870
Capital outlay	370,419	46,180	324,239	192,388
Total operating expenditures	3,480,154	446,621	3,033,533	2,718,203
Operating income (loss)	707,005	606,164	1,313,169	1,439,260
Nonoperating revenues				
Interest earned on investments	32,400	(11,767)	20,633	24,355
Miscellaneous	84,298	(529)	83,769	84,297
Federal and State grants	146,583	(8,452)	138,131	144,153
Total nonoperating revenues	263,281	(20,748)	242,533	252,805
Nonoperating expenditures				
Interest expense	-	-	-	9,068
Debt service - principal payment	-	-	-	213,918
Public safety reimbursements	437,665	1	437,664	395,750
Total nonoperating expenditures	437,665	1	437,664	618,736
Revenues over (under) expenditures	532,621	585,417	1,118,038	1,073,329
Other financing sources (uses)				
Proceeds from sale of assets	-	5,552	5,552	11,727
Transfers in	-	21,034	21,034	30,075
Transfers out	(1,208,491)	44,067	(1,164,424)	(734,677)
Appropriated fund balance	675,870	(675,870)	-	-
Total other financing sources (uses)	(532,621)	(605,217)	(1,137,838)	(692,875)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ (19,800)	\$ (19,800)	\$ 380,454
Reconciliation of change in net assets				
Total revenues			\$ 4,615,821	\$ 4,452,070
Total expenditures			4,635,621	4,071,616
Subtotal			(19,800)	380,454
Depreciation			(2,067,009)	(1,677,475)
Change in accrued vacation			6,351	(1,142)
Change in inventory			(1,662)	1,897
Capital outlay			324,239	192,388
Proceeds from sale of assets			(5,552)	(11,727)
Gain (loss) on disposal of assets			5,552	11,727
Principal payment			-	213,918
Bad debt expense			(15,904)	-
Net OPEB expense			(33,828)	(34,649)
Subtotal			(1,787,813)	(1,305,063)
Change in net assets			\$ (1,807,613)	\$ (924,609)

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of
Airport Capital Project Fund

From Inception and for Year Ended June 30, 2012

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 24,087,642	\$ 16,545,127	\$ 3,226,008	\$ 6,217,220	\$ 19,536,339
State grants	923,809	980,092	276,561	151,350	854,881
Passenger facility charges	1,389,763	2,704,524	62,900	906,962	3,548,586
Investment income	88,303	322,923	-	16,808	339,731
Total revenues	26,489,517	20,552,666	3,565,469	7,292,340	24,279,537
Expenditures					
Storm Water Improvements	-	227,920	227,920	-	-
AIP-30 Loop, Building, Beacon	3,558,021	3,340,963	-	-	3,340,963
AIP-31 Airport Fire Training Facility	-	1,257,990	1,257,990	-	-
AIP-32 Airport Improvement Projects	738,420	714,656	-	2,214	716,870
West GA Ramp Rehabilitation	746,378	720,983	-	-	720,983
AIP-33 Airfield Lighting Vault	-	2,090,066	2,090,066	-	-
Taxiway A Rehabilitation	206,710	-	-	-	-
AIP-35 ARFF Rehabilitation and AIP-36	1,693,090	1,506,150	-	3,148	1,509,298
Vegetation Management Project	-	54,000	54,000	-	-
Visual Navigational Aide	-	11,600	11,600	-	-
Local Match/Future Projects	349,000	-	-	-	-
AIP-34 Runway 4/22 Rehabilitation	7,161,016	6,738,790	-	248,342	6,987,132
Fingerprint Machine Replacement	-	13,772	13,772	-	-
Tree Clearing Runways 10 & 4	250,000	30,643	-	168,166	198,809
Taxiway A, C, D, F Rehabilitation	7,190,279	1,728,569	-	4,535,988	6,264,557
Airport Land Acquisition	-	699,949	699,949	-	-
ARFF Airport Vehicle	700,000	-	-	695,261	695,261
AIP-38 Apron Rehab, Taxiway	5,243,379	-	-	1,735,931	1,735,931
Renovation of Airport Parking	1,542,969	1,431,060	-	4,679	1,435,739
Jetbridge 4 Replacement	489,500	-	-	467,917	467,917
Stormdrain Pipe Installation	115,000	-	-	2,600	2,600
GA Fence Replacement	175,000	-	-	-	-
North GA Parking	165,000	-	-	-	-
Runway 4 Safety Area FAA Reimbursement	71,779	-	-	-	-
Total expenditures	30,395,541	20,567,111	4,355,297	7,864,246	24,076,060
Revenues over (under) expenditures	(3,906,024)	(14,445)	(789,828)	(571,906)	203,477
Other financing sources (uses)					
Transfers in	3,996,797	3,669,942	837,569	1,164,424	3,996,797
Transfers out	(94,057)	(120,763)	(47,741)	(21,034)	(94,056)
Proceeds from sale of assets	3,284	3,284	-	25,000	28,284
Total other financing sources (uses)	3,906,024	3,552,463	789,828	1,168,390	3,931,025
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 3,538,018	\$ -	\$ 596,484	\$ 4,134,502
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 596,484	
Capital outlay				7,864,246	
Non-capitalizable items				(573)	
Change in net assets				\$ 8,460,157	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Solid Waste Recycling FundYear Ended June 30, 2012
(With Comparative Actual Amounts for Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Operating revenues				
Charges for services	\$ 2,261,627	\$ 12,081	\$ 2,273,708	\$ 2,259,190
Other revenue from operations	8,000	915	8,915	8,331
Total operating revenues	<u>2,269,627</u>	<u>12,996</u>	<u>2,282,623</u>	<u>2,267,521</u>
Operating expenditures				
Personnel	23,800	2,976	20,824	-
Other operating expenditures	2,192,282	73,137	2,119,145	1,926,760
Capital outlay	37,480	-	37,480	-
Total operating expenditures	<u>2,253,562</u>	<u>76,113</u>	<u>2,177,449</u>	<u>1,926,760</u>
Operating income (loss)	<u>16,065</u>	<u>89,109</u>	<u>105,174</u>	<u>340,761</u>
Nonoperating revenues (expenditures)				
County revenue	298,180	1,345	299,525	298,005
Miscellaneous	105,000	63,323	168,323	119,608
Interest earned on investments	8,000	(562)	7,438	6,634
Nonoperating revenues (expenditures)	<u>411,180</u>	<u>64,106</u>	<u>475,286</u>	<u>424,247</u>
Revenues over (under) expenditures	<u>427,245</u>	<u>153,215</u>	<u>580,460</u>	<u>765,008</u>
Other financing sources (uses)				
Transfers out	(427,245)	-	(427,245)	(426,930)
Total other financing sources (uses)	<u>(427,245)</u>	<u>-</u>	<u>(427,245)</u>	<u>(426,930)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 153,215</u>	<u>\$ 153,215</u>	<u>\$ 338,078</u>
Reconciliation of change in net assets				
Total revenues			\$ 2,757,909	\$ 2,691,768
Total expenditures			<u>2,604,694</u>	<u>2,353,690</u>
Subtotal			<u>153,215</u>	<u>338,078</u>
Depreciation			(3,748)	-
Change in accrued vacation			(757)	-
Net OPEB expense			(676)	-
Deferred revenue			2,395	7,657
Capital outlay			<u>37,480</u>	<u>-</u>
Subtotal			<u>34,694</u>	<u>7,657</u>
Change in net assets			<u>\$ 187,909</u>	<u>\$ 345,735</u>

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Internal Service Funds



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

The following comprise the City's Internal Service Funds:

- Insurance Fund
- PWC Fleet Maintenance Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Internal Service Funds
June 30, 2012

	<u>Insurance Fund</u>	<u>PWC Fleet Maintenance Fund</u>	<u>Total</u>
Assets			
Current assets			
Cash and investments	\$ 18,437,395	\$ -	\$ 18,437,395
Accounts receivable	15,731	1,367,081	1,382,812
Interfund receivable	-	(173,664)	(173,664)
Prepaid expenses	386,128	-	386,128
Total current assets	<u>18,839,254</u>	<u>1,193,417</u>	<u>20,032,671</u>
Noncurrent assets			
Capital assets	-	2,128,440	2,128,440
Total noncurrent assets	<u>-</u>	<u>2,128,440</u>	<u>2,128,440</u>
Total assets	<u>\$ 18,839,254</u>	<u>\$ 3,321,857</u>	<u>\$ 22,161,111</u>
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued expenses	\$ 2,620,389	\$ 384,606	\$ 3,004,995
Current portion of long-term debt	6,443	102,943	109,386
Total current liabilities	<u>2,626,832</u>	<u>487,549</u>	<u>3,114,381</u>
Noncurrent liabilities			
Net OPEB obligation	66,147	318,870	385,017
Unearned revenues	10,833	-	10,833
Long-term debt	-	40,602	40,602
Total noncurrent liabilities	<u>76,980</u>	<u>359,472</u>	<u>436,452</u>
Total liabilities	<u>2,703,812</u>	<u>847,021</u>	<u>3,550,833</u>
Net assets			
Invested in capital assets, net of related debt	-	2,128,440	2,128,440
Unrestricted	16,135,442	346,396	16,481,838
Total net assets	<u>16,135,442</u>	<u>2,474,836</u>	<u>18,610,278</u>
Total liabilities and net assets	<u>\$ 18,839,254</u>	<u>\$ 3,321,857</u>	<u>\$ 22,161,111</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2012

	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating revenues			
Other revenue from operations	\$ 1,092,686	\$ 7,444,739	\$ 8,537,425
Interfund charges and employee contributions	15,149,692	-	15,149,692
Miscellaneous operating revenues	-	1,390	1,390
Total operating revenues	<u>16,242,378</u>	<u>7,446,129</u>	<u>23,688,507</u>
Operating expenses			
Salaries and employee benefits	291,121	-	291,121
Other operating expenses	14,350,769	7,337,736	21,688,505
Depreciation	-	124,727	124,727
Total operating expenses	<u>14,641,890</u>	<u>7,462,463</u>	<u>22,104,353</u>
Operating income (loss)	<u>1,600,488</u>	<u>(16,334)</u>	<u>1,584,154</u>
Nonoperating revenue (expense)			
Interest earned on investments	90,816	-	90,816
Miscellaneous revenue	2,279	-	2,279
Gain (loss) on disposal of capital assets	-	16,334	16,334
Total nonoperating revenue (expense)	<u>93,095</u>	<u>16,334</u>	<u>109,429</u>
Income (loss) before transfers and contributions	<u>1,693,583</u>	<u>-</u>	<u>1,693,583</u>
Transfers in	500,183	594,334	1,094,517
Change in net assets	<u>2,193,766</u>	<u>594,334</u>	<u>2,788,100</u>
Total net assets - beginning	<u>13,941,676</u>	<u>1,880,502</u>	<u>15,822,178</u>
Total net assets - ending	<u>\$ 16,135,442</u>	<u>\$ 2,474,836</u>	<u>\$ 18,610,278</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2012

	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating activities			
Cash received from customers	\$ 15,160,105	\$ 6,971,589	\$ 22,131,694
Cash received from insurance reimbursements	1,092,686	-	1,092,686
Cash paid to or on behalf of employees for services	(283,793)	(2,214,169)	(2,497,962)
Cash paid for goods and services	(14,571,332)	(4,768,847)	(19,340,179)
Net cash provided by (used in) operating activities	1,397,666	(11,427)	1,386,239
Noncapital financing activities			
Transfers in	500,183	594,334	1,094,517
Net cash provided (used) by noncapital financing activities	500,183	594,334	1,094,517
Capital and related financing activities			
Proceeds from sale of assets	-	16,334	16,334
Acquisition and construction of capital assets	-	(599,241)	(599,241)
Net cash provided (used) by capital and related financing activities	-	(582,907)	(582,907)
Investing activities			
Interest and dividends	90,816	-	90,816
Net cash provided (used) by investing activities	90,816	-	90,816
Net Increase (decrease) in cash and cash equivalents/investments	1,988,665	-	1,988,665
Cash and cash equivalents/investments			
Beginning of year	16,448,730	-	16,448,730
End of year	\$ 18,437,395	\$ -	\$ 18,437,395
Cash and cash equivalents	\$ 18,437,395	\$ -	\$ 18,437,395
Total cash and cash equivalents/investments	\$ 18,437,395	\$ -	\$ 18,437,395
Unrestricted cash and cash equivalents/investments	\$ -	\$ -	\$ -
Total cash and cash equivalents/investments	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,600,488	\$ (16,334)	\$ 1,584,154
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	124,726	124,726
Nonoperating receipts from customers	2,279	-	2,279
Gain (loss) on sale of capital assets	-	16,334	16,334
Change in assets and liabilities			
(Increase) decrease in accounts receivable	8,440	(474,540)	(466,100)
(Increase) decrease in prepaid items	(47,917)	-	(47,917)
(Increase) decrease in internal balances	-	476,506	478,506
(Increase) decrease in accounts payable and accrued liabilities	(172,646)	(114,629)	(287,275)
(Increase) decrease in accrued compensated absences	(950)	(23,490)	(24,440)
(Increase) decrease in unearned revenues	(306)	-	(306)
(Increase) decrease in Net OPEB Obligation	8,278	-	8,278
Net cash provided by (used in) operating activities	\$ 1,397,666	\$ (11,427)	\$ 1,386,239

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Insurance FundYear Ended June 30, 2012
(With Comparative Actual Amounts for Year Ended June 30, 2011)

	Budget	Variance Positive (Negative)	2012 Actual	2011 Actual
Operating revenues				
Other revenues from operations	\$ 108,947	\$ 983,739	\$ 1,092,686	\$ 371,497
Interfund charges and employee contributions	15,993,473	(843,781)	15,149,692	14,912,635
Total operating revenues	<u>16,102,420</u>	<u>139,958</u>	<u>16,242,378</u>	<u>15,284,132</u>
Operating expenditures				
Salaries and employee benefits	286,975	3,182	283,793	326,468
Other operating expenditures	17,287,226	2,906,068	14,381,158	13,235,448
Total operating expenditures	<u>17,574,201</u>	<u>2,909,250</u>	<u>14,664,951</u>	<u>13,561,916</u>
Operating income (loss)	<u>(1,471,781)</u>	<u>3,049,208</u>	<u>1,577,427</u>	<u>1,722,216</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	126,500	(35,684)	90,816	87,039
Miscellaneous	-	2,279	2,279	3,860
Total nonoperating revenues (expenditures)	<u>126,500</u>	<u>(33,405)</u>	<u>93,095</u>	<u>90,899</u>
Revenues over (under) expenditures	<u>(1,345,281)</u>	<u>3,015,803</u>	<u>1,670,522</u>	<u>1,813,115</u>
Other financing sources (uses)				
Transfers in	500,183	-	500,183	439,641
Appropriated fund balance	845,098	(845,098)	-	-
Total other financing sources (uses)	<u>1,345,281</u>	<u>(845,098)</u>	<u>500,183</u>	<u>439,641</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,170,705</u>	<u>\$ 2,170,705</u>	<u>\$ 2,252,756</u>
Reconciliation to change in net assets:				
Total revenues			\$ 16,835,656	\$ 15,814,672
Total expenditures			14,664,951	13,561,916
Subtotal			<u>2,170,705</u>	<u>2,252,756</u>
Decrease (increase) in accrued vacation			950	11,053
Change in net OPEB expense			(8,278)	(8,953)
Decrease (increase) in insurance liability			30,389	(139,381)
Subtotal			<u>23,061</u>	<u>(137,281)</u>
Change in net assets			<u>\$ 2,193,766</u>	<u>\$ 2,115,475</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2012
(with comparative actual amounts for the period ended June 30, 2011)

	Budget	2012 Variance Positive (Negative)	2012 Actual	2011 Actual
Revenues				
Operating revenues				
City services	\$ 5,045,130	\$ 359,252	\$ 5,404,382	\$ 5,333,948
PWC services	2,296,600	(258,840)	2,037,760	2,134,791
Other revenue	-	3,987	3,987	3,995
Total operating revenues	<u>7,341,730</u>	<u>104,399</u>	<u>7,446,129</u>	<u>7,472,734</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	16,334	16,334	2,834
Total non-operating revenues	<u>-</u>	<u>16,334</u>	<u>16,334</u>	<u>2,834</u>
Total revenues	<u>\$ 7,341,730</u>	<u>\$ 120,733</u>	<u>\$ 7,462,463</u>	<u>\$ 7,475,568</u>
Expenditures				
Operating expenditures				
Fleet maintenance	\$ 7,341,730	\$ (47,153)	\$ 7,294,577	\$ 7,273,943
Total operating expenditures	<u>7,341,730</u>	<u>(47,153)</u>	<u>7,294,577</u>	<u>7,273,943</u>
Budgetary appropriations				
Capital outlay	-	-	-	45,473
Total budgetary appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,473</u>
Total expenditures	<u>\$ 7,341,730</u>	<u>\$ (47,153)</u>	<u>\$ 7,294,577</u>	<u>\$ 7,319,416</u>
Reconciliation of changes in net assets				
Total revenues			\$ 7,462,463	\$ 7,475,568
Total expenditures			<u>7,294,577</u>	<u>7,319,416</u>
Subtotal			167,886	156,152
Reconciling items:				
Budgetary appropriations			594,334	45,473
Depreciation			(124,727)	(115,026)
OPEB expense			(43,159)	(86,599)
Total reconciling items			<u>426,448</u>	<u>(156,152)</u>
Change in net assets			<u>\$ 594,334</u>	<u>\$ -</u>

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Fiduciary Funds



- Pension Trust Funds
- Private-Purpose Trust Funds

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

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Trust Funds



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

The following comprise the City's Trust Funds:

- Pension Trust Funds
 - Special Separation Allowance Trust Fund
- Private-Purpose Trust Funds
 - Police Benefit Trust Fund
 - Firemen's Relief Trust Fund

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Assets
Pension Trust Fund
June 30, 2012

	Special Separation Allowance Pension Trust Fund
<hr/>	
Assets	
Cash and investments	
Cash and cash equivalents	\$ 2,596,407
Total cash and investments	<u>2,596,407</u>
Accounts receivable	<u>1,773</u>
Total assets	<u>2,598,180</u>
Liabilities	
Accounts payable	<u>26,098</u>
Total liabilities	<u>26,098</u>
Net assets	
Held in Trust for:	
Pension benefits	<u>2,572,082</u>
Total net assets	<u>\$ 2,572,082</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
Year Ended June 30, 2012

	Special Separation Allowance Pension Trust Fund
Additions	
Employer contributions	\$ 686,544
Investment earnings	12,971
Total additions	<u>699,515</u>
Deductions	
Benefit payments and premiums	<u>531,202</u>
Total deductions	<u>531,202</u>
Change in net assets	168,313
Total net assets - beginning	<u>2,403,769</u>
Total net assets - ending	<u><u>\$ 2,572,082</u></u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Assets
Private-purpose Trust Funds
June 30, 2012

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 335	\$ 1,374,145	\$ 1,374,480
Accounts receivable	-	4,020	4,020
Total assets	<u>335</u>	<u>1,378,165</u>	<u>1,378,500</u>
Liabilities			
Net assets			
Held in Trust for benefits and other purposes	335	1,378,165	1,378,500
Total net assets	<u>\$ 335</u>	<u>\$ 1,378,165</u>	<u>\$ 1,378,500</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2012

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Additions			
Contributions	\$ -	\$ 110,606	\$ 110,606
Investment earnings	-	11,114	11,114
Total additions	-	121,720	121,720
Deductions			
Benefit payments and premiums	-	124,675	124,675
Total deductions	-	124,675	124,675
Change in net assets	-	(2,955)	(2,955)
Total net assets - beginning	335	1,381,120	1,381,455
Total net assets - ending	\$ 335	\$ 1,378,165	\$ 1,378,500

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Other Supplemental Financial Data



Other supplemental data is presented to provide a more detailed view of the current tax levy and taxes receivable.

These schedules are not funds and do not measure results of operations.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Current Tax Levy

Year Ended June 30, 2012

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
General Fund	\$ 13,234,439,736	\$ 0.456	\$ 60,349,045	\$ 54,492,818	\$ 5,856,227
General Fund Deferred Property Taxes ^(a)	401,246	0.000	-	-	-
Late Listing Penalties:					
General Fund			36,255	36,255	-
Subtotal			<u>60,385,300</u>	<u>54,529,073</u>	<u>5,856,227</u>
Discoveries:					
General Fund	70,734,561	0.456	322,550	312,046	10,504
Late Listing Penalties:					
General Fund			66,018	66,018	-
Subtotal			<u>388,568</u>	<u>378,064</u>	<u>10,504</u>
Releases					
General Fund	(166,472,930)	0.456	(759,117)	(162,528)	(596,589)
Late Listing Penalties:					
General Fund			(23,853)	(23,853)	-
Subtotal			<u>(782,970)</u>	<u>(186,381)</u>	<u>(596,589)</u>
Adjusted Tax Levy			<u>59,990,898</u>	<u>54,720,756</u>	<u>5,270,142</u>
Uncollected Current Year Taxes at 6/30/2012			<u>(1,397,889)</u>	<u>(408,341)</u>	<u>(989,548)</u>
City-wide Current Year's Taxes Collected			<u>\$ 58,593,009</u>	<u>\$ 54,312,415</u>	<u>\$ 4,280,594</u>
City-wide Current Levy Collection Percentage			<u>97.67%</u>	<u>99.25%</u>	<u>81.22%</u>

(a) Pursuant to N.C.G.S. 105-277-1B, properties subject to tax deferral under the Property Tax Homestead Circuit Breaker

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2012

Fiscal Year Ended	Uncollected Balance June 30, 2011	Additions & Releases	Collections	Uncollected Balance June 30, 2012
2012	\$ -	\$ 59,990,898	\$ 58,593,009	\$ 1,397,889
2011	1,389,425	(113,551)	940,581	335,293
2010	320,790	(9,345)	62,041	249,404
All Prior	1,711,705	(148,975)	67,677	1,495,053
	<u>3,421,920</u>	<u>\$ 59,719,027</u>	<u>\$ 59,663,308</u>	<u>3,477,639</u>
Less: Allowance for Uncollectible Taxes				
General Fund	(818,172)			(747,527)
	<u>\$ 2,603,748</u>			<u>\$ 2,730,112</u>
General Fund Taxes Receivable				\$ 3,051,196
Less: CBTD Taxes Receivable				(4,967)
Less: Vehicle License Fee Receivable				(316,117)
General Fund Ad Valorem Taxes Receivable				<u>\$ 2,730,112</u>

Reconciliations of collections and credit
with revenues

Ad Valorem Taxes per the fund financial statements	\$ 60,089,099
Less Penalties & Interest	(290,240)
Less Taxes - CBTD	(131,024)
Less Taxes - Lake Valley Dr MSD	(4,527)
Less Barred by Statute	-
General Fund Ad Valorem Taxes	<u>\$ 59,663,308</u>

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Statistical Section



City of
Fayetteville
North Carolina

City of Fayetteville, North Carolina
STATISTICAL SECTION
(Unaudited)

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

CONTENTS

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

Schedule 1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 258,858,830	\$ 252,737,261	\$ 263,057,769	\$ 351,170,168	\$ 353,407,779	\$ 354,482,766	\$ 351,059,848	\$ 349,626,675	\$ 358,665,197	\$ 346,265,466
Restricted for:										
Capital projects	-	-	-	-	-	1,047,622	-	-	-	-
Other purposes	-	2,369,817	2,446,529	2,702,713	3,525,148	-	-	-	35,832,753	26,200,123
Grant compliance	-	-	-	-	-	1,883,445	1,885,171	3,225,781	-	-
Unrestricted	53,401,259	80,110,564	63,005,016	69,389,779	73,912,222	70,335,914	72,912,216	69,873,837	37,909,246	43,633,514
Total governmental activities net assets	\$ 310,260,089	\$ 315,217,642	\$ 328,509,314	\$ 423,242,660	\$ 430,845,149	\$ 427,749,747	\$ 425,857,235	\$ 422,728,293	\$ 432,407,196	\$ 416,099,103
Business-type activities										
Invested in capital assets, net of related debt	\$ 384,181,318	\$ 384,136,802	\$ 426,048,564	\$ 432,390,389	\$ 459,237,550	\$ 505,941,437	\$ 524,262,726	\$ 572,740,121	\$ 612,211,243	\$ 635,244,018
Restricted for:										
Capital projects	-	10,953,452	512,536	527,965	420,040	2,075,219	943,364	806,982	1,761,371	1,958,397
Debt service	25,695	8,998,444	817,633	806,520	816,070	11,462	2,743	41,256	41,390	40,952
Other purposes	10,501,859	-	-	-	-	-	-	-	-	-
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	69,785,451	71,918,803	73,155,311	97,657,374	121,366,653	122,199,694	148,697,773	162,197,819	166,407,794	259,366,012
Total business-type activities net assets	\$ 464,494,323	\$ 476,007,501	\$ 500,534,044	\$ 531,384,248	\$ 581,840,313	\$ 630,226,012	\$ 673,906,606	\$ 735,786,180	\$ 800,421,798	\$ 896,609,379
Primary Government										
Invested in capital assets, net of related debt	\$ 841,040,148	\$ 636,874,063	\$ 689,106,333	\$ 783,560,557	\$ 812,645,329	\$ 660,424,203	\$ 875,322,574	\$ 922,368,796	\$ 970,876,440	\$ 981,509,484
Restricted for:										
Capital projects	-	10,953,452	512,538	527,985	420,040	3,122,841	943,364	808,982	1,761,371	1,958,397
Debt service	25,895	8,998,444	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952
Other purposes	10,501,859	2,369,817	2,446,529	2,702,713	3,525,148	-	-	-	35,832,753	26,200,123
Grant compliance	-	-	-	-	-	1,883,445	1,885,171	3,225,781	-	-
Unrestricted	123,186,710	132,029,367	136,160,327	187,027,153	195,278,875	192,535,808	221,609,989	232,071,656	224,317,040	302,999,526
Total primary government net assets	\$ 774,754,412	\$ 791,225,143	\$ 829,043,358	\$ 954,628,908	\$ 1,012,685,462	\$ 1,057,977,759	\$ 1,099,763,841	\$ 1,158,514,473	\$ 1,232,628,994	\$ 1,312,708,482

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

Schedule 2

	Fiscal Year									
	2003	2004	2006	2005	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Administration	\$ 12,384,637	\$ 10,560,827	\$ 11,541,665	\$ 13,268,565	\$ 19,032,872	\$ 19,090,722	\$ 17,815,439	\$ 19,932,088	\$ 20,762,610	\$ 21,677,385
Public safety	40,577,161	43,582,505	47,285,632	52,752,676	56,609,521	83,458,091	64,355,111	72,106,589	70,903,587	72,118,645
Environmental protection	7,957,261	8,871,462	7,514,882	9,940,477	11,000,841	12,126,391	12,048,837	11,098,182	14,636,753	8,369,933
Transportation	12,123,658	13,846,642	14,018,733	17,115,971	18,702,014	20,388,537	18,965,600	20,291,431	19,233,330	19,948,019
Economic and physical development	5,459,943	4,416,477	5,827,998	5,132,048	1,229,375	4,558,635	4,532,166	5,371,176	9,323,817	5,568,559
Recreation and community facilities	6,525,688	6,134,504	9,305,228	10,501,677	14,020,434	12,113,646	12,880,611	13,117,175	12,992,237	13,490,480
Debt Service:										
Interest and fees	2,783,912	2,542,194	2,541,380	2,786,700	2,621,502	2,061,409	1,981,641	1,693,633	1,585,197	1,464,554
Total governmental activities	87,812,260	90,054,611	98,135,718	111,498,134	123,216,559	133,795,431	132,579,405	143,610,274	149,437,531	142,637,575
Business-type activities										
Electric	142,761,403	132,677,111	131,305,788	137,856,324	130,839,305	137,561,749	144,714,714	142,995,626	149,700,921	146,116,831
Water and wastewater	45,973,455	44,147,344	45,275,518	45,859,650	49,623,073	52,767,113	65,163,237	69,063,071	60,743,759	65,169,196
Storm water management ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,891,487
Transit	5,073,264	5,021,030	4,910,142	4,864,135	4,864,526	5,564,011	5,975,160	6,230,449	6,847,471	7,664,911
Airport	3,570,780	3,450,196	3,806,671	3,769,259	4,091,032	3,986,357	4,329,383	4,589,767	4,680,624	5,259,583
Solid waste recycling	-	-	-	-	-	1,945,629	1,919,318	1,944,210	1,926,750	2,145,150
Total business-type activities	197,378,902	185,295,681	185,298,119	192,349,368	189,417,936	201,844,859	222,101,812	224,623,123	223,899,535	229,247,158
Total primary government	\$ 285,191,162	\$ 275,350,292	\$ 263,433,837	\$ 303,847,502	\$ 312,634,495	\$ 335,640,290	\$ 354,681,217	\$ 368,433,397	\$ 373,337,066	\$ 371,884,733
Program Revenues										
Governmental Activities										
Administration										
Charges for services	\$ 670,144	\$ 719,892	\$ 728,451	\$ 702,004	\$ 800,275	\$ 755,883	\$ 868,572	\$ 830,793	\$ 996,905	\$ 1,024,970
Operating grants and contributions	5,325	5,215	7,501	5,632	32,298	63,268	7,264	30,000	31,141	3,585
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Public Safety										
Charges for services	1,883,207	2,138,108	2,861,753	4,446,932	3,708,443	3,213,741	3,512,402	3,648,358	3,906,523	4,473,761
Operating grants and contributions	1,113,043	1,345,821	2,489,423	480,476	673,108	309,869	1,111,218	2,764,654	3,869,426	3,078,134
Capital grants and contributions	133,554	5,750	514,389	387,540	95,867	45,154	33,802	5,408	560,157	27,563
Environmental Protection										
Charges for services	52,591	66,150	23,956	80,998	40,785	3,416,607	3,494,076	5,321,692	5,313,078	192,595
Operating grants and contributions	-	-	-	-	2,259,339	2,303,690	2,330,964	75,000	2,750,040	272,362
Capital grants and contributions	-	-	-	-	-	-	-	520,597	281,056	593,228
Transportation										
Charges for services	1,146,925	1,454,034	1,468,881	537,081	1,224,243	882,698	1,048,358	924,364	1,442,076	1,266,686
Operating grants and contributions	3,919,568	3,920,822	4,254,601	3,633,510	5,710,433	5,954,823	5,545,029	5,509,654	5,217,073	5,311,546
Capital grants and contributions	-	-	-	98,785	13,446	155,409	85,372	96,757	204,583	3,511,719

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

Schedule 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Economic and physical development</i>										
Charges for services	\$ 79,387	\$ 1,073,627	\$ 715,099	\$ 57,172	\$ -	\$ -	\$ -	\$ 70,995	\$ 320,748	\$ 562,138
Operating grants and contributions	3,262,985	1,792,478	2,743,690	1,742,466	1,778,640	2,364,282	1,826,540	2,396,648	3,067,922	3,061,017
Capital grants and contributions	-	1,526,900	2,060,539	2,423,512	1,163,385	338,684	30,913	383,277	503,614	847,788
<i>Recreation and community facilities</i>										
Charges for services	394,012	436,338	755,482	4,151,275	3,751,071	3,873,021	4,012,612	4,428,944	4,557,373	4,714,656
Operating grants and contributions	309,789	107,587	3,572,557	60,386	45,213	56,292	35,644	105,460	123,063	140,394
Capital grants and contributions	-	1,162,746	992,963	2,161,508	2,622,609	781,410	1,312,932	2,642,557	10,696,075	2,004,325
<i>Interest and fees</i>										
Operating grants and contributions	-	-	-	-	-	-	-	-	318,310	185,825
Total governmental activities programs	12,970,530	15,755,468	22,968,265	21,149,277	23,919,355	24,515,031	25,255,918	29,755,178	44,179,183	31,272,262
<i>Business-type activities</i>										
<i>Electric</i>										
Charges for services	145,617,727	141,981,920	146,069,329	155,773,020	159,647,302	166,899,655	169,451,426	173,192,601	194,811,519	197,658,327
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	3,632,702	116,166	951,384	178,965	977,641	405,586	1,044,143	1,407,440	1,535,614	371,766
<i>Water and wastewater</i>										
Charges for services	43,008,035	45,282,126	47,044,634	51,508,272	54,520,183	57,080,057	64,945,746	75,419,483	68,749,804	70,930,216
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	8,605,351	8,029,173	13,900,547	14,125,818	16,730,748	14,452,981	11,598,860	22,835,906	10,618,542	10,780,807
<i>Storm water management¹</i>										
Charges for services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,183,444
Operating grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
Capital grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
<i>Transit</i>										
Charges for services	1,128,706	842,658	836,084	828,623	801,186	774,345	801,967	839,490	891,454	1,025,180
Operating grants and contributions	1,553,753	1,888,267	1,900,622	2,097,336	1,922,181	2,149,594	2,681,456	2,337,806	2,353,263	2,050,348
Capital grants and contributions	234,884	269,732	417,242	63,915	157,361	2,101,418	681,864	1,733,733	3,933,065	3,592,128
<i>Airport</i>										
Charges for services	2,353,279	2,119,754	2,406,129	2,849,936	3,035,265	3,224,170	3,942,522	3,735,652	4,157,463	4,346,702
Operating grants and contributions	118,315	14,799	-	-	114,380	146,092	-	1,040,076	144,153	138,131
Capital grants and contributions	1,991,289	2,002,812	2,418,216	1,145,829	3,565,784	822,403	6,293,746	3,752,977	3,827,485	7,275,532
<i>Solid waste recycling</i>										
Charges for services	-	-	-	-	-	-	2,521,038	2,258,683	2,274,481	2,285,018
Operating grants and contributions	-	-	-	-	-	-	283,070	296,121	298,005	299,525
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program	208,244,041	202,547,427	215,944,187	228,571,714	241,472,031	248,056,301	264,225,668	288,850,168	293,594,628	305,935,126
Total primary government program	\$ 221,214,571	\$ 218,302,895	\$ 238,932,472	\$ 249,720,991	\$ 285,391,386	\$ 272,571,332	\$ 289,481,786	\$ 318,605,346	\$ 337,773,791	\$ 337,207,408
<i>Net (expense)/revenue</i>										
Governmental activities	\$ (74,641,730)	\$ (74,299,143)	\$ (75,147,433)	\$ (90,348,857)	\$ (99,297,204)	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,096)	\$ (105,258,368)	\$ (111,365,293)
Business-type activities	10,865,139	17,251,746	30,646,068	36,222,346	52,054,095	46,211,442	42,124,056	64,027,045	69,695,093	76,687,968
Total primary government net expense	\$ (63,976,591)	\$ (57,047,397)	\$ (44,501,365)	\$ (54,126,511)	\$ (47,243,109)	\$ (63,068,958)	\$ (65,199,431)	\$ (49,828,051)	\$ (35,563,275)	\$ (34,677,325)

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

Schedule 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities										
Ad valorem taxes	\$ 34,094,378	\$ 38,495,985	\$ 39,344,522	\$ 47,823,150	\$ 52,929,323	\$ 54,295,319	\$ 55,406,617	\$ 58,518,101	\$ 59,016,746	\$ 60,130,081
Other taxes	28,116,817	31,127,455	34,023,971	35,863,026	41,307,138	43,193,017	42,524,787	44,482,890	45,850,043	47,167,974
Unrestricted grants and contributions	547,091	569,087	571,232	578,491	788,290	801,099	814,901	295,870	-	902,467
Interest earned on investments	1,197,764	507,806	1,752,579	2,327,165	4,050,088	3,704,974	2,212,641	1,157,788	769,192	565,944
Miscellaneous	878,760	385,105	908,208	169,866	474,945	627,860	865,351	652,055	1,379,722	1,174,240
Gain on sale of capital assets	-	-	-	162,992	199,853	254,875	240,465	210,072	343,836	385,076
Transfers	7,902,191	8,171,258	8,418,200	8,601,682	7,150,056	3,307,854	3,366,213	5,409,378	7,577,732	6,082,634
Special item	-	-	-	89,555,831	-	-	-	-	-	-
Total governmental activities	72,737,001	79,256,698	85,018,712	185,082,203	106,899,693	106,184,998	105,430,975	110,726,154	114,937,271	116,408,416
Business-type activities										
Other taxes	-	-	-	-	-	-	-	-	-	649,471
Interest earned on investments	1,723,505	1,493,186	2,018,035	3,137,307	5,173,628	5,392,197	4,810,234	3,133,521	2,196,769	3,089,310
Miscellaneous	84,297	237,004	280,640	84,297	366,079	90,271	88,058	87,444	247,622	252,092
Transfers	(7,902,191)	(8,171,258)	(8,418,200)	7,936	12,319	(3,307,854)	(3,366,213)	(5,409,378)	(7,577,732)	(6,062,634)
Gain on sale of capital assets	-	-	-	-	-	1,643	22,459	40,942	73,066	240,158
Extraordinary item	-	702,500	-	(8,601,682)	(7,150,056)	-	-	-	-	-
Total business-type activities	(6,094,389)	(5,738,568)	(6,119,525)	(5,372,142)	(1,598,030)	2,176,257	1,554,538	(2,147,471)	(5,059,475)	(1,851,603)
Total primary government	\$ 66,642,612	\$ 73,518,128	\$ 78,899,187	\$ 179,710,061	\$ 105,301,663	\$ 108,361,255	\$ 106,985,513	\$ 108,578,683	\$ 109,877,796	\$ 114,556,813
Change in Net Assets										
Governmental activities	\$ (2,104,729)	\$ 4,957,553	\$ 9,871,279	\$ 94,733,346	\$ 7,602,489	\$ (3,095,402)	\$ (1,892,512)	\$ (3,128,942)	\$ 9,678,903	\$ 5,043,123
Business-type activities	4,770,750	11,513,178	24,526,543	30,850,204	50,456,065	48,387,699	43,678,594	61,879,574	64,635,618	74,836,365
Total primary government	\$ 2,666,021	\$ 16,470,731	\$ 34,397,822	\$ 125,583,550	\$ 58,058,554	\$ 45,292,297	\$ 41,786,082	\$ 58,750,632	\$ 74,314,521	\$ 79,879,488

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

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

Schedule 3

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 7,177,302	\$ 13,309,127	\$ 12,567,572	\$ 14,222,851	\$ 19,688,249	\$ 17,226,906	\$ 17,984,934	\$ 17,972,528	\$ -	\$ -
Unreserved	22,078,476	28,495,129	31,396,476	29,273,909	29,962,047	35,781,835	27,934,081	28,516,050	-	-
Nonspendable	-	-	-	-	-	-	-	-	160,391	170,322
Restricted	-	-	-	-	-	-	-	-	18,180,858	18,018,110
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	13,578,711	13,545,829
Unassigned	-	-	-	-	-	-	-	-	16,807,431	20,161,597
Total General Fund	\$ 29,255,778	\$ 41,804,256	\$ 43,964,048	\$ 43,496,760	\$ 49,650,296	\$ 53,008,741	\$ 45,919,015	\$ 46,588,578	\$ 48,707,391	\$ 51,895,848
Recreational and Cultural Fund¹										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,328,058	\$ 633,469	\$ -	\$ -
Unreserved:										
Capital Projects	-	-	-	-	-	-	87,800	702,865	-	-
Total Recreational and Cultural Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,415,658	\$ 1,336,334	\$ -	\$ -
All other governmental funds										
Reserved	\$ 6,493,914	\$ 6,991,081	\$ 10,827,524	\$ 8,445,918	\$ 5,285,887	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -
Unreserved, reported in nonmajor:										
Special Revenue	2,915,937	2,217,571	2,332,563	2,402,644	3,569,224	3,384,703	2,893,694	3,526,252	-	-
Capital Projects	6,248,683	4,213,485	12,868,139	8,842,547	8,024,751	5,148,775	4,691,155	2,510,568	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	17,671,895	8,182,013
Committed	-	-	-	-	-	-	-	-	9,788,921	5,524,169
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(1,411,539)	(1,055,147)
Total all other governmental funds	\$ 15,656,534	\$ 13,422,137	\$ 25,828,226	\$ 19,591,109	\$ 16,879,842	\$ 12,683,843	\$ 17,685,642	\$ 23,743,874	\$ 26,049,277	\$ 12,651,035

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

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

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

Schedule 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	\$ 33,720,313	\$ 38,431,862	\$ 39,822,100	\$ 41,590,985	\$ 58,574,670	\$ 54,785,677	\$ 55,553,012	\$ 58,699,957	\$ 58,987,439	\$ 60,089,099
Other taxes ¹	27,850,682	32,438,194	34,038,280	35,870,282	43,544,220	48,774,154	9,317,809	8,637,309	9,089,228	4,804,643
Intergovernmental	8,516,675	9,037,443	14,751,881	12,418,414	13,824,511	13,009,887	-	-	-	-
Unrestricted intergovernmental ¹	-	-	-	-	-	-	40,367,061	41,927,788	43,347,718	44,355,628
Restricted intergovernmental ¹	-	-	-	-	-	-	11,828,229	16,964,952	26,722,238	19,874,277
Other functional	3,494,800	3,925,901	5,003,804	6,015,649	5,475,181	4,693,419	-	-	-	-
Permits and fees ¹	-	-	-	-	-	-	1,889,966	1,880,274	2,824,584	2,757,155
Sales and services ¹	-	-	-	-	-	-	3,263,932	3,182,815	3,561,896	4,424,754
Miscellaneous	2,153,238	2,386,356	3,903,274	5,117,571	4,543,675	2,820,264	3,108,912	2,837,133	4,186,300	4,254,636
Interest earned on investments	1,067,942	422,368	1,558,697	1,892,615	3,895,228	3,030,672	1,748,164	929,799	538,984	307,465
Total revenues	76,803,650	86,840,124	98,877,836	102,905,496	129,657,485	127,094,073	127,077,085	135,060,027	149,258,387	140,867,657
Expenditures										
Administration	8,025,614	10,685,384	11,600,043	13,235,511	18,261,328	17,798,870	17,473,782	19,865,248	22,269,092	23,463,776
Public safety	38,612,855	41,790,686	44,146,545	50,841,673	56,216,348	57,479,621	60,041,364	65,840,294	65,408,955	66,478,556
Environmental protection	7,591,417	8,605,900	6,500,062	8,970,319	10,075,527	10,439,749	10,328,809	9,493,404	12,859,355	6,650,496
Transportation	3,191,898	4,563,545	4,581,844	4,532,369	7,559,579	7,897,138	8,111,323	7,437,390	6,213,150	6,853,125
Economic and physical development	6,481,655	3,957,976	8,792,621	5,676,733	1,079,198	4,568,228	4,362,581	4,685,441	9,521,505	5,933,527
Recreation and community facilities	5,981,710	5,500,353	8,778,825	9,868,865	13,491,872	10,918,848	11,858,912	12,025,817	11,863,297	12,097,831
Capital outlay	7,178,066	12,201,995	20,236,090	17,185,840	19,409,969	14,848,258	13,030,239	12,383,988	33,839,406	16,586,780
Debt Service										
Principal	4,747,232	5,240,181	8,997,440	8,478,146	9,159,387	8,881,196	8,521,585	9,255,316	6,145,096	6,971,981
Interest and fees	2,811,481	2,506,413	2,262,103	2,958,522	2,724,064	2,081,737	1,955,644	1,528,589	1,487,161	1,559,137
Issuance costs	103,985	58,084	368,693	-	-	-	-	131,014	-	-
Total expenditures	84,925,893	95,119,217	112,262,066	121,745,998	137,977,272	134,511,641	133,684,439	142,646,501	169,607,017	148,595,209
Excess (deficiency) of revenues over (under) expenditures	(8,122,243)	(8,479,093)	(13,384,230)	(18,840,502)	(8,319,787)	(7,417,568)	(6,607,354)	(7,586,474)	(20,348,630)	(7,727,552)
Other financing sources (uses)										
Refunding Bonds issued	9,188,034	3,815,805	21,261,589	-	-	-	-	7,896,115	-	-
Proceeds from capital leases, bonds and other debt	1,162,548	8,070,428	3,104,407	3,834,415	4,537,000	3,303,940	-	6,550,809	14,857,940	-
Transfers in	14,479,695	13,972,839	15,334,209	16,793,410	15,283,819	20,000,451	22,695,465	23,323,681	21,357,058	17,197,216
Transfers out	(6,907,096)	(5,801,581)	(5,916,009)	(8,391,728)	(8,158,763)	(18,724,377)	(17,007,152)	(17,259,353)	(13,106,802)	(11,614,765)
Sale of Capital Assets ¹	-	-	-	-	-	-	248,972	210,072	328,316	-
Payment to refund bond escrow agent	(5,469,212)	(3,788,439)	(6,265,297)	-	-	-	-	(8,600,308)	-	363,380
Proceeds from loans	-	-	-	-	-	-	-	1,250,598	-	-
Premium on bonds	-	-	431,212	-	-	-	-	663,131	-	-
Total other financing sources (uses)	12,453,969	16,268,852	27,950,111	12,236,097	11,682,056	6,580,014	5,935,285	14,234,745	23,436,512	5,945,831
Net change in fund balances	\$ 4,331,726	\$ 7,789,750	\$ 14,565,881	\$ (6,604,405)	\$ 3,342,269	\$ (637,554)	\$ (672,069)	\$ 6,648,271	\$ 3,087,882	\$ (1,781,721)
Debt service as a percentage of noncapital expenditures	9.86%	9.41%	10.46%	10.94%	10.02%	8.99%	8.68%	8.38%	5.62%	6.56%

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

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

Schedule 5

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes ¹	Vehicle License Tax	Privilege License	Beer and Wine Tax	Cablevision and Other Franchise Tax ¹	Rental Property Gross Receipts	Consolidated 911 Tax ²	Total
2012	\$ 60,089,099	\$ 33,283,642	\$ 9,568,985	\$ 617,271	\$ 2,557,864	\$ 902,467	\$ 419,653	\$ 572,634	\$ -	\$ 108,011,615
2011	58,987,439	31,633,373	10,178,685	624,591	1,226,057	915,803	426,687	562,089	-	104,554,724
2010	58,699,957	30,789,881	10,035,192	630,853	983,146	295,870	372,226	477,886	-	102,285,011
2009	55,553,012	29,628,044	9,196,488	630,065	1,013,929	814,901	380,944	441,381	-	97,658,764
2008	54,765,677	31,659,262	8,072,068	635,993	984,727	801,099	491,902	416,176	361,922	98,188,826
2007	58,574,670	30,488,647	6,554,283	623,019	920,196	788,290	1,243,013	391,124	1,064,599	100,647,841
2006	41,590,985	23,457,449	5,602,548	533,750	815,156	578,491	1,918,758	373,114	950,499	75,820,750
2005	39,622,100	22,543,521	5,245,207	469,488	731,719	578,481	1,547,289	344,913	996,840	72,079,558
2004	38,431,862	20,698,993	5,121,788	444,521	684,806	561,588	2,016,045	305,860	1,041,170	69,306,633
2003	33,720,313	16,876,147	5,239,363	408,016	691,861	526,288	1,249,399	302,685	1,055,952	60,070,024

¹ Effective January 1, 2007, video programming broadcast services became subject to state sales taxes and proceeds are now reported with Utility Taxes. Only ancillary services remain subject to local cablevision franchise taxes after that date.

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

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

Schedule 6

Fiscal Year	Residential	Commercial	Industrial	Lighting	Other	Total	Total Direct Rate		
							Electric		
							Base Rate ^a	Usage Rate ^b	
								first 500 kWh	ea kWh > 500
2012	\$ 897,373,380	\$ 760,894,124	\$ 299,898,818	\$ 35,420,886	\$ 59,706,692	\$ 2,053,293,900	\$10.80	\$0.0946	\$0.0946
2011	1,013,170,837	785,669,193	301,732,101	35,647,580	64,960,101	2,201,179,812	10.80	0.0900	0.0977
2010	969,676,167	762,559,263	318,392,654	34,471,378	60,706,464	2,145,805,926	9.90	0.0825	0.0896
2009	950,176,318	761,932,351	315,244,653	33,636,689	59,890,915	2,120,880,926	9.00	0.0750	0.0815
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	9.00	0.0750	0.0815
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	9.00	0.0719	0.0794
2006	911,632,771	755,229,052	356,355,125	27,855,361	53,069,016	2,104,141,325	9.00	0.0719	0.0794
2005	865,456,446	743,676,014	376,769,957	27,107,118	54,415,761	2,067,425,296	8.00	0.0710	0.0670
2004	882,688,409	744,796,652	379,140,092	26,154,369	53,410,167	2,086,189,689	8.00	0.0710	0.0670
2003	884,780,318	738,115,702	390,164,851	25,201,952	59,984,603	2,098,247,426	8.00	0.0710	0.0670

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

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

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

Schedule 7

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio ³
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 ⁴	11,041,771,668	1,638,183,540	162,847,740	111,810,830	12,730,992,118	0.456	12,743,028,314	99.89%
2009	8,663,471,270	1,699,962,644	144,941,408	76,918,867	10,431,456,455	0.530	12,384,609,990	81.72%
2008	8,432,008,954	1,699,309,481	156,856,864	71,058,615	10,217,116,684	0.530	11,603,736,461	86.00%
2007	8,166,720,922	1,634,081,615	172,573,842	74,375,245	9,899,001,134	0.530	10,853,177,565	89.65%
2006	6,275,715,436	1,431,355,898	138,799,665	65,483,117	7,780,387,882	0.530	8,286,824,738	92.46%
2005	6,119,634,059	1,207,511,007	133,171,846	63,057,620	7,397,259,292	0.530	7,500,121,924	98.33%
2004 ⁴	6,022,674,221	1,150,100,683	127,680,027	61,704,378	7,238,750,553	0.530	7,238,750,553	100.00%
2003	5,101,782,633	1,196,714,445	120,570,113	-	6,419,067,191	0.530	6,742,981,286	94.03%

Source: Cumberland County Tax Office

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

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

² Exempt real estate only. Fiscal year 2003 real property exemptions are reflected in real property.

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

⁴ Denotes the year in which a revaluation was effective January 1st and reflected in the following fiscal year's property value.

Source: Cumberland County Tax Office

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

Schedule 8

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate ²	Overlapping Rates ¹
				Cumberland County County wide
2012	\$0.456	\$0.100	\$0.345	\$0.740
2011	0.456	0.100	-	0.740
2010	0.456	0.100	-	0.766
2009	0.530	0.100	-	0.860
2008	0.530	0.100	-	0.880
2007	0.530	0.100	-	0.880
2006	0.530	0.100	-	0.880
2005	0.530	0.100	-	0.880
2004	0.530	0.100	-	0.880
2003	0.530	0.100	-	0.925

Source: Cumberland County Tax Office

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

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

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

Schedule 9

Taxpayer	2012 ¹			2003 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 113,194,500	1	0.86%			
Carolina Telephone	54,806,136	2	0.42%	\$ 60,416,109	2	0.94%
Piedmont Natural Gas Co. Inc.	51,255,160	3	0.39%			
Wal-Mart	39,027,713	4	0.30%			
Centurion Aviation Services	34,600,000	5	0.26%			
Westlake at Morganton LLC	28,107,800	6	0.21%			
Hidden Creek Village	24,803,500	7	0.19%			
DDRM Fayetteville Pavilion LLC	23,862,500	8	0.18%			
Eagle Point Village Apartments	22,919,500	9	0.17%			
Fayetteville Publishing Company	21,671,548	10	0.16%	26,725,092	5	0.42%
Cumberland Associates				68,500,000	1	1.07%
NC Natural Gas Corporation				27,351,953	3	0.43%
UDRT of North Carolina				26,900,000	4	0.42%
Edward Rose Bldg Company				14,130,851	6	0.22%
Progress Energy Carolinas, Inc.				13,089,760	7	0.20%
Kings Pointe Apartments				12,580,000	8	0.20%
MJ Softe Company				12,240,323	9	0.19%
BNP Chason Ridge LLC				11,780,400	10	0.18%
	<u>\$ 414,248,357</u>		<u>3.14%</u>	<u>\$ 273,714,488</u>		<u>4.27%</u>

¹ Assessed valuations are as of January 1, 2011 and the associated tax levies were due in the fiscal year ended June 30, 2012.

² Assessed valuations are as of January 1, 2002 and the associated tax levies were due in the fiscal year ended June 30, 2003.

Source: Cumberland County Tax Office

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

Schedule 10

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 59,990,898	\$ 58,593,009	97.67%	\$ -	\$ 58,593,009	97.67%
2011	58,795,924	57,406,499	97.64%	940,581	58,347,080	99.24%
2010	58,418,406	57,126,777	97.79%	921,176	58,047,953	99.37%
2009	55,349,877	53,901,099	97.38%	1,062,805	54,963,904	99.30%
2008	54,216,530	52,738,807	97.27%	1,085,259	53,824,066	99.28%
2007	52,534,182	50,964,492	97.01%	1,192,534	52,157,026	99.28%
2006	² 41,311,088	39,855,571	96.48%	1,115,705	40,971,276	99.18%
2005	39,252,202	37,879,950	96.50%	1,090,823	38,970,773	99.28%
2004	38,404,079	36,806,753	95.84%	1,297,379	38,104,132	99.22%
2003	34,059,814	32,457,441	95.30%	1,311,669	33,769,110	99.15%

¹ Schedule reflects the general tax levy only.

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

Source: Cumberland County Tax Office

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

Schedule 11

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Bonded Debt	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Capitalized Leases			
2012	\$ 15,996,406	\$ 21,998,896	\$ 600,000	\$ 4,843,594	\$ 150,245,000	\$ 15,866,039	\$ 59,445	\$ 209,609,380	N/A	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	N/A	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	2.614%	1,112
2009	28,937,825	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	2.980%	1,217
2008	33,383,061	14,343,916	-	9,041,939	167,735,000	20,486,896	-	244,990,812	3.319%	1,350
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136	-	290,487,079	4.371%	1,670
2006	52,240,000	14,203,330	65,000	2,705,000	172,565,000	136,357,559	-	378,135,889	8.208%	2,894
2005	57,485,000	13,551,475	125,000	3,640,000	184,320,000	18,303,144	-	277,424,619	8.297%	2,120
2004	46,470,000	13,341,744	185,000	4,585,000	194,630,000	11,867,713	-	271,079,457	6.857%	2,074
2003	50,265,000	6,479,845	245,000	15,560,000	178,910,000	6,835,614	-	258,295,459	7.230%	2,086

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

¹ See schedule 16 for per capita personal income and population data.

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

Schedule 12

General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Actual Total Assessed Value of	
				Property 1	Per Capita 2
2012	\$ 16,720,000	\$ 154,365,000	\$ 171,085,000	1.30%	823
2011	19,500,000	155,740,000	175,240,000	1.36%	841
2010	22,290,000	175,500,000	197,790,000	1.55%	952
2009	26,620,000	164,775,000	191,395,000	1.83%	1,055
2008	31,140,000	179,020,000	210,160,000	2.06%	1,158
2007	35,600,000	175,495,000	211,095,000	2.13%	1,214
2006	40,005,000	188,505,000	228,510,000	2.94%	1,749
2005	44,450,000	200,995,000	245,445,000	3.32%	1,876
2004	40,075,000	205,610,000	245,685,000	3.39%	1,880
2003	53,980,000	190,755,000	244,735,000	3.81%	1,976

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

¹ See Schedule 7 for property value data.

² Population data can be found in Schedule 16.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2012
(Unaudited)

Schedule 13

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 214,728,771	60.95%	\$ 130,876,754
Subtotal, overlapping debt			130,876,754
City of Fayetteville direct debt			38,595,302
Total direct and overlapping debt			\$ 169,472,056

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

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

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

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

Schedule 14

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 513,525,375	\$ 579,100,044	\$ 591,780,743	\$ 622,431,031	\$ 791,920,091	\$ 617,369,335	\$ 634,516,516	\$ 1,018,479,369	\$ 1,030,076,213	\$ 1,051,128,209
Total net debt applicable to limit	79,385,459	76,449,457	93,104,819	91,755,888	85,462,079	77,255,812	65,636,814	61,833,280	68,453,958	59,364,380
Legal debt margin	\$ 434,139,916	\$ 502,650,587	\$ 498,676,124	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523	\$ 768,679,902	\$ 956,646,089	\$ 961,622,255	\$ 991,763,829
Total net debt applicable to the limit as a percentage of debt limit	15.46%	13.20%	15.73%	14.74%	10.79%	9.45%	7.89%	8.07%	6.65%	5.65%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 13,139,102,613
Debt Limit (8% of total assessed value)	1,051,128,209
Debt applicable to limit:	
Bonded debt	20,840,000
Notes payable	16,466,039
Capitalized leases	22,058,341
Subtotal	59,364,380
Authorized and unissued debt	-
Total Gross Debt	59,364,380
Less: Statutory deductions	
Bonds issued and outstanding for water and sewer purposes	-
Authorized and unissued debt	-
Total amount of debt applicable to debt limit	59,364,380
Legal debt margin	\$ 991,763,829

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

Schedule 15

Fiscal Year Ended June 30	Utility Service Charges	Less: Operating Expenses ¹	Other Adjustments ²	Net Available Revenue	Debt Service Requirements ⁵			Coverage ⁴
					Principal	Interest ³	Total	
2012	\$ 268,571,535	\$ 170,563,595	-	\$ 98,007,940	\$ 11,832,848	\$ 7,312,245	\$ 19,145,093	\$ 5.12
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,997,294	62,556,535	1.72
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,739,550	93,386,006	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,882,230	49,381,586	1.94
2005	193,113,963	141,516,235	-	51,597,728	10,689,756	7,067,747	17,757,503	2.91
2004	187,264,046	140,800,522	-	46,463,524	7,794,756	7,164,702	14,959,458	3.11
2003	188,625,762	150,292,023	-	38,333,739	8,004,756	8,342,813	16,347,569	2.34

Notes:

¹ Operating expenses include operating expenses exclusive of depreciation and all other amortization.

² Other adjustments is the recognition of Prepaid Purchase Power Supply net of discount.

³ Interest represents accrual based interest excluding capitalized interest.

⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.

⁵ Debt service includes revenue bonds and notes and excludes G.O. bonds.

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

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

Schedule 16

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses ²	Net Available Revenue	Debt Service Requirements ⁵			Coverage ⁴
				Principal	Interest ³	Total	
2012	\$ 5,164,229	\$ 2,287,316	\$ 2,876,913	\$ 265,000	\$ 38,950	\$ 303,950	\$ 9.47

Notes:

¹ The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012.

² Operating expenses include operating expenses exclusive of depreciation and all other amortization.

³ Interest represents accrual based interest excluding capitalized interest.

⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.

⁵ Debt service includes revenue bonds and excludes notes payable.

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

City of Fayetteville, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Schedule 17

Year	Population ¹	Personal Income	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2012	208,001	N/A	N/A	53,063	N/A	N/A (a)	\$3.532
2011	208,291	N/A	N/A	53,361	7.6%	N/A (a)	3.376
2010	207,779	8,835,386,417	42,523	52,187	7.3%	N/A (a)	3.241
2009	181,481	7,411,502,559	40,839	53,162	6.7%	2.348	2.844
2008	181,453	7,380,419,322	40,674	52,912	5.1%	2.301	2.752
2007	173,898	6,646,207,662	38,219	53,912	4.3%	2.253	2.747
2006	130,646	4,606,708,606	35,261	53,403	4.3%	2.062 (b)	2.505 (b)
2005	130,850	4,405,981,200	33,672	53,399	5.1%	2.987	3.684
2004	130,692	3,953,433,000	30,250	53,092	5.9%	2.680	3.352
2003	123,844	3,572,404,024	28,846	52,223	6.9%	2.421	3.018

Sources:

1. Office of State Budget and Management, Official Municipal Population Estimates for July 1, 2001 through July 1, 2011.
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2011 and 2012 data not yet available.
3. Cumberland County Schools, District Profile.
4. NC Employment Security Commission. Calendar year unemployment statistics for Fayetteville, NC. 2012 data is not yet available.
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division, State Sales and Use Tax Statistics.
 - (a) Municipal tax reporting not available after June 30, 2009.
 - (b) Tax reporting changed to reflect only taxable sales effective July 2005.
 - (c) Tax reporting changed to add use tax effective December 2001.

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

Schedule 18

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian)	14,125	1	10.86%	8,030	2	6.96%
Cumberland County Board of Education	6,531	2	5.02%	8,790	1	7.62%
Cape Fear Valley Health System	5,356	3	4.12%	3,700	3	3.21%
Wal-Mart Associates Inc	2,876	4	2.21%			
Goodyear Tire & Rubber Company	2,468	5	1.90%	2,700	4	2.34%
Cumberland County Government	2,315	6	1.78%	2,400	5	2.08%
City of Fayetteville	1,978	7	1.52%	1,580	6	1.37%
Fayetteville Technical Community College	1,340	8	1.03%	1,320	8	1.14%
Veterans Administration	1,133	9	0.87%			
Fayetteville State University	858	10	0.66%			
US Postal Service				1,400	7	1.21%
Purolator, Inc.				1,300	9	1.13%
Black & Decker				1,300	10	1.13%
Total Employment (Ten Largest Civilian Employers)	<u>38,980</u>		<u>29.97%</u>	<u>32,520</u>		<u>28.19%</u>

Sources: Fayetteville-Cumberland County Chamber of Commerce, North Carolina Department of Commerce Division of Employment Security, Individual Employers

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

Schedule 19

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	85	84	85	76	92	97	91	91	93	96
Public Safety	674	751	800	806	834	827	827	829	875	851
Environmental Protection ¹	101	101	108	91	123	145	118	136	124	85
Transportation	54	53	60	57	77	52	79	79	72	77
Economic and physical development	10	11	10	14	18	15	15	19	24	20
Recreation and community facilities	78	120	127	115	126	125	125	133	114	121
Electric	246	244	244	254	254	237	244	255	240	249
Internal Service	30	32	45	45	30	44	44	52	48	45
Water	154	154	153	145	139	193	194	194	143	150
Wastewater	133	134	135	133	142	90	96	100	142	152
Transit	59	48	53	52	50	54	54	61	76	87
Airport	13	13	15	14	21	18	18	18	18	19
Stormwater ¹	-	-	-	-	-	-	-	-	-	26
Solid Waste Recycling	-	-	-	-	-	-	-	-	-	-
Total	1,637	1,745	1,835	1,802	1,906	1,897	1,905	1,967	1,969	1,978

Source: City Finance Office Annual Cost Allocation Plan and Public Works Commission

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

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

Schedule 20

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Fire ⁽¹⁾										
Emergency responses	13,991	14,424	15,397	18,882	20,215	22,608	23,197	25,166	25,272	20,526 ⁽²⁾
Fires extinguished	818	867	985	1,065	1,495	1,092	930	1,118	869	536 ⁽²⁾
Fire inspections	4,860	3,358	3,389	4,584	4,824	6,052	4,159	5,670	6,900	5,759 ⁽²⁾
Police ⁽¹⁾										
Number of law violations										
Physical arrests	7,912	7,668	7,864	7,807	8,522	9,372	7,968	8,865	10,336	7,133 ⁽²⁾
Traffic citations	28,653	26,944	22,171	19,225	28,339	39,240	35,484	45,982	48,162	25,209 ⁽³⁾
Warning citations	9,669	9,026	11,526	11,114	12,493	12,572	13,481	13,096	21,034	15,469 ⁽³⁾
Calls for service	174,353	185,200	191,331	199,314	204,549	215,797	215,127	219,428	222,136	183,623 ⁽²⁾
Development Services										
Number of permits issued:										
Residential:										
New single family	277	335	388	691	586	362	317	401	431	548
New multi-family										
Number of units	355	514	713	1,111	1,154	459	712	619	1,165	966
Renovations	672	735	750	1,095	1,222	1,303	1,364	1,297	1,390	1,350
Commercial:										
New	50	63	61	93	88	60	52	60	87	62
Renovations	305	300	307	281	301	299	259	294	461	611
Other:										
Miscellaneous	11,789	11,653	12,716	16,695	18,057	14,824	16,731	16,185	17,598	19,290
Yard sale	945	1,173	1,075	1,202	1,227	1,229	1,175	1,186	1,186	1,114

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

Schedule 20

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cultural and Recreational ⁽⁴⁾										
Youth Sports participants	4,689	7,905	11,953	12,718	10,921	9,580	11,543	9,871	16,081	10,870
Adult Sports participants	1,795	1,797	2,267	1,768	1,676	1,648	2,100	5,348	6,772	1,036
Senior participants	N/A	39,189	53,136	54,172	66,718	85,564	89,461	62,816	92,894	102,170
Therapeutic participants	N/A	N/A	N/A	26,926	30,993	34,169	38,996	2,348	22,192	20,048
Aquatics participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23,811	24,903
Park programs participants	N/A	N/A	N/A	25,209	29,161	29,359	27,584	16,810	24,182	24,074
Special events participants	N/A	N/A	N/A	5,415	3,698	2,745	2,841	2,979	6,567	11,161
Permitted events	N/A	N/A	N/A	44	35	61	86	82	81	64
Mobile stage/bleacher rentals	N/A	N/A	N/A	48	36	50	44	49	51	47
Recreation center participants	N/A	N/A	N/A	N/A	419,041	514,943	673,934	430,654	508,801	524,772
Historical properties participants	N/A	N/A	N/A	N/A	14,499	15,713	22,354	15,401	34,011	134,247
Picnic shelter rentals	N/A	N/A	N/A	N/A	28,597	30,041	29,211	31,772	38,381	50,218
Festival Park	N/A	N/A	N/A	N/A	107,148	323,028	267,794	N/A	N/A	N/A
Tier 1 Events (0 - 500 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	2	5
Tier 2 Events (501 - 2,500 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12	7	11
Tier 3 Events (2,501+ Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15	13	14
Transportation										
Street Maintenance										
Streets maintained (miles)	523.52	529.53	532.22	688.65	704.48	721.19	722.38	724.39	726.51	730.79
Street resurfacing and cape sealing (miles)	9.58	6.89	12.15	8.82	13.29	14.68	20.42	31.77	25.05	19.52
Number of traffic signals maintained ⁽⁵⁾	166	170	169	175	178	178	205	225	225	225
Engineering										
Driveway permits (residential)	255	217	345	433	581	323	310	378	428	429
Driveway permits (commercial)	52	40	66	33	75	43	40	23	42	42
Public Utilities										
Water System										
Water main breaks	155	126	152	119	128	146	130	180	182	165
Average daily consumption (Mgals) ⁽⁶⁾	20,933	20,524	20,635	21,850	21,675	22,879	22,450	22,423	25,446	26,724
Peaks (MGD) ^{(7) (8)}	33.3	30.8	33.4	32.6	37.0	38.4	34.9	37.2	39.4	37.9
Total sold (Mgals) ⁽⁸⁾	7,303,494	7,039,476	7,136,082	7,561,199	7,555,333	7,894,590	7,707,256	7,749,106	8,888,870	8,960,423

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

Schedule 20

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sewer System:										
Main breaks	175	122	149	208	150	156	291	342	293	342
Average daily consumption (Mgals) ⁽⁶⁾	14,955	14,941	15,337	15,810	18,026	16,509	16,338	18,436	16,557	24,720
Peaks (MGD) ⁽⁸⁾	27.0	32.0	28.1	26.6	27.9	27.7	915.0	861.8	815.3	35.9
Total sold (Mgals) ⁽⁶⁾	5,458,456	5,453,295	5,583,643	5,754,784	5,837,838	6,014,627	5,953,806	5,999,105	6,043,126	5,972,764
Electric System:										
Electric outages (minutes)	10,376,012	7,279,107	3,449,900	3,450,039	2,079,483	3,016,526	2,210,508	2,296,534	2,340,931	2,807,700
Peaks (MW) ⁽⁹⁾	443.4	440.1	439.3	474.5	462.5	476.6	459.5	462.4	459.1	459.1
Total Kwh sold ⁽¹⁰⁾	2,047,025,958	2,041,587,543	2,022,146,431	2,060,681,493	1,993,810,584	2,073,630,914	2,074,038,439	2,139,521,914	2,194,805,986	2,053,384,900
Average daily consumption (Kwh) ⁽¹⁰⁾	5,748,623	5,717,142	5,664,179	5,764,771	5,585,720	5,811,055	5,810,633	5,878,920	6,030,630	5,917,385
Airport ⁽¹¹⁾										
Number of enplaned passengers	120,651	158,782	153,524	153,164	175,432	199,438	229,480	259,454	254,134	190,902 ⁽¹¹⁾
Number of deplaned passengers	120,720	156,626	150,675	154,877	174,967	197,092	229,993	254,891	258,719	190,471 ⁽¹¹⁾

(1) Statistics for the fire, police and airport functions are based on calendar years

(2) Statistics for the Fire Department for 2012 are reflected through September 30, 2012

(3) Statistics for the Police Department for 2012 are reflected through October 12, 2012, except for traffic citations reported through 10/4/12

(4) Statistics for 2005 and beyond reflect the merger of Cumberland County and

City of Fayetteville Parks and Recreation Departments

(5) Reflects the number of traffic signals maintained by the City of Fayetteville

(6) Mgals = 1,000 gallons

(7) Reflects highest monthly average

(8) MGD = 1,000,000 gallons per day

(9) MW = megawatts

(10) Kwh = kilowatt hours

(11) Statistics for the Airport for 2012 are reflected through September 30, 2012.

Source: Information provided by various city departments and Public Works Commission

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

Schedule 21

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Fire										
Number of stations	11	13	13	15	15	16	16	16	16	16
Police										
Number of stations	2	2	2	2	2	2	2	2	2	2
Cultural and Recreational										
Mini parks (.5 - 3 acres)	N/A	N/A	N/A	13	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	N/A	N/A	N/A	13	14	14	14	14	14	14
Community parks (30 - 50 acres)	N/A	N/A	N/A	7	6	6	6	6	6	7
Sports complexes (40 - 80 acres)	N/A	N/A	N/A	2	2	2	2	2	2	3
Green spaces	N/A	N/A	N/A	7	8	8	8	8	8	8
Neighborhood school-parks	N/A	N/A	N/A	32	34	34	34	34	34	34
Community school-parks	N/A	N/A	N/A	1	1	1	1	1	1	1
Linear parks	N/A	N/A	N/A	3	3	3	3	3	3	3
Special use parks	N/A	N/A	N/A	12	6	7	7	7	7	8
Program sites	N/A	N/A	N/A	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	N/A	N/A	N/A	4	3	3	3	3	3	3
Community center with gym	N/A	N/A	N/A	N/A	16	16	16	16	16	16

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

Schedule 21

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Utilities										
Water System:										
Miles of water main	1,162.1	1,179.3	1,198.2	1,229.0	1,245.0	1,278.5	1,296.3	1,316.4	1,329.2	1,351.5
Number of new service connections	3,284	2,300	2,360	2,962	3,154	2,285	1,220	616	962	2,649
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	50.0	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) ⁽¹⁾	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Sewer System:										
Number of new service connections	2,253	2,408	2,299	3,142	3,006	2,260	1,752	317	1,140	1,612
Miles of sanitary sewer mains	1,021.3	1,039.8	1,051.0	1,092.0	1,103.0	1,132.5	1,149.7	1,231.9	1,246.0	1,272.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	41.0	41.0	41.0	41.0	41.0	41.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	1,051	1,251	1,426	2,245	1,744	1,151	471	650	533	1,359
Distribution line circuit miles	2,609.95	2,572.00	2,750.50	2,781.86	2,962.40	2,982.10	2,986.88	1,305.49 ⁽²⁾	1,313.79	1,316.73
Transportation										
Street Maintenance										
Streets maintained (miles)	523.52	529.53	532.22	688.65	704.48	721.19	722.38	724.39	726.51	730.79
Number of traffic signals ⁽³⁾	27	27	27	29	28	28	28	28	28	28

(1) MGD = 1,000,000 gallons per day

(2) Reflects correction of presentation of previous data

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

Source: Information provided by various city departments and Public Works Commission

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



- Independent Auditors' 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*
- Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fayetteville, North Carolina, (the "City") as of and for the year ended June 30, 2012, which collectively comprises the City's basic financial statements, and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland LLP

Fayetteville, North Carolina
November 26, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the City of Fayetteville, North Carolina, (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, federal and State awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Behaert + Holland LLP

Fayetteville, North Carolina
November 26, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION
ACT**

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

Compliance

We have audited the City of Fayetteville, North Carolina, (the "City") compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. The City's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 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 the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, members of the City Council, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland LLP

Fayetteville, North Carolina
November 26, 2012

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

SECTION I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses ☐ Yes ☒ None reported
- Noncompliance material to federal awards ☐ Yes ☒ No

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.253	ARRA – Community Development Block Grants/Entitlement Grants
14.251	Economic Development Initiative
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.738	ARRA – Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B Programs \$ 593.997

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

State Awards

Internal control over major State programs:

- Material weakness(es) identified ☐ Yes ☒ No
- Significant deficiency(s) identified
that are not considered to be
material weaknesses ☐ Yes ☒ None reported
- Noncompliance material to State awards ☐ Yes ☒ No

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with the State Single Audit
Implementation Act

☐ Yes ☒ No

Identification of major State programs:

Program Name
Maintenance Assistance
Capital and Planning
Powell Bill

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
<u>Community Development Block Grant Cluster</u>					
CDBG Entitlement Grant FY2009-2010	14 218	B-09-MC-37-0005	\$ 236,261	\$ -	\$ 236,261
CDBG Entitlement Grant FY2010-2011	14 218	B-10-MC-37-0005	1,115,759	-	1,115,759
ARRA - CDBG Entitlement Grant (CDBG-R)	14 253	B-09-MY-37-0005	10,000	-	10,000
			<u>1,362,020</u>	<u>-</u>	<u>1,362,020</u>
<u>HOME Investment Partnership Program</u>					
FY2008-2009	14 239	M08-MC370203	514,409	-	514,409
FY2009-2010	14 239	M09-MC370203	812,929	-	812,929
FY2010-2011	14 239	M10-MC370203	70,693	-	70,693
			<u>1,398,031</u>	<u>-</u>	<u>1,398,031</u>
<u>Homeless Prevention and Rapid Re-housing Program Grant</u>					
ARRA - 2009 HPRP	14 257	S-09-MY-37-0008	10,262	-	10,262
			<u>10,262</u>	<u>-</u>	<u>10,262</u>
<u>Economic Development Initiative - Special Project Neighborhood Initiative and Miscellaneous Grants</u>					
Military Business Park	14 251	B-06-SP-NC-0607	9,535	-	9,535
Military Business Park	14 251	B-06-SP-NC-0605	198,000	-	198,000
Military Business Park	14 251	B-08-SP-NC-0586	7,440	-	7,440
Military Business Park	14 251	B-08-SP-NC-0099	46,066	-	46,066
Military Business Park	14 251	B-10-SP-NC-0257	584,297	-	584,297
			<u>845,338</u>	<u>-</u>	<u>845,338</u>
<u>Economic Development Administration</u>					
Planning and Local Technical Assistance Program	11 302	N/A	5,980	-	5,980
			<u>5,980</u>	<u>-</u>	<u>5,980</u>
US DEPARTMENT OF DEFENSE					
Fort Bragg Regional Alliance					
Bragg Boulevard Comdor Plan	12 807	HQ00051110038	133,990	-	133,990
US DEPARTMENT OF THE INTERIOR					
National Park Service					
Wayfinding Signage	N/A	37-08-PA-4030	45,964	-	45,964
			<u>45,964</u>	<u>-</u>	<u>45,964</u>
US DEPARTMENT OF JUSTICE					
<u>Justice Assistance Grant Cluster</u>					
Office of Justice Programs					
ARRA - COPS Hiring Grant	16 804	2009-RJ-WX-0060	782,374	-	782,374
Pass through from Cumberland County, NC					
ARRA - Justice Assistance Grant	16 738	2009-SB-B9-0936	18,359	-	18,359
Justice Assistance Grant	16 738	2009-DJ-BX-0396	28,108	-	28,108
Justice Assistance Grant	16 738	2010-QJ-BX-0269	20,166	-	20,166
Justice Assistance Grant	16 738	2011-DJ-BX-2635	149,774	-	149,774
Pass through from NC Department of Public Safety					
Gangs Across the Carolinas	16 738	2011-DJ-BX-2091	42,220	-	42,220
			<u>1,041,001</u>	<u>-</u>	<u>1,041,001</u>
Office of Justice Programs					
Cumberland County STARS Adult Drug Treatment Court Project	16 585	2011-DC-BX-0120	43,856	-	43,856
			<u>43,856</u>	<u>-</u>	<u>43,856</u>
Office of Justice Programs					
Bulletproof Vest Partnership	16 607	N/A	7,877	-	7,877
Equitable Sharing Program	16 922	N/A	233,326	-	233,326
Pass through from NC Department of Public Safety					
PSN Anti-Gang: Operation Ceasefire FY10	16 609	026-1-07-001-AZ-725	(321)	-	(321)
PSN Anti-Gang: Operation Ceasefire FY11	16 609	026-1-10-001-AZ-072	13,281	-	13,281
PSN ATF Task Force	16 609	2009-GP-BX-0051	2,447	-	2,447
PSN Law Enforcement Consortium ADDI	16 609	2011-GP-BX-0018	846	-	846
PSN Law Enforcement Consortium	16 609	2009-GP-BX-0052	12,836	-	12,836
			<u>29,089</u>	<u>-</u>	<u>29,089</u>
ARRA - Violence Against Women FY11	16 588	2011-WF-AX-0050	3,461	-	3,461
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION					
Pass through from Cal Ripken, Sr. Foundation					
2012 Badges for Baseball Program	16 726	2012-FED-MSM-B4B-NC-1	23,309	-	23,309
			<u>23,309</u>	<u>-</u>	<u>23,309</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
US DEPARTMENT OF THE TREASURY					
Treasury Forfeiture Fund Program	21 000	N/A	\$ 99,797	\$ -	\$ 99,797
			99,797	-	99,797
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Special Programs for the Aging					
Pass Thru NC Department of Health & Human Services					
Senior Citizens Service Center	93.044	N/A	25,204	-	25,204
			25,204	-	25,204
US DEPARTMENT OF ENERGY					
Office of Energy Efficiency & Renewable Energy					
ARRA - Energy Efficiency Conservation Block Grant	81 128	DE-SC0002635	587,228	-	587,228
National Energy Technology Laboratory					
Pass thru Triangle Council of Governments					
ARRA - Clean Cities FY09 Petroleum Reduction Technology Project	81 041	DE-EE0002491	6,000	-	6,000
			587,228	-	587,228
US DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration					
Airport Improvement Program					
Airport Runway 4/22 Rehabilitation Phase II - Construction	20 106	FAA-3-37-0021-34	245,916	-	245,916
Airport Rehabilitate Aircraft Rescue and Fire Fighting Building, Phase I	20 106	FAA-3-37-0021-35	15,121	-	15,121
Airport Rehabilitate Aircraft Rescue and Fire Fighting Building, Phase II	20 106	FAA-3-37-0021-36	(2,140)	-	(2,140)
Taxway A.C.D.F. Rehab AIP 37	20 106	FAA-3-37-0021-37	4,309,189	-	4,309,189
Rehab Carrier Apron	20 106	FAA-3-37-0021-38	1,649,134	-	1,649,134
			6,217,220	-	6,217,220
Passed through NC Dept of Transportation					
SAFETEA-LU					
Reilly/Cliffdale/Ramsey Sidewalks	20.205	EL-5102	62,068	-	62,068
Russell Street Sidewalks	20.205	Y-4806AA	70,000	-	70,000
Ramsey St/Reilly Rd Sidewalks	20.205	SR-5001 G	(1,318)	-	(1,318)
			130,750	-	130,750
Governors Highway Safety Program					
Sobriety Court Grant FY11	20 601	K8-110254	40,383	-	40,383
Sobriety Court Grant FY12	20 601	K8-120233	32,182	-	32,182
			72,565	-	72,565
Federal Transportation Administration					
Preventative Maintenance & American with Disabilities Act					
Capital Grants:					
Capital	20 507	NC 90.X514	1,193,896	-	1,193,896
Capital	20 507	NC 90 0327	386,723	-	386,723
Capital	20 507	NC 90.0406	77,048	-	77,048
Capital	20 507	NC 90.0425	5,590	-	5,590
Capital	20 507	NC.04.0027	4,227	-	4,227
Capital	20 507	NC 90.0457	18,922	-	18,922
Capital	20 507	NC 90.0464	251,707	-	251,707
Capital	20 507	NC 04.0033	436,478	-	436,478
Capital	20 507	NC 57 0010	158,625	-	158,625
Capital	20 507	NC 90.0469	1,597,218	-	1,597,218
Planning Grants:					
Planning	20 507	NC 90.2406	9,129	-	9,129
Planning	20 507	NC 90 2425	19,190	-	19,190
Planning	20 507	NC 90 2453	35,180	-	35,180
Planning	20 507	NC 90 2464	74,690	-	74,690
Planning	20 507	NC 90 2469	23,104	-	23,104
			4,291,727	-	4,291,727
US Department of Homeland Security					
Hazmat (Equipment Grant) 2009	97 067	2009-SS-T9-0046	22,432	-	22,432
AFG (Defibrillator Grant) 2010	97 044	EMW-2010-FO-06625	8,621	-	8,621
Staffing for Adequate Fire and Emergency Response (SAFER) FY2008	97 044	EMW-2008-FF-01043	422,506	-	422,506
Law Enforcement Officer Reimbursement Agreement Program	97 090	HSTS0208HSLR141	138,131	-	138,131
			591,690	-	591,690
Federal Emergency Management Agency					
Lake Rim Recreation Center - Equipment	97.038	CFGJS06	5,172	-	5,172
Debris Removal	97.036	CFAJS01	2,045,632	-	2,045,632
Rollout Carts	97 036	CFJS08	40,096	-	40,096
Site Restoration	97 036	CFGJS09	165,609	-	165,609
Fire, Police, EOC	97 036	CFBJS03	82,963	-	82,963
City Wide/Water Utility/EPM	97 036	PWBJSO1	8,157	-	8,157
Camera Equipment/SCADA Antenna Pipe	97 036	PWEKB03	3,544	-	3,544
City Wide/Utility/Electrical Repairs	97 036	PWFJS02	38,518	-	38,518
Sewer Main Repair	97 036	PWFKB08	9,375	-	9,375
Fiber Optics	97.036	PWFKB05	27,049	-	27,049
Debris/Utility Easements	97.036	PFAKB06	168,093	-	168,093
			2,594,208	-	2,594,208

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
STATE GRANTS:					
NC DEPARTMENT OF TRANSPORTATION					
Aviation Division					
Tree Clearing Runways 10 & 4	N/A	36244.27.10.1	\$ -	\$ 151,350	\$ 151,350
			-	151,350	151,350
Public Transportation Division					
Maintenance Assistance	N/A		-	674,998	674,998
Capital	N/A	36223 7.5 3	-	48,340	48,340
Capital	N/A	36231.3.2 2 /3	-	9,401	9,401
Capital	N/A	36232.22 1.3/4	-	149	149
Capital	N/A	36231 3.4.3	-	2,365	2,365
Capital	N/A	36232.22.2 3	-	54,560	54,560
Capital	N/A	36235 13.1 8	-	354,675	354,675
Capital	N/A	36231 3 5 3	-	29,806	29,806
Capital	N/A	36231.3 6 3	-	156,494	156,494
Planning	N/A	36231.3 5 6	-	9,336	9,336
Planning	N/A	36231 3 2 6	-	1,141	1,141
Planning	N/A	36231 3.3 6	-	2,399	2,399
Planning	N/A	36231 3.4 6	-	4,398	4,398
Planning	N/A	36231 3 6 6	-	2,887	2,887
			-	1,350,749	1,350,749
Powell Bill	N/A		-	5,311,546	5,311,546
Division of Highways					
US 401 Sidewalk WBS 3606.3 08	N/A	ER-2971 F	-	237	237
			-	237	237
NC DEPARTMENT OF PUBLIC SAFETY					
Hazmat (RRT Grant)	N/A	RRT 3 2011	-	57,000	57,000
Lake Rim Recreation Center - Equipment	N/A	DSR 00418	-	1,724	1,724
Rollout Carts	N/A	DSR 00420	-	13,365	13,365
City Wide/Water Utility/EPM	N/A	DSR 00409	-	2,719	2,719
Camera Equipment/SCADA Antenna Pipe	N/A	DSR 00406	-	1,181	1,181
City Wide/Utility/Electrical Repairs	N/A	DSR 00411	-	12,839	12,839
Sewer Main Repair	N/A	DSR 00441	-	3,125	3,125
Fiber Optics	N/A	DSR 00444	-	9,016	9,016
Debris/Utility Easements	N/A	DSR 00453	-	56,031	56,031
			-	167,000	167,000
Pass through from Cumberland County					
Juvenile Restitution FYE 2012	N/A	526-10413	-	45,412	45,412
			-	45,412	45,412
NC VETERANS AFFAIRS DIVISION					
NC Veterans Parks Phase #2	N/A	NCGA Senate Bill 1611*	-	1,113,622	1,113,622
NC Veterans Parks	N/A	1301-536980-17717711	-	10,806	10,806
			-	1,124,428	1,124,428
			\$ 19,799,893	\$ 8,140,722	\$ 27,940,615

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

- The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Fayetteville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- The total local match requirements for the Federal and State Transit operating assistance grants was \$973,472. The actual local match which the City of Fayetteville expended for the operations of the transit system was \$973,472.
- The total local contributions for the State Powell Bill assistance amounted to \$15,956 (this represents assessments received and interest earned through 06/30/12).
- The amount of HOME Investment Partnerships provided to CHDO's is \$252,536 as of June 30, 2012.
- Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2012. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within the transportation fund. The total unexpended balance on-hand at June 30, 2012 is \$0.

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Passenger Facility Charge Compliance Section



- Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Passenger Facility Charges



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE
PASSENGER FACILITY CHARGE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM AUDIT GUIDE**

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

Compliance

We have audited the City of Fayetteville, North Carolina, ("the City") compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for the City's passenger facility charge program for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, the Federal Aviation Administration, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Cherry, Beckett + Holland LLP

Fayetteville, North Carolina
November 26, 2012

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

SECTION I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(s) identified
that are not considered to be
material weaknesses _____ Yes X None reported
- Noncompliance material to financial
statements noted _____ Yes X No

Passenger Facility Charge Program

Internal control over passenger facility charge program:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(s) identified
that are not considered to be
material weaknesses _____ Yes X None reported
- Noncompliance material to passenger
facility charge program _____ Yes X No

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

Any audit findings disclosed _____ Yes X No

Section II. Financial Statement Findings

None reported.

Section III. Passenger Facility Charge Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

None reportable.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2012

Project	Impose Effective Date	Use Effective Date	Cumulative Expenditures Actual	Approved Expenditures for PFC's	Amount of Use Approval	PFC Revenue Used in Prior Years	PFC Revenue Used in Current Year	Total PFC Revenues Used
CLOSED APPLICATION 1 (00-01-C-04-FAY & 02-02-U-02-FAY)			\$ 22,054,889	\$ 20,889,214	\$ 1,061,391	\$ 1,061,391	\$ -	\$ 1,061,391
APPLICATION 2 (#06-03-C-01-FAY)								
Terminal Loop Roadway (Design/Const.)	10/1/2005	10/1/2005	\$ 560,077	\$ 614,800	\$ 30,740	\$ 28,004	\$ -	\$ 28,004
Obstruction Removal	10/1/2005	10/1/2005	1,477,595	1,531,500	76,575	73,985	-	73,985
Update Airport Master Plan	10/1/2005	10/1/2005	305,507	295,000	14,750	14,750	-	14,750
Snow Plow(s) Purchase	10/1/2005	10/1/2005	50,972	51,120	2,556	2,549	-	2,549
Handicap Lift Device	10/1/2005	10/1/2005	24,495	24,500	1,225	1,225	-	1,225
Fire Training Facility Evaluation/Study	10/1/2005	10/1/2005	4,995	4,995	4,995	4,995	-	4,995
Stormwater Management Evaluation/Study	10/1/2005	10/1/2005	9,844	10,400	1,040	964	-	964
PFC Application (Original Program)	10/1/2005	10/1/2005	12,787	12,866	12,866	12,787	-	12,787
PFC Application (Program 2)	10/1/2005	10/1/2005	7,789	8,000	8,000	7,789	-	7,789
Terminal Roof Replacement	10/1/2005	10/1/2005	123,770	123,770	61,885	61,885	-	61,885
Runway Crack Repair and Seals	10/1/2005	10/1/2005	56,073	90,540	9,054	5,607	-	5,607
Pavement Condition Index Study	10/1/2005	10/1/2005	86,110	100,000	5,000	4,806	-	4,806
Airport Beacon Replacement	10/1/2005	10/1/2005	173,095	250,000	12,500	8,555	-	8,555
Jetbridge Modifications (Gates B-2 and B-4)	10/1/2005	10/1/2005	-	190,000	9,500	-	-	-
Runway 4/22 Rehabilitation - Design	10/1/2005	10/1/2005	274,863	80,000	80,000	13,732	-	13,732
Generator/Vault Upgrade	10/1/2005	10/1/2005	114,778	570,000	28,500	5,739	-	5,739
ARFF Expansion	10/1/2005	10/1/2005	114,189	620,000	31,000	5,709	-	5,709
Runway 4/22 Rehabilitation - Construction	10/1/2005	10/1/2005	515,000	515,000	25,750	25,750	-	25,750
Replacement Jetbridge for B4	10/1/2005	10/1/2005	-	475,000	23,750	-	-	-
Rehabilitate Airfield Lighting	10/1/2005	10/1/2005	7,580	200,000	10,000	380	-	380
Pavement Rehabilitation (per PCI study)	10/1/2005	10/1/2005	-	750,000	37,500	-	-	-
Pave ARFF & Surveillance Road	10/1/2005	10/1/2005	-	750,000	37,500	-	-	-
Fire Training Facility Upgrade	10/1/2005	10/1/2005	500,000	500,000	25,000	25,000	-	25,000
Security Cameras System	10/1/2005	10/1/2005	40,801	20,000	20,000	20,000	-	20,000
Replace ARFF Vehicle	10/1/2005	10/1/2005	-	700,000	35,000	-	-	-
PFC Program Consulting	10/1/2005	10/1/2005	-	10,000	10,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 2			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	\$ -	\$ 324,231
APPLICATION 3 (#09-04-C-00-FAY)								
AIP 26 - Terminal Phase II	7/1/2009	7/1/2009	\$ 2,050,851	\$ 1,574,340	\$ 83,717	\$ 83,717	\$ -	\$ 83,717
Employee Parking (non revenue)	7/1/2009	7/1/2009	33,645	60,000	60,000	33,645	-	33,645
Vest GA Ramp Rehabilitation	7/1/2009	7/1/2009	751,059	615,000	61,500	61,500	-	61,500
AIP 28 - Land Acquisition	7/1/2009	7/1/2009	1,605,424	60,823	60,823	60,823	-	60,823
Handicap Access to Narrow Body Jets	7/1/2009	7/1/2009	33,475	35,818	35,818	33,475	-	33,475
AIP 31 - Fire Training Facility Rehab.	7/1/2009	7/1/2009	757,980	1,188,740	59,337	37,900	-	37,900
AIP 32 - Runway 4/22 Rehab. Design	7/1/2009	7/1/2009	-	293,340	14,667	-	-	-
AIP 32 - ARFF Rehab. Design	7/1/2009	7/1/2009	-	136,260	6,813	-	-	-
AIP 32 - Snow Removal Equip Bldg Design and Construction	7/1/2009	7/1/2009	205,650	165,400	8,270	8,270	-	8,270
AIP 32 - Elec Vault Upgrades Design and Generator Install	7/1/2009	7/1/2009	-	113,920	5,696	-	-	-
State Grant Stormwater Improvement	7/1/2009	7/1/2009	227,820	330,000	33,000	22,792	-	22,792
ARFF Rehab (2/3 of amount allowed per FAA) (AIP35-36)	7/1/2009	7/1/2009	1,542,158	1,340,000	67,000	67,000	-	67,000
Vault Construction (AIP 33) (Airfield Lights)	7/1/2009	7/1/2009	2,090,066	5,063,800	250,190	104,503	-	104,503
Runway 4/22 Construction (AIP 34)	7/1/2009	7/1/2009	6,472,132	7,171,540	358,577	311,189	12,417	323,606
State Grant Security Fence Gates	7/1/2009	7/1/2009	53,456	200,000	20,000	5,346	-	5,346

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2012

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
Replace ARFF Truck	7/1/2009	7/1/2009	\$ 695,261	\$ 700,000	\$ 700,000	\$ -	\$ 695,261	\$ 695,261
Air Carrier Asphalt Rehab Apron Design	7/1/2009	7/1/2009	-	70,000	3,500	-	-	-
Taxway A Design, Shoulder, Overlay, Lights	7/1/2009	7/1/2009	-	195,000	9,750	-	-	-
Extend Taxway A Design	7/1/2009	7/1/2009	-	85,000	4,250	-	-	-
Construction Taxway A Shoulders, Overlay, Lights	7/1/2009	7/1/2009	-	3,000,000	150,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 3			\$ 16,519,087	\$ 22,436,981	\$ 1,992,908	\$ 830,160	\$ 707,678	\$ 1,537,838
Impose Only								
Replace B4 Jet Bridge	7/1/2009	N/A	\$ -	\$ 475,000	\$ -	\$ -	\$ -	\$ -
Const Air Carrier asphalt - Rehab apron	7/1/2009	N/A	-	749,220	-	-	-	-
Construct TX A Extension	7/1/2009	N/A	-	850,000	-	-	-	-
Air Carrier Concrete - apron repair design	7/1/2009	N/A	-	85,000	-	-	-	-
Terminal Phase IV	7/1/2009	N/A	-	1,000,000	-	-	-	-
Airline Concrete apron repair - Const	7/1/2009	N/A	-	980,000	-	-	-	-
RW 4/22 paved shoulders - design	7/1/2009	N/A	-	120,000	-	-	-	-
Land acquisition RW4 RPZ	7/1/2009	N/A	-	1,584,220	-	-	-	-
Construct RW 4/22 paved shoulders	7/1/2009	N/A	-	1,800,000	-	-	-	-
GA auto parking - non-revenue	7/1/2009	N/A	-	150,000	-	-	-	-
TOTAL IMPOSE ONLY APPLICATION 3			\$ -	\$ 7,893,440	\$ -	\$ -	\$ -	\$ -
TOTAL APPLICATION 3			\$ 16,519,087	\$ 30,330,421	\$ 1,992,908	\$ 830,160	\$ 707,678	\$ 1,537,838
GRAND TOTAL			\$ 43,044,286	\$ 59,817,126	\$ 3,668,986	\$ 2,215,782	\$ 707,678	\$ 2,923,460

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

Designed by City of Fayetteville Corporate Communications

Kenneth Mayner, Graphic Designer

Printed by the City of Fayetteville Print Shop

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