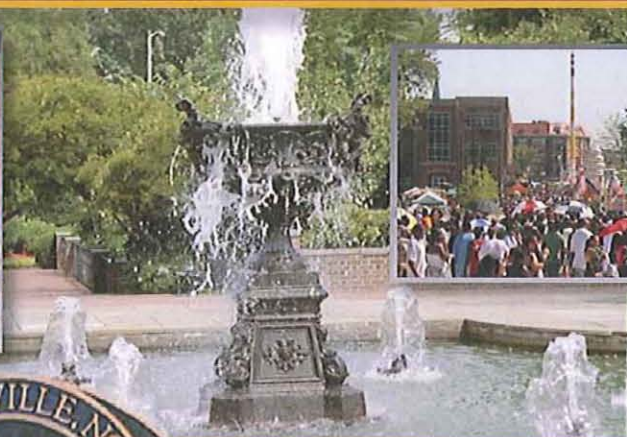


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



City of
Fayetteville
North Carolina



Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2010

Prepared by the City of Fayetteville Finance Department

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City of
Fayetteville
North Carolina

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

<u>INTRODUCTORY SECTION (UNAUDITED):</u>	<u>Page</u>
Letter of Transmittal	A-1
GFOA Certificate of Achievement	A-11
List of Principal Officials	A-13
Organization Chart	A-15
 <u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	B-1
MANAGEMENT'S DISCUSSION AND ANALYSIS	C-1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	D-1
Statement of Activities	D-2
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	E-1
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	E-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	E-5
Statement of Net Assets – Proprietary Funds	E-6
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	E-7
Statement of Cash Flows – Proprietary Funds	E-8
Statement of Fiduciary Net Assets – Fiduciary Funds	E-10
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	E-11
Notes to Financial Statements	F-1
 REQUIRED SUPPLEMENTARY INFORMATION	
Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	G-1
Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions	G-2
Law Enforcement Officers' Special Separation Allowance – Notes to the Required Schedules	G-2
Supplemental Public Works Commission Retirement System – Schedule of Funding Progress	G-3
Supplemental Public Works Commission Retirement System – Schedule of Employer Contributions	G-4
Supplemental Public Works Commission Retirement System – Notes to the Required Schedules	G-4

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

<u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	<u>Page</u>
BASIC FINANCIAL STATEMENTS (continued)	
REQUIRED SUPPLEMENTARY INFORMATION (continued)	
Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Funding Progress	G-5
Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Employer Contributions	G-6
Other Post Employment Benefit Retiree Healthcare Plan – Notes to the Required Schedules	G-6
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Funding Progress	G-7
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Employer Contributions	G-8
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Notes to the Required Schedules	G-8
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
GOVERNMENTAL FUNDS	
GENERAL FUND	
Comparative Balance Sheets - General Fund	H-1
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	H-2
RECREATIONAL AND CULTURAL FUND	
Comparative Balance Sheets – Recreational and Cultural Fund	H-7
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Recreational and Cultural Fund	H-8
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet – Nonmajor Governmental Funds	I-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	I-2
SPECIAL REVENUE FUNDS	
Combining Balance Sheet – Nonmajor Special Revenue Funds	J-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	J-2
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Emergency Telephone System Fund	J-3
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Federal and State Financial Assistance Fund	J-4
Schedule of Expenditures By Project - Budget and Actual - Federal and State Financial Assistance Fund	J-5
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Storm Water Management Fund	J-6
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – City of Fayetteville Finance Corporation Fund	J-7

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

NONMAJOR CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS	<u>Page</u>
Combining Balance Sheet – Nonmajor Capital Project Funds	K-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	K-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Government Fund	K-3
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Public Safety Fund	K-4
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Fund	K-5
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Water, Sewer and Storm Water Fund	K-6
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Bond Improvement Fund	K-7
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic and Physical Development Fund	K-8
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Linear Park Fund	K-9

PROPRIETARY FUNDS

ENTERPRISE FUNDS

Combining Balance Sheet – Electric Fund	L-1
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets – Electric Fund	L-2
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Electric Fund	L-3
Schedule of Changes in the Status of Electric Rate Stabilization Fund	L-6
Combining Balance Sheet – Water and Wastewater Fund	L-7
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets – Water and Wastewater Fund	L-9
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Wastewater Fund	L-10
Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund	L-14
Schedule of Changes in the Status of Annexation Capital Project Fund Phase V – Project 1	L-15
Schedule of Changes in the Status of Fort Bragg Interim Water Service Project Fund	L-16
Schedule of Changes in the Status of Annexation Phase V Reserve Fund	L-17
Schedule of Changes in the Status of Series 2009B Revenue Bond Capital Project Fund	L-18
Schedule of Changes in the Status of Annexation Capital Project Fund Phase V – Areas 6/7	L-19
Schedule of Changes in the Status of Annexation Capital Project Fund Phase V – Areas 8-13	L-20

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

ENTERPRISE FUNDS (Continued)	<u>Page</u>
Combining Balance Sheet – Nonmajor Enterprise Funds	L-21
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds	L-22
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	L-23
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Transit Fund	L-25
Schedule of Changes in the Status of Transit Capital Project Fund	L-26
Schedule of Changes in the Status of Transit II Capital Project Fund	L-27
Schedule of Expenditures by Project – Transit II Capital Project Fund	L-28
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Airport Fund	L-29
Schedule of Changes in the Status of Airport Capital Project Fund	L-30
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Solid Waste Recycling Fund	L-31
 INTERNAL SERVICE FUNDS	
Combining Balance Sheet – Internal Service Funds	M-1
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	M-2
Combining Statement of Cash Flows – Internal Service Funds	M-3
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Warranty Fleet Fund	M-4
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Insurance Fund	M-5
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – PWC Fleet Maintenance Fund	M-6
 FIDUCIARY FUNDS	
TRUST FUNDS	
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	N-1
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	N-2
Combining Statement of Fiduciary Net Assets – Private-purpose Trust Funds	N-3
Combining Statement of Changes in Fiduciary Net Assets – Private-purpose Trust Funds	N-4
 <u>OTHER SUPPLEMENTAL FINANCIAL DATA</u>	
Schedule of Current Tax Levy	O-1
Schedule of Taxes Receivable	O-2

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

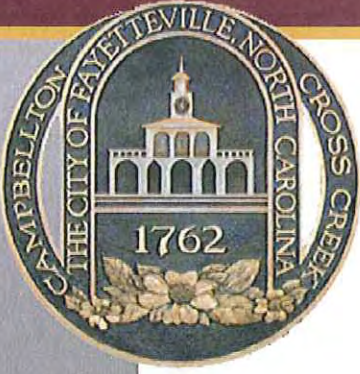
<u>STATISTICAL SECTION (UNAUDITED):</u>	<u>Page</u>
Net Assets by Component	P-1
Changes in Net Assets	P-2
Fund Balances of Governmental Funds	P-5
Changes in Fund Balances, Governmental Funds	P-6
Tax Revenue by Source, Governmental Funds	P-7
Revenue Base by Customer Class – Charges for Services – Electric Kilowatt Hours Sold	P-8
Assessed Value and Actual Value of Taxable Property	P-9
Direct and Overlapping Property Tax Rates	P-10
Principal Property Taxpayers	P-11
Property Tax Levies and Collections	P-12
Ratios of Outstanding Debt by Type	P-13
Ratios of General Bonded Debt Outstanding	P-14
Direct and Overlapping Governmental Activities Debt	P-15
Legal Debt Margin Information	P-16
Pledged Revenue Coverage – Utility	P-17
Demographic and Economic Statistics	P-18
Principal Employers	P-19
Full-time City Government Employees by Function	P-20
Operating Indicators by Function/Program	P-21
Capital Assets Statistics by Function	P-24

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	Q-1
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	Q-3
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	Q-5
Schedule of Findings and Questioned Costs	Q-7
Summary Schedule of Prior Year Audit Findings	Q-9
Schedule of Expenditures of Federal and State Awards	Q-10

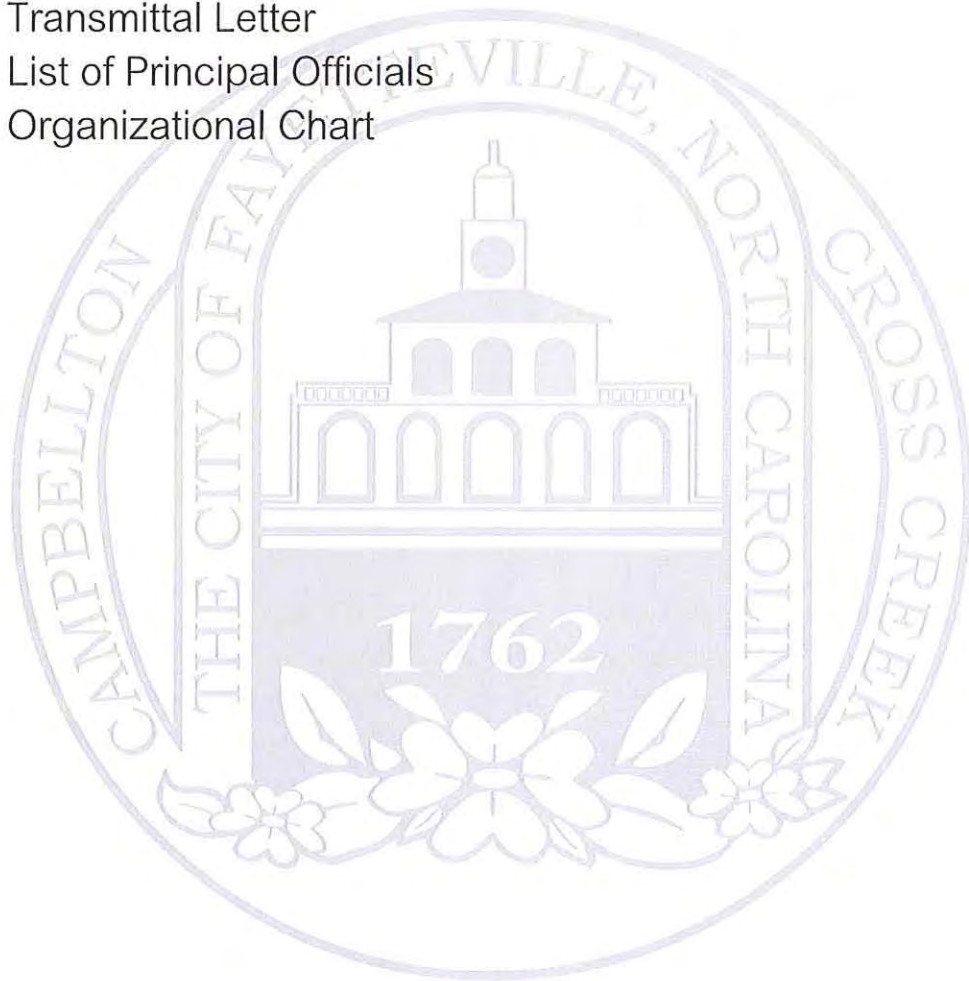
PASSENGER FACILITY CHARGE COMPLIANCE SECTION

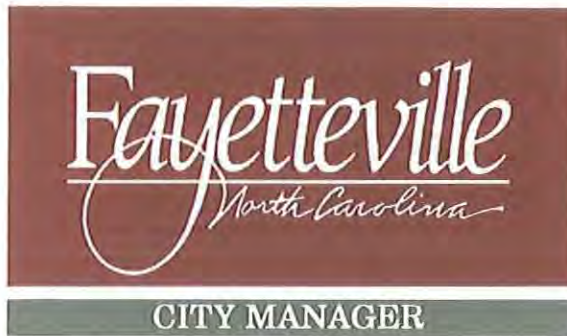
Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide	R-1
Schedule of Findings and Questioned Costs	R-3
Summary Schedule of Prior Year Audit Findings	R-4
Schedule of Expenditures of Passenger Facility Charges	R-5



Introductory Section

- Transmittal Letter
- List of Principal Officials
- Organizational Chart





November 15, 2010

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, 2010. 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, 2010. 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 twice as an "All-America City" by the National Civic League and is known as a community of "History, Heroes and a Hometown Feeling". 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 and Pope Air Force Base are located approximately 10 miles from the City's downtown. These bases form one of the largest military complexes in the world. This complex significantly adds to the culture of the community and the local economy. Fort Bragg is the home of the Army's only Airborne Corps and the 82nd Airborne Division as well as the US Army Special Operations Command. Pope Air Force Base, located adjacent to Fort Bragg, provides the fixed-wing aviation assets required to support Fort Bragg's missions. The Airborne and Special Operations Museum in downtown Fayetteville is just one indicator of the community pride and gratitude for these local heroes.

Fayetteville is the sixth largest municipality in the State with a population estimated at 207,788, and encompassing 148.04 square miles as of June 30, 2010. The City's population has increased by 71.7% or 86,773 residents since the last U.S. Census on April 1, 2000. Much of the population growth has 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 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 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 stabilized by the presence of Fort Bragg Army Base and Pope Air Force Base. Approximately 56,000 military personnel are stationed at Fort Bragg and Pope, with support from approximately 14,000 additional civilian employees. The direct impact of payroll alone added almost \$3.2 billion to the regional economy in federal fiscal year 2009.

Fort Bragg and Pope Air Force Base are transitioning as a result of the 2005 Base Realignment and Closure Commission (BRAC) decisions. The most significant changes affecting Fort Bragg include the relocation of the U.S. Army Forces Command (FORSCOM) and U.S. Army Reserve Command (USARC) headquarters from Fort McPherson, Georgia. Pope Air Force Base will be significantly impacted as real property, host installation responsibilities and base operations support will transfer to Fort Bragg as the Base transitions to Pope Army Airfield by March 2011. The 43rd Airlift Wing will be deactivated and the 43rd Airlift Group will be established to execute en route operations in support of deployments and training of Fort Bragg personnel. In June 2007, the 440th Airlift Wing relocated to Pope Air Force Base from Milwaukee, Wisconsin and will assume responsibility for airfield and C-130 flight operations. The 23rd Fighter Group relocated from Pope Air Force Base to other air force bases in 2007. Other tenant units such as the 18th Air Support Operations Group, which directly supports Army operations, will remain. In total, the changes are projected to have a positive impact on the local economy. According to a growth plan commissioned by the Fort Bragg and Pope Air Force Base BRAC Regional Task Force, base realignments are expected to result in a net increase of 8,704 military personnel, civilian employees and contractors, and 16,498 family members to the region by 2013.

In addition to Fort Bragg and Pope Air Force Base, 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, and Purolator Products which produces auto filters, and Wal-Mart through its distribution center and retail outlets.

The State of North Carolina enacted legislation in September 2007 authorizing cash grants up to \$30 million for the Fayetteville Goodyear plant. Goodyear must maintain at least 2,000 jobs at the plant and invest \$200 million in facility upgrades by December 31, 2012 to be eligible for grant payments. In February 2009, City Council approved an economic incentive agreement with similar eligibility requirements providing Goodyear with up to 10 annual payments of \$100,000. In September 2009, Goodyear workers approved a new four-year contract. Plant officials expect to reach the \$200 million investment milestone by December 2010. The plant, with approximately 2,650 employees, is one of the area's largest and highest paying private employers.

During the past five years, Fayetteville's annual unemployment rates have ranged from a low of 5.0% to a high of 7.3%, according to the North Carolina Employment Security Commission. In August 2010, the unemployment rates for Fayetteville, North Carolina and the United States were 7.2%, 9.8% and 9.5%, 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
2009	7.3	10.6	9.3
2008	5.1	6.2	5.8
2007	4.3	4.7	4.6
2006	4.3	4.7	4.6
2005	5.0	5.3	5.1
* Source of unemployment data is the North Carolina Employment Security Commission			

During fiscal year 2010, the City approved 1,060 permits for new residential units valued at \$104.9 million and 86 new commercial building permits valued at \$43.1 million were issued for construction compared to 1,029 permits for new residential units valued at \$97.4 million and 52 new commercial building permits valued at \$64.0 million issued in fiscal year 2009. The local housing market has been impacted by the continued deployment of soldiers from Fort Bragg and the tightening of mortgage lending standards nationwide. While these conditions have presented challenges and contributed to a decline in the number of homes sold, Fayetteville has maintained steadily rising average values for home sales since 2000. In August 2010, Local Market Monitor, a North Carolina based research firm, described the Fayetteville housing market as being 13 percent undervalued and forecasted continued appreciation in the coming year. The stability of the housing market is attributed to the City's proximity to Fort Bragg and Pope military bases and the corresponding concentration of more stable government employment.

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 2010 totaled

approximately \$3.08 billion, which represented an 8.2% increase over fiscal year 2009. 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
2010	N/A	N/A	\$3,077,026,293	8.2
2009	\$2,348,317,596	2.10	2,844,376,173	3.4
2008	2,300,524,240	2.10	2,751,850,877	0.19
2007	2,253,207,756	9.30	2,746,626,602	9.7
2006	2,061,503,490	N/A	2,504,743,152	N/A
*The NC Department of Revenue does not provide municipal sales data after June 30, 2009. Available fiscal year 2005 and fiscal year 2006 data is not comparable.				

Overall, Fayetteville's economy is expected to remain stable. While Fayetteville is not immune from the challenges facing other cities in North Carolina and across the country as the nation slowly recovers from the recession, the proximity of Fort Bragg and the base realignments are expected to mitigate the impact of those economic challenges on the local economy. For 2010, the Milken Institute ranked the Fayetteville metropolitan area as the 18th best-performing of the 200 largest metropolitan areas based upon comparisons of job, wage and salary and technology growth.

The City Council adopted a fiscal year 2011 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.

A key financial goal of the City for many years has been to maintain a minimum 10% undesignated fund balance level in the General Fund. In addition, the City's practice has been to appropriate fund balance for one-time expenditures or significant capital needs. These goals were met in fiscal year 2010 and were used to develop the fiscal year 2011 operating budget. Undesignated fund balance in the General Fund was \$18.7 million or 14.3% of total General Fund expenditures and transfers out at June 30, 2010, which exceeds the minimum 10 percent goal established by 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, storm water system, airport and transit. The City also annually prepares a five-year financial forecast for its General Fund. The purpose of the

forecast is to enhance the City's financial planning process. The forecast incorporates the Council-adopted strategic plan, five-year capital improvement plan, capital funding plan, and adopted budget.

Consistent with its capital funding policy, in fiscal year 2010 the City dedicated an amount equivalent to 6.36 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 general obligation debt and for future cash funding of major capital improvements. The City designates any excess dedicated revenues at year-end and accumulated fund balance 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:

- Through the end of fiscal year 2010, the City was awarded over \$10 million in stimulus funding through the American Recovery and Reinvestment Act of 2009. These dollars fund the addition of 21 police personnel and equipment, two stormwater improvement projects, the purchase of five hybrid-diesel buses, the development of an energy efficiency program, a new façade program, and homelessness prevention and re-housing programs.
- In partnership with Cumberland County, the City and its PWC moved forward with development and funding plans for the construction of an approximately 300-space parking deck on Franklin Street in the downtown core. In May and June 2010, City Council authorized commencement of the project with design funding and approved financing the project with approximately \$6.0 million in Recovery Zone Economic Development Bonds. The financing agreement was executed in August 2010.
- The City continued its efforts to complete its first comprehensive overhaul of its zoning and subdivision regulations in almost 50 years. This effort will result in the creation of a Unified Development Ordinance that will 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.

- In October 2009, the City refunded \$12.9 million in general obligation bonds and realized net present value savings of \$869,000.
- The City undertook an air service study for non-stop service to Washington, D.C. to support economic development, particularly in support of the military market. Over the past two years, air carriers operating at the Fayetteville Regional Airport have increased flight capacity from 13 to 19 daily round trip flights servicing Atlanta and Charlotte. In addition, two daily non-stop flights to Dallas/Fort Worth commenced in June 2010.
- 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 have received grants totaling \$741,000 from the Department of Housing and Urban Development to fund infrastructure improvements at the All American Military Business Park. The construction of infrastructure improvements is underway, and the first tenant broke ground for the construction of a 10,000 square foot complex in March 2010.
- 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 have 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 2010, the City continued to acquire properties, began the design of Blount's Creek Trail, provided funding for infrastructure improvements and assisted with the Community Gardens project. The FMHA began construction on 408 housing units, of which the first 32 are anticipated to be ready for lease for elderly residents by December 2010.
- The City adopted a Sustainability Master Plan to reduce carbon emissions, conserve water, increase the tree canopy and produce energy savings.
- The City enhanced fire protection services in north Fayetteville, opening Fire Station 19 in a temporary facility in August 2009. Construction of the permanent station is expected to begin in early 2011. Staffing for the new station and an additional engine company serving east Fayetteville was funded in part by a federal SAFER grant of over \$2.1 million awarded in February 2009.
- The City continued redevelopment work on the 300 Block of Hay Street project, with the final phase of the project ahead of schedule. The City has expended or committed approximately \$1.9 million to pay permit fees, acquire land, construct a parking lot and make streetscape improvements. Developers expect to invest approximately \$11 million in the project to buy land from the City and construct a five-story, 46,000 square-foot retail and office space building, 20 townhouses and 20 condominiums. The project is approximately 95 percent complete.

- City Council adopted a Transportation Development Plan (TDP), which was developed with the assistance of a consultant, in August 2009. Improvements identified in the plan that were implemented during fiscal year 2010 included extended service hours on three routes, and the addition of a new route in response to identified community needs. In addition, a new ADA-compliant transfer center was opened, 11 new vehicles were put in service, and the administration offices were renovated to be more energy efficient.
- 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 installation of nearly six miles of water mains to connect the PWC distribution system to the Fort Bragg system. PWC has a 40-year contract with the Department of Defense to provide water to the Fort Bragg Army installation and is working with Harnett County to provide a maximum daily demand of 16 million gallons a day.
 - Implemented its first rate increase of a multi-year plan in preparation for a new power supply contract that begins in 2012. PWC anticipates a considerable escalation in power costs and smaller annual rate increases will allow PWC to build its rate stabilization fund for use in future years to lessen the impact of a sizable one-time rate adjustment to customers.
 - Extended utility services to an additional 400 properties as part of the City's Annexation Phase V utility retrofitting project, bringing the total number of service extensions to over 1,000. Plans call for extending service to an additional 7,500 properties by 2024.
 - Refunded \$125.8 million in variable rate revenue bonds with fixed rate revenue bonds, terminated the associated swap agreements and reserve fund and realized net present value savings of \$3.1 million. PWC also issued \$36.7 million in revenue bonds to finance various water and wastewater expansion and improvement projects. S&P affirmed PWC's AA- credit rating with a stable outlook, while Moody's affirmed PWC's Aa3 credit rating and assigned a positive outlook. Subsequent to this transaction, Moody's recalibrated PWC's credit rating upward from Aa3 to Aa2 in May 2010.
 - Achieved 100% compliance in a review of the electric system by the Southeastern Electric Reliability Council (SERC) to ensure operations meet federal requirements put in place to mitigate extensive blackouts such as the Northeast Blackout of 2003.
 - Moved forward with a study of offering internet broadband, cable and phone service through its fiber-optic network. Following a favorable market study, the City and PWC are continuing to evaluate the feasibility of a fiber-to-the-home initiative.

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

- Through fiscal year 2009, the City received grants totaling \$16.0 million from the State of North Carolina for the development of the 15-acre North Carolina Veterans Park near the Airborne and Special Operations Museum in the downtown area. The completed park facility will include a formal garden, visitor's

center and freedom trail. Construction was completed on a comfort station, a connector walk and the Guardians Wall along Bragg Boulevard during fiscal year 2010. The first phase of the park is expected to be completed and opened by July 2011. The second phase of the park development is contingent upon the relocation of the Rowan Street bridge and will require at least three additional years to be completed.

- The City made significant progress toward several improvement projects at the Fayetteville Regional Airport. During fiscal year 2010, \$5.2 million of funding from federal and state grants, passenger facility fees and airport operating revenues was invested in the projects, which included the rehabilitation of the primary runway, renovation of the aircraft rescue and fire fighting building, renovation of the parking lot and pay canopy and kiosks, and rehabilitation of the west general aviation ramp.
- The City invested \$1.8 million in storm water drainage improvement projects during fiscal year 2010. These projects represent initial steps in addressing over \$43 million of identified drainage improvement needs to be funded by a dedicated storm water improvement fee.
- The City implemented a major upgrade of the computer-aided dispatch and records management systems for the Police and Fire Departments.
- PWC opened its new Customer Service Center, a 10,000 square foot building, designed to LEED standards (Leadership in Energy & Environmental Design). With the opening of the new Center, PWC centralized its customer service functions to its Operations Campus while providing customers several new conveniences including additional drive-thru lanes, additional parking and access to public transportation.
- PWC continued work to rehabilitate or replace aging water and sanitary sewer system infrastructure. The purpose of the project is to replace or reline existing water and sewer mains to improve quality of service, reduce losses and unaccounted for volumes and to extend the life of the distribution and collection systems.


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, 2009. 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,



Dale E. Iman
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, 2009

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.



President

Executive Director

LEFT TO RIGHT

Keith Bates
District 1

Kady-Ann Davy
District 2

D.J. Haire
District 4

Wesley Meredith
District 9

Anthony Chavonne
Mayor



Theodore Mohn
District 8

Bill Crisp
District 6

Robert Hurst, Jr.
District 5

Robert Massey
District 3

Valencia Applewhite
District 7

City Administrative, Legal and Financial Staff

Dale Iman
City Manager

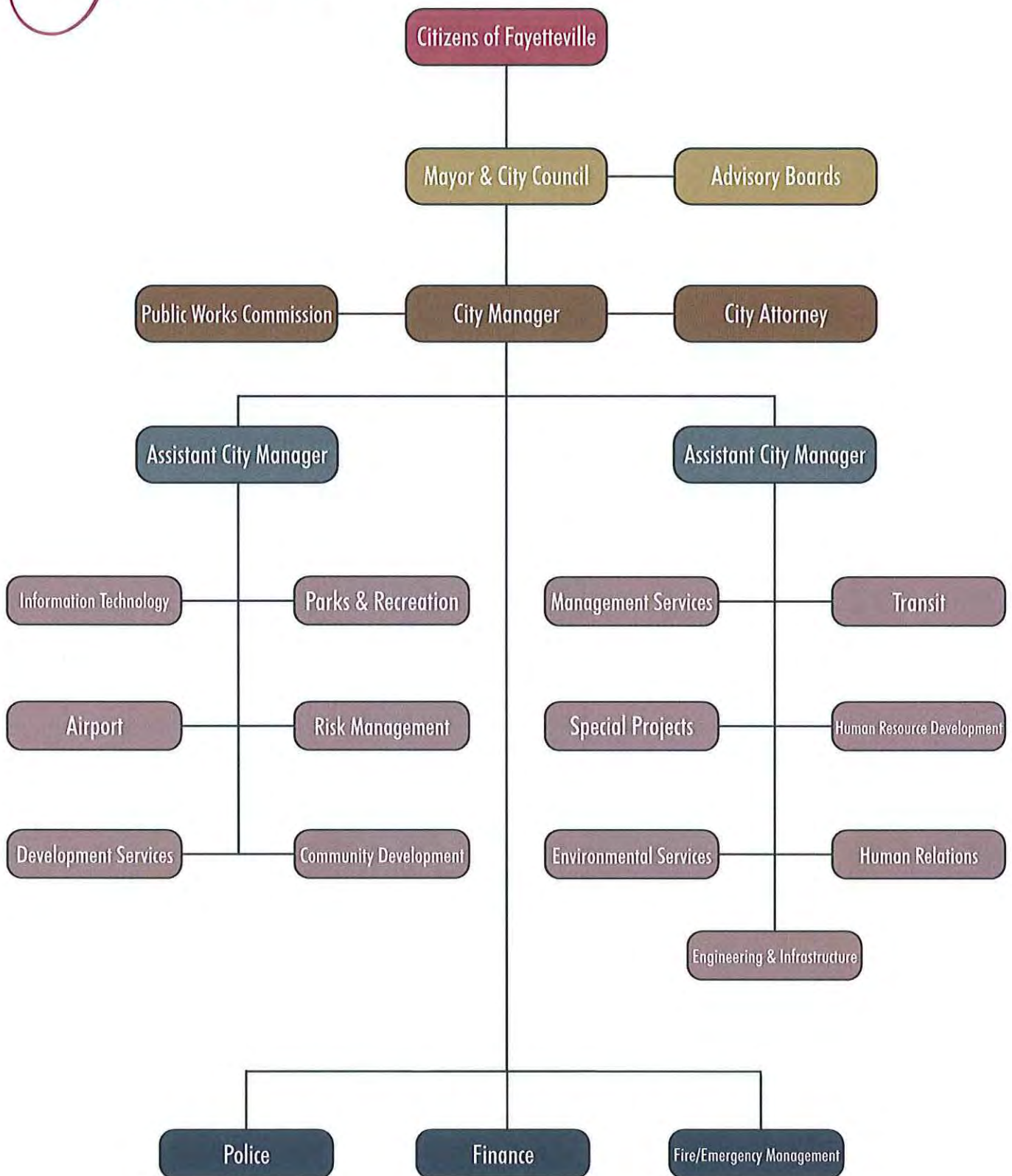
Doug Hewett
Assistant City Manager

Kristoff Bauer
Assistant City Manager

Karen McDonald
City Attorney

Lisa Smith
Chief Financial Officer

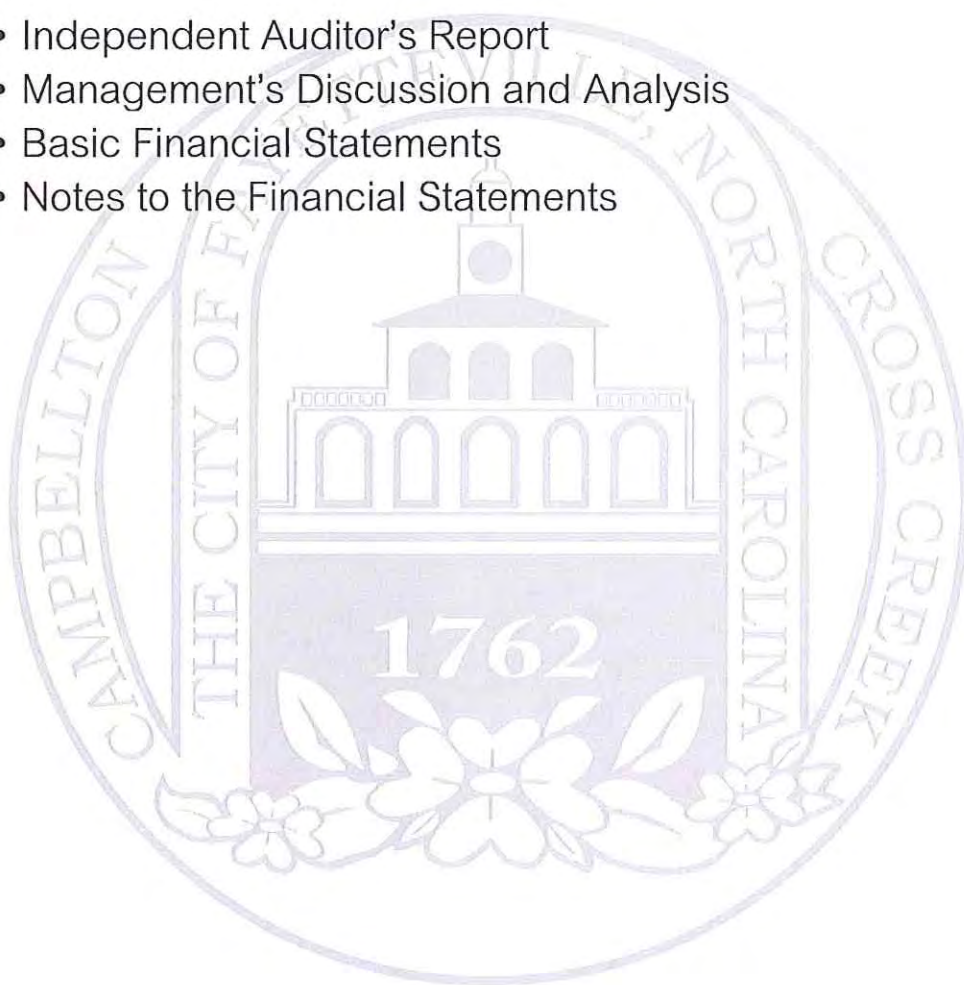
Rita Perry
City Clerk





Financial Section

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





Independent Auditor's Report





INDEPENDENT AUDITOR'S 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, 2010, 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 an opinion 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 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 opinion.

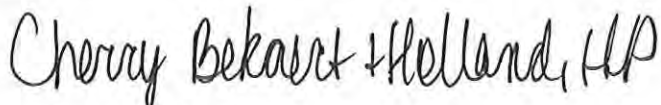
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

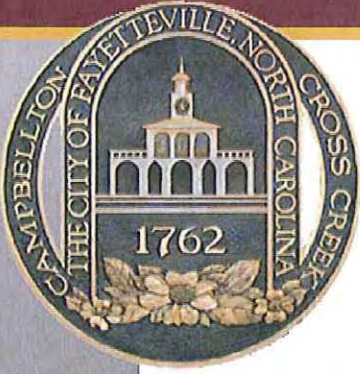
The management's discussion and analysis, and the required supplementary information as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and other supplemental financial data, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and schedule of expenditures of Passenger Facility Charges as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, for the year ended June 30, 2010, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2010, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in cursive script that reads "Cherry Bekaert + Holland LLP".

Fayetteville, North Carolina
November 15, 2010



Management's Discussion & Analysis



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, 2010. 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 \$1.2 billion (*net assets*). Of this amount, \$232.1 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 \$58.8 million.
- Net assets decreased \$3.1 million to \$422.7 million in fiscal year 2010 down from \$425.9 million in fiscal year 2009 in the Governmental activities. Key factors in this decrease were primarily from a \$7.8 million increase in public safety expenses partially attributed to increased costs for personnel, depreciation and compensated absences, \$2.1 million increase in contractual payments to other local governments and the City's Water and Wastewater Fund that can be primarily attributed to the voluntary annexation of Fort Bragg, offset by increases in ad valorem property taxes (\$3.1 million), other taxes (\$2.0 million) and operating grants for public safety activities (\$1.7 million).
- Net assets increased \$61.9 million to \$735.8 million in fiscal year 2010 up from \$673.9 million in fiscal year 2009 in the Business type activities. By far, the largest portion of these net assets, \$572.7 million or 77.8 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, Transit, Airport and Solid Waste Recycling activities. Capital contributions and operating funds offset by capital asset depreciation contributed to the \$48.5 million increase in Capital Assets, Net of Related Debt.

Current and Other Assets increased \$52.5 million or 26.4 percent in the Business type activities. This increase is primarily due to a \$23.1 million increase in investments held at year end and unspent bond proceeds of \$22.9 million during fiscal year 2010 in the Electric, Water and Wastewater Funds in fiscal year 2010.

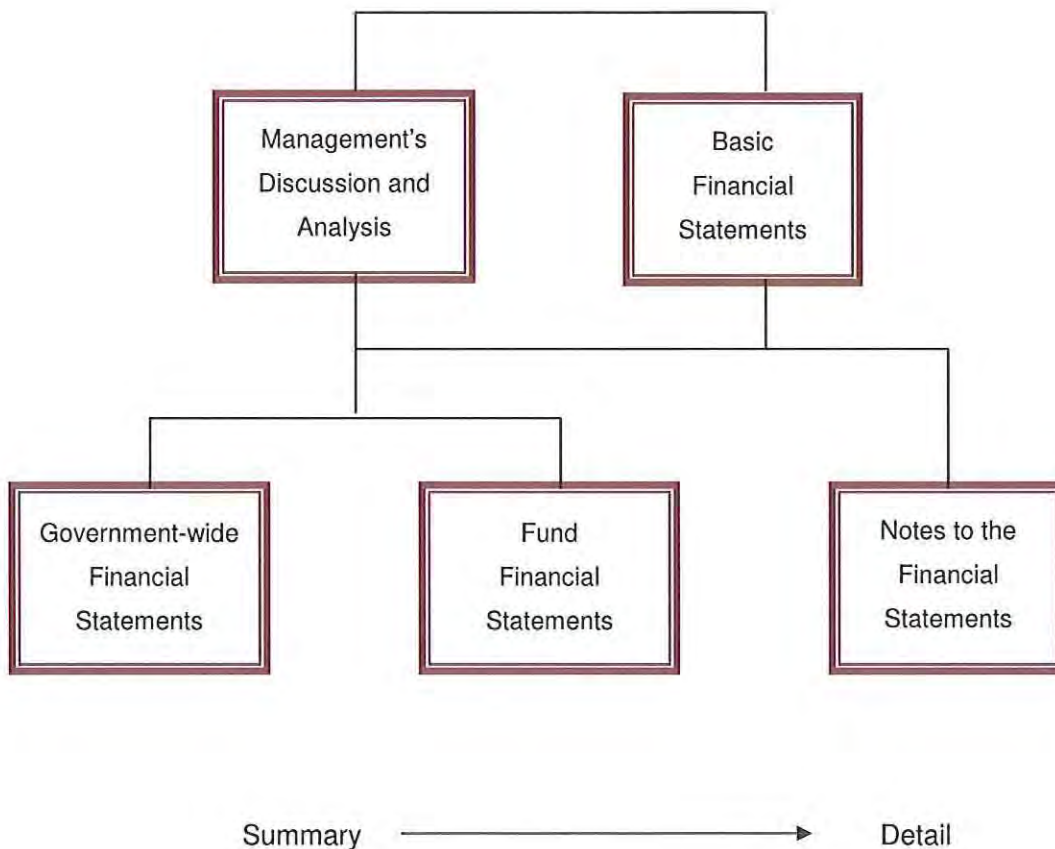
- As of the close of fiscal year 2010, the City's governmental funds reported an ending fund balance of \$71.7 million, an increase of \$6.6 million in comparison to prior year. Approximately 49.3 percent of total fund balance, or \$35.4 million is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of fiscal year 2010, unreserved fund balance for the general fund was \$28.6 million or 21.8 percent of total general fund expenditures and transfers out for the fiscal year. Of this amount, \$9.9 million has been designated for subsequent year expenditures, special purposes, and capital projects, bringing the undesignated general fund balance to \$18.7 million or 14.3 percent of general fund expenditures and transfers out.
- The City's total debt increased by \$2.4 million during fiscal year 2010.
- The City's most recent general obligation bond issue, was rated Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's). The most recent revenue bond issue for the utility system was rated Aa3 (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 and the utility revenue bond credit rating upward from Aa3 to Aa2.

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, 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, 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 leasing program, 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 two pension trust funds 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-48 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, 2010 with comparative data for June 30, 2009. The City's combined net assets increased \$58.8 million, or 5.3% from fiscal year 2009 to 2010. 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	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 116,753	\$ 123,226	\$ 198,739	\$ 251,232	\$ 315,492	\$ 374,458
Capital assets	388,385	380,300	699,081	728,186	1,087,466	1,108,486
Total assets	505,138	503,526	897,820	979,418	1,402,958	1,482,944
Long-term liabilities outstanding	51,022	51,880	179,445	184,428	230,467	236,308
Other liabilities	28,259	28,918	44,468	59,204	72,727	88,122
Total liabilities	79,281	80,798	223,913	243,632	303,194	324,430
Net assets:						
Invested in capital assets, net of related debt	351,060	349,628	524,263	572,740	875,323	922,368
Restricted	1,885	3,226	946	848	2,831	4,074
Unrestricted	72,912	69,874	148,698	162,198	221,610	232,072
Total net assets	\$ 425,857	\$ 422,728	\$ 673,907	\$ 735,786	\$ 1,099,764	\$ 1,158,514

The assets of the City exceeded liabilities by \$1.2 billion as of June 30, 2010. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$922.4 million, Restricted net assets of \$4.1 million and Unrestricted net assets \$232.1 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, and wastewater 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, 2010, \$232.1 million, or 20% of the total net assets reported of \$1.2 billion, is unrestricted.

CITY OF FAYETTEVILLE

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for services	\$ 12,936	\$ 15,225	\$ 241,663	\$ 255,446	\$ 254,599	\$ 270,671
Operating grants and contributions	10,857	10,881	2,945	3,674	13,802	14,555
Capital grants and contributions	1,463	3,649	19,619	29,730	21,082	33,379
General revenues:						
Property taxes	55,407	58,518	-	-	55,407	58,518
Other taxes	42,525	44,483	-	-	42,525	44,483
Grants and contributions not restricted to specific programs	815	296	-	-	815	296
Other	3,317	2,020	4,920	3,262	8,237	5,282
Total revenues	<u>127,320</u>	<u>135,072</u>	<u>269,147</u>	<u>292,112</u>	<u>396,467</u>	<u>427,184</u>
Expenses:						
Administration	17,815	19,932	-	-	17,815	19,932
Public safety	64,355	72,107	-	-	64,355	72,107
Environmental protection	12,049	11,098	-	-	12,049	11,098
Transportation	18,966	20,291	-	-	18,966	20,291
Economic and physical development	4,532	5,371	-	-	4,532	5,371
Recreation and community facilities	12,881	13,117	-	-	12,881	13,117
Interest and fees	1,981	1,694	-	-	1,981	1,694
Electric	-	-	144,715	142,996	144,715	142,996
Water and wastewater	-	-	65,163	69,063	65,163	69,063
Transit	-	-	5,975	6,231	5,975	6,231
Airport	-	-	4,330	4,590	4,330	4,590
Solid Waste Recycling	-	-	1,919	1,944	1,919	1,944
Total expenses	<u>132,579</u>	<u>143,610</u>	<u>222,102</u>	<u>224,824</u>	<u>354,681</u>	<u>368,434</u>
Increase in net assets before transfers and special items	(5,259)	(8,538)	47,045	67,288	41,786	58,750
Transfers	<u>3,366</u>	<u>5,409</u>	<u>(3,366)</u>	<u>(5,409)</u>	<u>-</u>	<u>-</u>
Increase in net assets	(1,893)	(3,129)	43,679	61,879	41,786	58,750
Net assets, July 1	<u>427,750</u>	<u>425,857</u>	<u>630,228</u>	<u>673,907</u>	<u>1,057,978</u>	<u>1,099,764</u>
Net assets, June 30	<u>\$ 425,857</u>	<u>\$ 422,728</u>	<u>\$ 673,907</u>	<u>\$ 735,786</u>	<u>\$ 1,099,764</u>	<u>\$ 1,158,514</u>

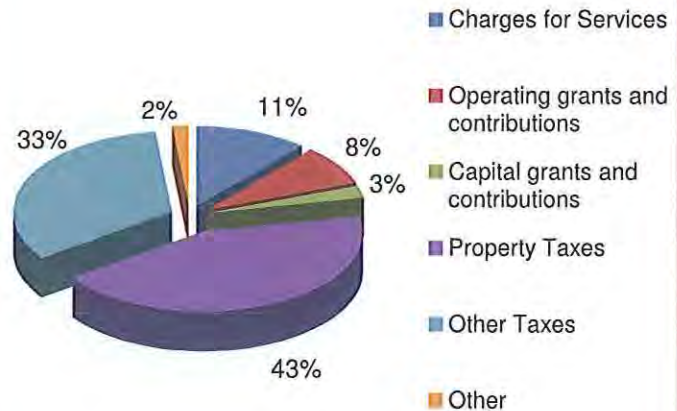
Governmental activities: Revenues for the City's governmental activities were \$135.1 million, while total expenses were \$143.6 million in fiscal year 2010. The decrease in net assets for governmental activities, after transfers in, was \$3.1 million. Key elements of this decrease are as follows:

- Ad valorem property tax revenues increased \$3.1 million to \$58.5 million due to development within the City and the revaluation of real property in 2009. Property taxes represent 43.3 percent of total governmental revenues.
- Other taxes of \$44.5 million, which accounted for 32.9 percent of total governmental revenues increased \$2.0 million from 2009 primarily due to increases in sales tax and utility franchise tax.

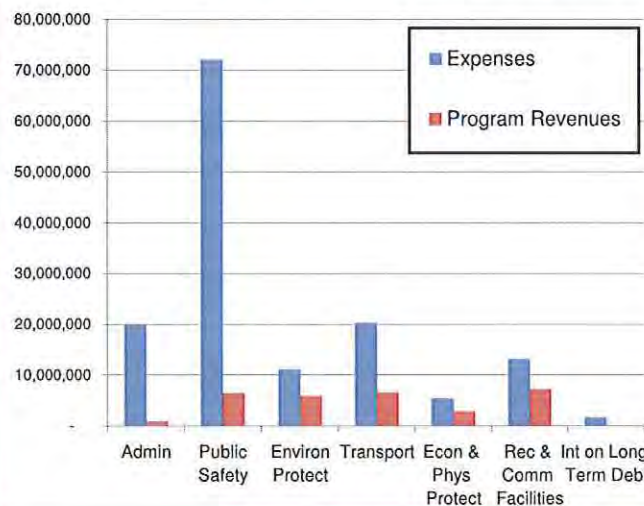
- Those who directly benefited from service-fee based programs paid \$15.2 million in charges for services and represented a 17.7 percent increase (\$2.3 million) from 2009. This increase can be primarily attributed to the reclassification of a portion of the storm water fees from operating contributions to charges for service in 2010.

- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$10.9 million in 2010. While this amount remained relatively unchanged from 2009, operating grants and contributions for public safety activities, including significant hiring grants, increased 148.8 percent (\$1.7 million) from fiscal year 2009, and operating grants and contributions for environmental protection activities decreased by 96.8 percent (\$2.3 million) primarily due to the reclassification of a portion of the storm water fees to charges for services. Operating grants and contributions include operating support from various federal and state agencies (\$10.4 million).

Revenues by Source - Governmental Activities



Expenses and Program Revenues -Governmental Activities



- The governmental activities received \$6.0 million in other revenues such as capital grants and contributions, interest and unrestricted grants.

- The cost of all governmental activities this year was \$143.6 million compared to \$132.6 million in fiscal year 2009. This change resulted primarily from a \$7.8 million increase in public safety operations that is partially attributed to increased costs for personnel, depreciation and compensated absences. In addition, contractual payments to Cumberland County, local municipalities, and the City's Water and Wastewater Fund increased \$2.1 million, primarily due

to the City's voluntary annexation of Fort Bragg. Finally, transportation expenses increased \$1.3 million in part due to payments to the City's Electric Fund for decorative street lights.

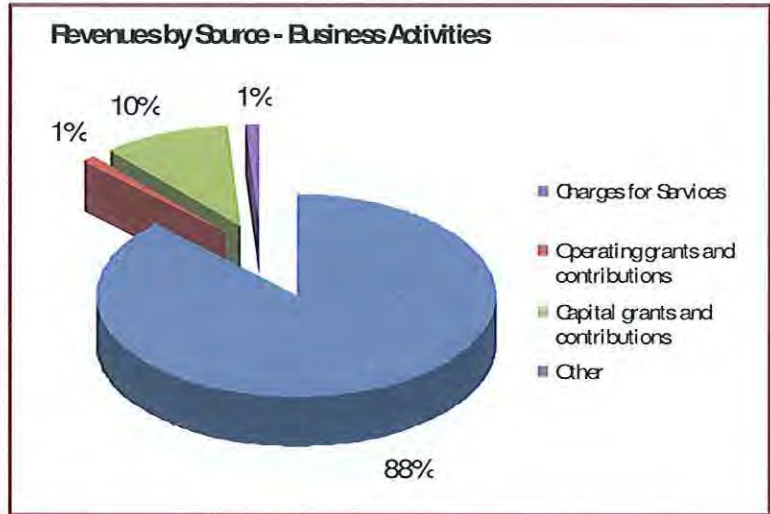
- The City's four largest governmental programs – public safety (50.2 percent), transportation (14.1 percent), administration (13.9 percent), and recreation and community facilities (9.1 percent), represent 87.3 percent of the total governmental activities.

Business-type activities:

Revenues for the City's business-type activities were \$292.1 million, while total expenses were \$224.8 million in fiscal year 2010. The increase in net assets for business-type activities, after transfers out of \$5.4 million, was \$61.9 million, resulting in net assets of \$735.8 million. Particularly, net assets increased in the electric, water and wastewater activities by \$56.3 million, resulting in net assets of \$686.8 million in fiscal year 2010, compared to \$630.5 million in fiscal year 2010. By far, the largest portion of these net assets, \$534.3 million or 77.8 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 \$43.8 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 \$55.3 million or 30.1 percent. The increase is primarily a result of a \$23.1 million increase in investments held at year end and unspent bond proceeds of \$22.9 million during fiscal year 2010.



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, unreserved 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 2010, unreserved fund balance of the General Fund was \$28.6 million, while total fund balance reached \$46.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 21.8 percent of total General Fund expenditures and transfers out, while total fund balance represents 35.5 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's goal is to maintain an undesignated fund balance of at least 10 percent of the succeeding year's expenditure budget. Undesignated fund balance is the component of unreserved fund balance after consideration for management's policy designations. The City's unreserved fund balance totals \$28.6 million. Of this amount, \$2.9 million is designated for fiscal year 2010 appropriations and \$7.0 million is designated for specific purpose and capital projects. The remaining unreserved fund balance of \$18.7 million is undesignated.

The fund balance of the City's general fund increased by \$0.7 million during the current fiscal year. Key factors in this increase can be attributed to:

- Property tax revenues and county recreation revenues that were \$1.4 million and \$.7 million more than budgeted, respectively, due to the revaluation of real property.
- Capital lease proceeds that were \$1.1 million more than budgeted due to the financing of certain vehicles and equipment.
- Personnel expenditures across all departments that were \$1.5 million less than budgeted that was due in part to a hiring freeze.
- \$3.9 million in capital and operating budgets that were unexpended at June 30, 2010; however, these funds were encumbered, designated or reserved in fund balance.
- In addition, \$1.5 million was included in the budget beyond expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year.
- These positive variances were offset by a fund balance appropriation of \$9.7 million which is an other financing source used to balance the budget but is not reflected as current year revenue.

The Recreational and Cultural Fund is a major capital project fund used to account 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. At the end of fiscal year 2010, total fund balance of the Recreational and Cultural Fund was \$1.4 million, of which \$.6 million was reserved for contract encumbrances.

At the end of fiscal year 2010, the Recreational and Cultural Fund reflected a \$1.7 million decrease in restricted cash and a \$2.0 million decrease in deferred revenue. This decrease can be primarily attributed to the recognition and use of grant revenue for the on-going construction of the NC State Veterans Park.

At June 30, 2010, the governmental funds of the City reported a combined fund balance of \$71.7 million, a 10.2 percent increase from the previous year.

General Fund Budgetary Highlights

The City Council originally approved a \$137.1 million general fund budget for fiscal year 2010, which represented a \$2.3 million or 1.7% increase from the original budget for fiscal year 2009. The general tax rate was established at 45.6 cents per \$100 value, reflecting the projected revenue-neutral tax rate following the 2009 property revaluation process. Significant appropriation increases for the fiscal year 2010 budget included \$2.4 million for 30 additional positions with equipment and support costs to enhance police services, \$835,000 for law enforcement officer pay increases, \$955,000 for 24 additional fire suppression personnel, \$455,000 in additional funding for transit service improvements, a \$675,000 increase in funding dedicated for the capital funding plan, and an additional \$2.9 million for reimbursement agreements with other local governments and Fort Bragg, primarily due to the impact of the annexation of a portion of Fort Bragg in September, 2008. These appropriation increases were offset by a \$1.3 million reduction in one-time funding for capital improvements, \$1.3 million less for vehicle and equipment replacements, a reduction of \$1.2 million in equipment financing debt service requirements and other personnel and operating expenditure reductions.

An additional \$1.6 million in current ad valorem taxes from real and personal property was expected to be generated compared to the fiscal year 2009 original budget, following the 2009 property revaluation process. An additional \$1.3 million in revenues from sales taxes and \$1.9 million from utility taxes were expected to be received in fiscal year 2010 compared to the fiscal year 2009 original budget, primarily reflecting the impact of the additional population and area from the September 2008 annexation of Fort Bragg, offset by declining per capita sales taxes due to general economic conditions. The original budget for fiscal year 2010 included a projected increase of \$2.2 million in federal funding for public safety, including \$1.5 million in anticipated grants for police personnel and related expenses, and \$727,000 in grant proceeds for fire suppression personnel. Transfers to the general fund were projected to be \$670,000 more than the original fiscal year 2009 budget primarily due to an increase in the transfer from the Electric fund. The \$4.1 million fund balance appropriation for one-time expenditures and use of capital project reserves for fiscal year 2010 represented a \$5.6 million reduction compared to the original \$9.7 million fund balance appropriation originally budgeted in fiscal year 2009.

During the fiscal year, the City Council approved budget increases of \$10.9 million or 7.9% bringing the general fund budget for fiscal year 2010 to \$148.0 million. The budget increase was primarily due to \$5.3 million appropriated by Council for expenditures encumbered, designated or reserved for donations at June 30, 2009 and \$8.6 million appropriated to refund outstanding bonds, offset by appropriation reductions of \$1.8 million for public safety positions and equipment related to grants that were not received or appropriated in another fund and \$1.6 million across several departments based upon year-end expenditure projections. The increased budget appropriations were primarily funded by an additional fund balance appropriation of \$5.6 million and \$8.8 million in refunding bond proceeds, offset by a \$1.5 million reduction in Federal intergovernmental revenues for anticipated public safety grants, a \$1.4 million reduction in budgeted local option sales taxes, and a \$661,000 reduction in state intergovernmental revenues related to beer and wine tax proceeds withheld by the state.

Actual revenues and other financing sources for the general fund totaled \$140.5 million, or \$7.5 million or 5.1% less than the final amended budget. The shortfall primarily related to a budgeted fund balance appropriation of \$9.7 million, which is an other financing source that is not reflected as current year revenue. This shortfall was offset by ad valorem taxes that exceeded the budget by \$1.4 million, capital lease proceeds that exceeded the budget by \$1.1 million and restricted intergovernmental revenues that exceeded the budget by \$1.0 million, primarily due to County recreation proceeds and Powell Bill

allocations. Other revenues that did not reach budgeted levels included: a \$636,000 shortfall in sales and service revenues primarily due to property lease proceeds and public safety services; a \$222,000 shortfall in other taxes primarily due to privilege license and gross receipts taxes on rental income, a \$212,000 shortfall in unrestricted intergovernmental revenues which primarily reflects local option sales tax distributions and utility tax distributions, and a \$197,000 shortfall in investment income.

Actual expenditures and other financing uses totaled \$139.8 million, or \$8.2 million less than the final amended budget. There were approximately \$3.9 million in expenditures budgeted for fiscal year 2010 which were encumbered, designated or reserved for donations at June 30, 2010 to be reappropriated in fiscal year 2011. In addition, the final budget retained appropriations of approximately \$1.5 million or 1% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year, and personnel expenditures across all departmental budgets were \$1.5 million less than budgeted in part due to a hiring freeze. The balance of the variance results from a variety of departmental operating expenditures being under budget.

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, 2010, totals \$922.4 million (net of accumulated depreciation and related debt). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and electric, water, and wastewater utility systems.

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

- \$7.1 million for water main to Fort Bragg and relocation of Spring Lake booster pump station
- \$6.4 million for water and wastewater rehabilitation of mains and laterals
- \$5.4 million for installation of wastewater utility systems in annexed areas
- \$5.2 million for airport runway, airfield and parking improvements
- \$4.7 million in street, sidewalk and drainage infrastructure projects
- \$2.7 million for Green and Russell Streets electric underground improvements
- \$2.2 million for public safety (police and fire) vehicles and equipment
- \$1.9 million for electric distribution system transformers
- \$1.9 million for substation rebuilds and transformer replacements
- \$1.7 million for CAD/RMS hardware and software
- \$1.5 million for purchase and installation of water meters
- \$1.3 million for Cross Creek Water Reclamation Facility residuals handling improvements
- \$1.2 million for transit vehicles
- \$1.0 million for Veterans Park building and improvements

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

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land and land rights	\$ 36,297	\$ 36,800	\$ 16,136	\$ 16,598	\$ 52,433	\$ 53,398
Infrastructure	283,086	275,371	-	-	283,086	275,371
Electric utility system	-	-	168,198	175,849	168,198	175,849
Wastewater system	-	-	256,118	263,941	256,118	263,941
Water system	-	-	153,797	169,362	153,797	169,362
Equipment and machinery	-	-	9,411	9,714	9,411	9,714
Buildings and improvements	46,562	46,171	46,002	51,453	92,564	97,624
Equipment, furniture and fixtures	4,546	3,253	799	631	5,345	3,884
Computer software	-	1,865	-	1,189	-	3,054
Computer equipment	-	-	2,330	1,368	2,330	1,368
Vehicles	14,609	13,765	8,611	9,220	23,220	22,985
Construction in progress	3,286	3,075	37,678	28,861	40,964	31,936
Total	\$ 388,386	\$ 380,300	\$ 699,080	\$ 728,186	\$ 1,087,466	\$ 1,108,486

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, 2010, The City had total bonded debt outstanding of \$197.8 million (before loss on defeasance, see Note 5 in the financial statements), of which \$22.3 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	
	2009	2010	2009	2010	2009	2010
Bonded debt	\$ 28,459	\$ 21,670	\$ 154,877	\$ 160,384	\$ 183,336	\$ 182,054
Obligations under capital leases	10,268	13,863	-	98	10,268	13,961
Installment note payable	-	1,251	19,219	17,951	19,219	19,202
Total long-term debt	\$ 38,727	\$ 36,784	\$ 174,096	\$ 178,433	\$ 212,823	\$ 215,217

The City's total long-term debt increased by \$2.4 million, or 1.1%, during the past fiscal year. This increase is due to the issuance of new debt totaling \$44.6 million and the amortization of loss on defeasance of \$1.9 million offset by principal payments of \$22.3 million and a decrease of \$21.8 million due to the issuance of refunding bonds during fiscal year 2010.

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 \$8.7 million and a \$12.4 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 most recent Public Works Commission revenue bond credit ratings received in connection with the Series 2009A Revenue Refunding Bonds and 2009B Revenue Bonds were affirmed at Aa3 (Moody's Investor Services) and AA- (Standard & Poors). Subsequently, in May 2010, Moody's recalibrated the City's Public Works Commission revenue bond credit rating upward from Aa3 to Aa2. The City continues to meet all debt covenants and continuing disclosure requirements.

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 \$956.6 million. The City has no bonds authorized but unissued at June 30, 2010.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-22 – F-30 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2011

The City Council approved a \$134.7 million general fund budget for fiscal year 2011, which represented a \$2.4 million or 1.8% decrease from the original budget for fiscal year 2010. The tax rate remained the same at 45.6 cents per \$100 value. Significant appropriation increases for the fiscal year 2011 budget included \$1.4 million for employee pay increases, \$1.7 million for retirement and healthcare benefit cost increases, \$745,000 for vehicles (primarily replacements) and \$462,000 for future expenditures of revenues restricted for the operation of the County Recreation District. These appropriation increases were offset by a \$1.0 million reduction in personnel funding due to the elimination or freezing of 23 positions, a \$1.1 million reduction in personnel funding due to public safety grant positions that were included in the prior year budget but were either not funded or appropriated in other funds, a \$2.3 million reduction in funding for debt service requirements, a \$426,000 reduction in current funding for annexation water and wastewater projects, a \$1.2 million reduction in contract service funding primarily attributed to streetlight installation and election costs funded in fiscal year 2010 but not in FY2011 and reduced sales tax revenue reimbursements for the County and other municipalities. The approximate \$700,000 remaining balance of the budget reduction was primarily realized across operating expenditure accounts through the general fund.

An additional \$1.6 million in current ad valorem taxes from real and personal property is expected to be generated compared to the fiscal year 2010 original budget primarily reflecting increased real property values following the 2009 property revaluation process and natural growth. Federal intergovernmental revenues are budgeted \$1.6 million less than the original budget for fiscal year 2010, primarily reflecting the elimination of \$1.5 million for anticipated public safety grants included in the fiscal year 2010 budget. Fiscal year 2011 proceeds from sales tax distributions are projected at \$1.6 million less than the fiscal year 2010 budget, reflecting the impact of the economic downturn over the past two years. Transfers from the PWC funds are expected to be \$1.3 million higher in fiscal year 2011, reflecting a one-time return of \$1 million in excess funding provided for completed annexation water and wastewater projects, an increase in the regular transfer from the electric funds of \$626,000 based upon 3.1% of fiscal year 2009 electric fund net assets, offset by the termination of a \$319,000 transfer to fund streetlight utility expenditures. The \$3.0 million fund balance appropriation for one-time expenditures and projected salary savings for fiscal year 2011 represents a \$1.1 million reduction compared to the original \$4.1 million fund balance appropriation originally budgeted in fiscal year 2010. Finally, the fiscal year 2010 budget included \$750,000 in loan proceeds that are not budgeted in fiscal year 2011.

The City Council has since approved budget increases of \$4.3 million or 3.2%, bringing the general fund budget for fiscal year 2011 to \$139.0 million. The budget increase is primarily due to appropriations of \$3.9 million for expenditures encumbered, designated or reserved for donations at June 30, 2010. The funding sources for the increased appropriations are a \$4.3 million fund balance appropriation increase.

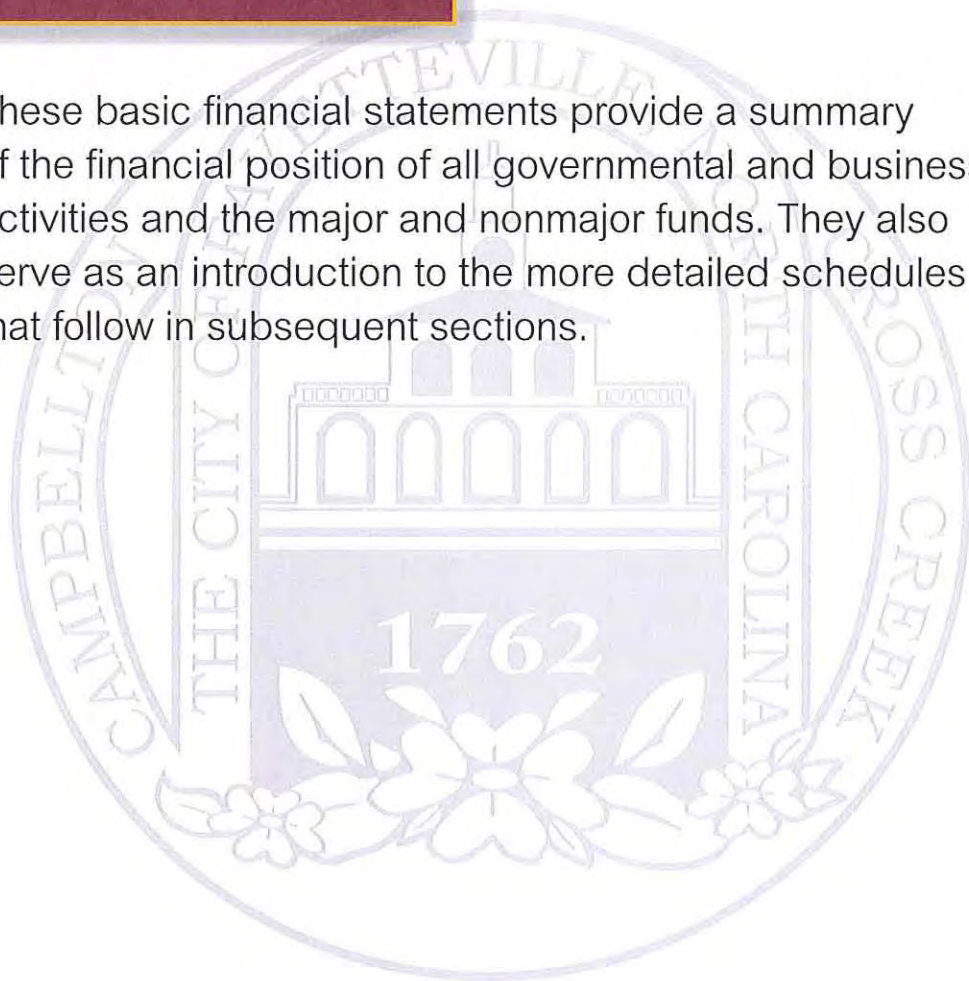
Requests for Information

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.



Basic Financial Statements

These basic financial statements provide a summary of the financial position of all governmental and business 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, 2010**

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and investments	\$ 78,198,331	\$ 81,763,007	\$ 159,961,338
Taxes receivable	3,161,522	-	3,161,522
Accounts receivable	4,176,173	41,755,525	45,931,698
Internal balances	(1,799,874)	1,799,874	-
Assessment receivable	630,776	-	630,776
Due from other governments	11,753,478	1,045,068	12,798,546
Inventories	104,678	13,343,557	13,448,235
Prepaid expenses	834,036	494,515	1,328,551
Noncurrent portion of note receivable	7,720,437	-	7,720,437
Restricted asset - cash and investments	18,064,035	92,025,554	110,089,589
Restricted asset - accounts receivable	-	209,025	209,025
Restricted asset - collateral pledged	-	306,077	306,077
Restricted asset - other current	-	82,439	82,439
Other assets	382,827	18,407,247	18,790,074
Capital assets:			
Land and construction in progress	39,875,162	45,459,069	85,334,231
Other capital assets, net of depreciation	340,424,404	682,727,040	1,023,151,444
Total assets	503,525,985	979,417,997	1,482,943,982
Liabilities			
Accounts payable and accrued expenses	14,630,152	23,927,724	38,557,876
Restricted liabilities - accounts payable	-	12,879,296	12,879,296
Unearned revenues	12,877,130	34,643	12,911,773
Unearned deposits	156,979	2,872,707	3,029,686
Long-term liabilities:			
Due within one year	9,266,611	14,961,034	24,227,645
Due in more than one year	42,613,595	169,467,070	212,080,665
Other liabilities	1,253,225	19,489,343	20,742,568
Total liabilities	80,797,692	243,631,817	324,429,509
Net assets			
Invested in capital assets, net of related debt	349,628,675	572,740,121	922,368,796
Restricted for:			
Capital projects	-	806,982	806,982
Debt service	-	41,258	41,258
Grant compliance	3,225,781	-	3,225,781
Unrestricted	69,873,837	162,197,819	232,071,656
Total net assets	\$ 422,728,293	\$ 735,786,180	\$ 1,158,514,473

The notes to the financial statements
are an integral part of this statement.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities
Year Ended June 30, 2010

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	\$ 19,932,088	\$ 830,793	\$ 30,000	\$ -	\$ (19,071,295)	\$ -	\$ (19,071,295)
Public safety	72,106,589	3,648,358	2,764,654	5,408	(65,688,169)	-	(65,688,169)
Environmental protection	11,098,182	5,321,692	75,000	520,597	(5,180,893)	-	(5,180,893)
Transportation	20,291,431	924,384	5,509,654	96,757	(13,760,636)	-	(13,760,636)
Economic and physical development	5,371,176	70,995	2,396,648	383,277	(2,520,256)	-	(2,520,256)
Recreation and community facilities	13,117,175	4,428,944	105,460	2,642,557	(5,940,214)	-	(5,940,214)
Interest and fees	1,693,633	-	-	-	(1,693,633)	-	(1,693,633)
Total governmental activities	143,610,274	15,225,166	10,881,416	3,648,596	(113,855,096)	-	(113,855,096)
Business-type activities:							
Electric	142,995,626	173,192,801	-	1,407,440	-	31,604,615	31,604,615
Water and wastewater	69,063,071	75,419,483	-	22,835,906	-	29,192,318	29,192,318
Transit	6,230,449	839,490	2,337,806	1,733,733	-	(1,319,420)	(1,319,420)
Airport	4,589,767	3,735,652	1,040,076	3,752,977	-	3,938,938	3,938,938
Solid waste recycling	1,944,210	2,258,683	296,121	-	-	610,594	610,594
Total business-type activities	224,823,123	255,446,109	3,674,003	29,730,056	-	64,027,045	64,027,045
Total primary government	\$ 368,433,397	\$ 270,671,275	14,555,419	33,378,652	(113,855,096)	64,027,045	(49,828,051)
General revenues:							
Ad valorem taxes					58,518,101	-	58,518,101
Other taxes							
Sales tax					30,789,881	-	30,789,881
Utility franchise tax					4,738,762	-	4,738,762
Telecommunications sales tax					1,995,826	-	1,995,826
Piped natural gas tax					640,513	-	640,513
Video franchise tax					2,660,091	-	2,660,091
Vehicle license tax					622,951	-	622,951
Privilege license					983,146	-	983,146
Cablevision franchise tax					372,226	-	372,226
Vehicle gross receipts tax					477,886	-	477,886
Wireline 911 tax and wireless consolidated funds					1,060,306	-	1,060,306
Solid waste disposal tax					141,302	-	141,302
Unrestricted grants and contributions					295,870	-	295,870
Interest earned on investments					1,157,788	3,133,521	4,291,309
Miscellaneous					652,055	87,444	739,499
Gain on sale of capital assets					210,072	40,942	251,014
Total general revenues not including transfers					105,316,776	3,261,907	108,578,683
Transfers					5,409,378	(5,409,378)	-
Total general revenues and transfers					110,726,154	(2,147,471)	108,578,683
Change in net assets					(3,128,942)	61,879,574	58,750,632
Net assets - beginning					425,857,235	673,906,606	1,099,763,841
Net assets - ending					\$ 422,728,293	\$ 735,786,180	\$ 1,158,514,473

The notes to the financial statements are an integral part of this statement.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2010

	General	Recreational and Cultural Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 42,543,129	\$ 1,354,589	\$ 19,089,419	\$ 62,987,137
Taxes receivable	2,968,369	-	-	2,968,369
Accounts receivable	12,875,388	29,925	9,758,654	22,663,967
Interfund receivable	213,918	-	-	213,918
Assessments receivable	630,776	-	-	630,776
Inventories	104,678	-	-	104,678
Restricted asset - cash and investments	1,071,729	12,050,110	4,942,196	18,064,035
Total assets	\$ 60,407,987	\$ 13,434,624	\$ 33,790,269	\$ 107,632,880
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 9,257,973	\$ 383,951	\$ 1,777,398	\$ 11,419,322
Unearned deposits	108,739	-	48,240	156,979
Deferred revenues	4,452,697	11,714,339	8,220,757	24,387,793
Total liabilities	13,819,409	12,098,290	10,046,395	35,964,094
Fund balances:				
Reserved				
By State statute	12,805,674	29,925	4,427,646	17,263,245
For encumbrances	2,597,091	603,544	9,863,469	13,064,104
For inventories	104,678	-	-	104,678
For downtown	104,316	-	-	104,316
For county recreation	2,273,244	-	-	2,273,244
For streets - Powell Bill	-	-	2,425,237	2,425,237
For JP Riddle Stadium	59,410	-	-	59,410
For donations	28,115	-	-	28,115
For grant compliance	-	-	800,544	800,544
For bond projects	-	-	190,158	190,158
Unreserved				
Designated				
For subsequent year's expenditures	2,908,969	-	-	2,908,969
For special purpose	3,558,494	-	-	3,558,494
For capital projects	3,424,312	702,865	-	4,127,177
Undesignated	18,724,275	-	-	18,724,275
Unreserved, reported in nonmajor:				
Designated for subsequent year's expenditures	-	-	-	-
Special revenue	-	-	1,025,386	1,025,386
Capital projects	-	-	3,765,339	3,765,339
Designated for special purpose	-	-	-	-
Special revenue	-	-	2,420,000	2,420,000
Undesignated	-	-	-	-
Special revenue	-	-	80,866	80,866
Capital projects	-	-	(1,254,771)	(1,254,771)
Total fund balances	46,588,578	1,336,334	23,743,874	71,668,786
Total liabilities and fund balances	\$ 60,407,987	\$ 13,434,624	\$ 33,790,269	\$ 107,632,880

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2010**

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

Ending fund balance - governmental funds	\$	71,668,786
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	378,391,476
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Land	\$ 20,660,176
Right of Way	16,139,995
Construction in progress	3,074,991
Infrastructure	453,850,127
Buildings and improvements	71,859,295
Furniture and equipment	22,150,988
Computer software	4,155,010
Vehicles	37,410,398
Accumulated depreciation	<u>(250,909,504)</u>
	<u>\$ 378,391,476</u>

Other long-term assets are not available to pay for current-period expenditures and, therefore; are deferred in the funds.	11,518,849
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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.	(870,401)
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Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.	533,806
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Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.	193,151
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Internal service funds are used by management to charge the costs of warranty fleet, fleet maintenance and insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.	13,114,174
--	------------

Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.	(371,072)
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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:	(51,450,476)
--	--------------

General obligation bonds	\$ (15,290,134)
Revenue bonds	(6,380,000)
Notes payable	(1,250,598)
Obligations under capital leases	(13,863,292)
Net OPEB obligation	(9,293,442)
Compensated absences	<u>(5,373,010)</u>
	<u>\$ (51,450,476)</u>

Net assets of governmental activities	\$ <u>422,728,293</u>
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CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2010

	General	Recreational and Cultural Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 58,699,957	\$ -	\$ -	\$ 58,699,957
Other taxes and fees	2,464,111	-	6,173,198	8,637,309
Unrestricted intergovernmental	41,927,788	-	-	41,927,788
Restricted intergovernmental	9,730,687	1,976,168	5,258,097	16,964,952
Permits and fees	1,880,274	-	-	1,880,274
Sales and services	3,182,815	-	-	3,182,815
Miscellaneous	2,022,118	2,095	812,920	2,837,133
Interest earned on investments	647,168	169,370	113,261	929,799
Total revenues	<u>120,554,918</u>	<u>2,147,633</u>	<u>12,357,476</u>	<u>135,060,027</u>
Expenditures				
Current:				
Administration	19,837,540	-	245,384	20,082,924
Public safety	62,548,890	-	7,581,042	70,129,932
Environmental protection	7,338,882	-	4,594,489	11,933,371
Transportation	7,376,429	-	3,331,491	10,707,920
Economic and physical development	1,316,359	-	4,076,776	5,393,135
Recreation and community facilities	10,941,278	2,320,867	222,155	13,484,300
Debt service:				
Principal	5,815,747	-	3,439,569	9,255,316
Interest	993,526	-	535,063	1,528,589
Bond issuance costs	131,014	-	-	131,014
Total expenditures	<u>116,299,665</u>	<u>2,320,867</u>	<u>24,025,969</u>	<u>142,646,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,255,253</u>	<u>(173,234)</u>	<u>(11,668,493)</u>	<u>(7,586,474)</u>
Other financing sources (uses)				
Sale of capital assets	203,916	-	6,156	210,072
Transfers in	9,161,901	258,001	13,903,779	23,323,681
Transfers out	(14,932,174)	(164,291)	(2,162,888)	(17,259,353)
Proceeds from loans	750,000	-	500,598	1,250,598
Proceeds from capital leases	1,071,729	-	5,479,080	6,550,809
Refunding bonds issued	7,896,115	-	-	7,896,115
Premium on refunding bonds	863,131	-	-	863,131
Payment to refunded bond escrow agent	(8,600,308)	-	-	(8,600,308)
Total other financing sources (uses)	<u>(3,585,690)</u>	<u>93,710</u>	<u>17,726,725</u>	<u>14,234,745</u>
Net change in fund balances	<u>669,563</u>	<u>(79,524)</u>	<u>6,058,232</u>	<u>6,648,271</u>
Fund balance - beginning	<u>45,919,015</u>	<u>1,415,858</u>	<u>17,685,642</u>	<u>65,020,515</u>
Fund balance - ending	<u>\$ 46,588,578</u>	<u>\$ 1,336,334</u>	<u>\$ 23,743,874</u>	<u>\$ 71,668,786</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, 2010**

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

Net change in fund balances - total governmental funds	\$ 6,648,271
--	--------------

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 (\$20,030,417) exceeded capital outlay (\$12,383,988) in the current period.	(7,646,429)
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(121,171)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(444,566)
--	-----------

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.	(1,429,442)
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New issuance - capital lease	\$ (6,550,809)
New issuance - note payables	(1,250,598)
New issuance - general obligation debt	(8,759,246)
Refunded bonds	8,600,308
Principal repayments	9,255,316
Change in net OPEB obligation	(2,081,163)
Change in compensated absences	(655,854)
Other miscellaneous	12,604
	<u>\$ (1,429,442.00)</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.	678
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The net revenue of certain activities of internal service funds is reported with governmental activities.	(136,283)
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Change in net assets of governmental activities	<u>\$ (3,128,942)</u>
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CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 57,261,858	\$ 57,261,858	\$ 58,699,957	\$ 1,438,099
Other taxes	2,686,579	2,686,579	2,464,111	(222,468)
Unrestricted intergovernmental	44,102,796	42,139,866	41,927,788	(212,078)
Restricted intergovernmental	10,256,333	8,760,524	9,730,687	970,163
Permits and fees	1,987,000	1,987,000	1,880,274	(106,726)
Sales and services	3,818,886	3,818,886	3,182,815	(636,071)
Miscellaneous	1,939,922	1,949,922	2,022,118	72,196
Interest earned on investments	844,000	844,000	647,168	(196,832)
Total revenues	<u>122,897,374</u>	<u>119,448,635</u>	<u>120,554,918</u>	<u>1,106,283</u>
EXPENDITURES				
Current:				
Administration	23,644,629	21,629,546	19,837,540	1,792,006
Public safety	65,802,847	65,593,930	62,548,890	3,045,040
Environmental protection	7,322,394	7,962,755	7,338,882	623,873
Transportation	7,783,734	7,919,386	7,376,429	542,957
Economic and physical development	1,819,988	1,827,042	1,316,359	510,683
Recreation and community facilities	11,910,134	12,208,624	10,941,278	1,267,346
Debt Service:				
Principal	7,139,991	5,976,263	5,815,747	160,516
Interest	1,474,606	994,219	993,526	693
Bond issuance costs	-	131,014	131,014	-
Total expenditures	<u>126,898,323</u>	<u>124,242,779</u>	<u>116,299,665</u>	<u>7,943,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,000,949)</u>	<u>(4,794,144)</u>	<u>4,255,253</u>	<u>9,049,397</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	225,000	225,000	203,916	(21,084)
Appropriated fund balance	4,104,101	9,668,300	-	(9,668,300)
Transfers in	9,172,772	9,172,772	9,161,901	(10,871)
Transfers out	(10,250,924)	(15,180,866)	(14,932,174)	248,692
Proceeds from loans	750,000	750,000	750,000	-
Proceeds from capital leases	-	-	1,071,729	1,071,729
Refunding bonds issued	-	7,896,115	7,896,115	-
Premium on refunding bonds	-	863,131	863,131	-
Payment to refunding bond escrow agent	-	(8,600,308)	(8,600,308)	-
Total other financing sources (uses)	<u>4,000,949</u>	<u>4,794,144</u>	<u>(3,585,690)</u>	<u>(8,379,834)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>669,563</u>	<u>\$ 669,563</u>
FUND BALANCE - BEGINNING			<u>45,919,015</u>	
FUND BALANCE - ENDING			<u>\$ 46,588,578</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds			Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Nonmajor Enterprise Funds	
Assets				
Current assets				
Cash and investments	\$ 52,476,420	\$ 21,534,702	\$ 7,751,885	\$ 81,763,007
Accounts receivable	25,499,367	15,405,629	1,895,597	42,800,593
Interfund receivable	119,382	5,533	-	124,915
Inventories	11,826,219	1,362,410	154,928	13,343,557
Prepaid expenses	184,363	306,402	3,750	494,515
Total unrestricted current assets	90,105,751	38,614,676	9,808,160	138,526,587
Restricted current assets				
Restricted cash and investments	39,349,691	51,993,968	681,895	92,025,554
Accounts receivable	84,047	124,978	-	209,025
Collateral pledged in lieu of deposits	306,077	-	-	306,077
Other restricted current assets	-	82,439	-	82,439
Total restricted current assets	39,739,815	52,201,385	681,895	92,623,095
Total current assets	129,845,566	90,816,061	10,488,055	231,149,682
Noncurrent assets				
Other assets	3,544,853	14,862,394	-	18,407,247
Capital assets	227,114,605	462,599,814	38,471,690	728,186,109
Total noncurrent assets	230,659,458	477,462,208	38,471,690	746,593,356
Total assets	360,505,024	568,278,269	48,959,745	977,743,038
Liabilities and net assets				
Current liabilities to be paid from unrestricted assets				
Accounts payable and accrued expenses	14,337,611	8,770,776	819,337	23,927,724
Current portion of long term debt	2,950,408	11,773,103	237,523	14,961,034
Interfund payables	-	-	213,918	213,918
Unearned deposits	-	-	675	675
Total current liabilities to be paid from unrestricted assets	17,288,019	20,543,879	1,271,453	39,103,351
Current liabilities to be paid from restricted assets				
Accounts payable and accrued expenses	5,862,367	7,016,929	-	12,879,296
Total current liabilities to be paid from restricted assets	5,862,367	7,016,929	-	12,879,296
Total current liabilities	23,150,386	27,560,808	1,271,453	51,982,647
Noncurrent liabilities				
Unearned deposits	10,985	2,861,047	-	2,872,032
Net OPEB obligation	1,122,349	1,288,702	467,897	2,878,948
Deferred revenues	-	-	34,643	34,643
Accrued vacation	-	-	-	-
Long-term debt	17,722,904	148,786,201	79,017	166,588,122
Other liabilities	3,340,896	16,148,447	-	19,489,343
Total noncurrent liabilities	22,197,134	169,084,397	581,557	191,863,088
Total liabilities	45,347,520	196,645,205	1,853,010	243,845,735
Net assets				
Invested in capital assets, net of related debt	207,919,958	326,348,473	38,471,690	572,740,121
Restricted net assets				
Capital projects	-	9,758	797,224	806,982
Debt service	51	41,207	-	41,258
Unrestricted	107,237,495	45,233,626	7,837,821	160,308,942
Total net assets	\$ 315,157,504	\$ 371,633,064	\$ 47,106,735	733,897,303

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.

1,888,877

Net assets of business-type activities

\$ 735,786,180

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	Enterprise Funds			Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Nonmajor Enterprise Funds	
			Total	
Operating revenues				
Charges for services	\$ 173,192,801	\$ 64,355,514	\$ 6,639,175	\$ 244,187,490
Other revenue from operations	-	-	194,650	7,141,687
Interfund charges and employee contributions	-	-	-	14,261,195
Miscellaneous operating revenue	-	11,063,969	-	1,285
Total operating revenues	173,192,801	75,419,483	6,833,825	21,404,167
Operating expenses				
General and administrative	11,510,382	11,847,036	-	-
Power supply and generation	103,856,516	-	-	-
Electric operation	11,249,470	-	-	-
Miscellaneous operating expense - water	-	11,063,969	-	-
Water operations	-	12,415,704	-	-
Wastewater operations	-	11,390,966	-	-
Salaries and employee benefits	-	-	4,541,412	401,600
Other operating expenses	-	-	5,586,431	20,363,264
Depreciation	14,736,900	14,771,966	2,349,941	329,000
Total operating expenses	141,353,268	61,489,641	12,477,784	21,093,864
Operating income (loss)	31,839,533	13,929,842	(5,643,959)	310,303
Nonoperating revenue (expense)				
Interest earned on investments	1,822,762	1,227,879	82,880	204,032
Federal and State grants	-	-	1,834,241	-
Passenger Facility Charges	-	-	894,481	-
Miscellaneous revenue	-	-	87,444	155
Gain (loss) on disposal of capital assets	(399,293)	40,892	(27,883)	4,177
County revenue	-	-	296,121	-
Vehicle fee revenue	-	-	649,160	-
Interest expense	(983,829)	(6,618,794)	(14,003)	-
Amortization	(238,543)	(842,713)	-	-
Miscellaneous expense	-	-	(244,706)	-
Issuance costs	(20,693)	(111,923)	-	-
Total nonoperating revenue (expense)	180,404	(6,304,659)	3,557,735	208,364
Income (loss) before transfers	32,019,937	7,625,183	(2,086,224)	518,667
Transfers in	20,847	1,042,178	2,649,540	1,921,100
Transfers out	(8,691,161)	(79)	(430,703)	(2,576,050)
Capital contributions	1,407,440	22,835,906	5,486,710	-
Change in net assets	24,757,063	31,503,188	5,619,323	(136,283)
Total net assets - beginning	290,400,441	340,129,876	41,487,412	15,139,334
Total net assets - ending	\$ 315,157,504	\$ 371,633,064	\$ 47,106,735	\$ 15,003,051

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.

Change in net assets of business-type activities

\$ 61,879,574

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Enterprise Funds			Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Nonmajor Enterprise Funds	
			Total	
Operating activities				
Cash received from customers	\$ 170,630,249	\$ 75,260,688	\$ 12,539,336	\$ 258,430,273
Cash received for insurance reimbursements	-	-	-	433,283
Cash paid to or on behalf of employees for services	(12,498,460)	(18,378,681)	(4,373,823)	(2,351,179)
Cash paid for goods and services	(6,951,703)	(20,144,293)	(9,824,403)	(18,571,254)
Cash paid for power supply and generation	(103,856,516)	-	-	-
Net cash provided by (used in) operating activities	47,323,570	36,737,714	(1,658,890)	535,437
Noncapital financing activities				
Transfers in	20,847	1,042,178	2,649,540	1,921,100
Federal and State grants	-	-	1,834,241	-
Transfers out	(8,691,161)	(79)	(430,703)	(2,576,050)
Vehicle revenue fees	-	-	649,160	-
Net cash provided (used) by noncapital financing activities	(8,670,314)	1,042,099	4,702,238	(654,950)
Capital and related financing activities				
Proceeds from sale of capital	(399,293)	40,892	29,260	4,177
Proceeds from debt issuance	19,464,803	142,519,821	98,191	162,082,815
Contributed capital received	1,407,440	5,143,610	5,486,710	12,037,760
Acquisition and construction of capital assets	(19,422,853)	(27,462,854)	(7,071,695)	(10,894)
Principal paid in debt maturities	(20,422,853)	(11,227,530)	(35,624)	-
Swap termination payment	-	(7,918,129)	-	-
Refunded bonds	-	(111,769,641)	-	-
Interest paid on debt maturities	(1,004,522)	(6,730,717)	(14,003)	-
Net cash provided (used) by capital and related financing activities	(20,377,278)	(17,404,548)	(1,507,161)	(6,717)
Investing activities				
Interest and dividends	1,822,762	1,227,879	82,880	204,032
Net change in investments	(30,823,913)	(89,752)	-	-
Net cash provided (used) by investing activities	(29,001,151)	1,138,127	82,880	204,032
Net increase (decrease) in cash and cash equivalents/investments	(10,725,173)	21,513,392	1,619,067	77,802
Cash and cash equivalents/investments				
Beginning of year	52,450,520	34,992,997	6,814,713	15,133,392
End of year	\$ 41,725,347	\$ 56,506,389	\$ 8,433,780	\$ 15,211,194
Unrestricted cash and cash equivalents/investments	\$ 19,813,178	\$ 13,438,216	\$ 7,751,885	\$ 15,211,194
Restricted cash and equivalents/investments	21,912,169	43,068,173	681,895	-
Total cash and cash equivalents/investments	\$ 41,725,347	\$ 56,506,389	\$ 8,433,780	\$ 15,211,194

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Enterprise Funds				Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Nonmajor Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 31,839,533	\$ 13,929,842	\$ (5,643,959)	\$ 40,125,416	\$ 310,303
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	14,736,900	14,771,966	2,349,941	31,858,807	329,000
Nonoperating payments for goods and services	-	-	(244,706)	(244,706)	-
Allowance for uncollectible accounts	(8,264)	8,530	-	266	-
Nonoperating receipts from customers	-	-	1,278,046	1,278,046	155
Change in assets and liabilities					
(Increase) decrease in accounts receivable	(2,517,498)	(167,325)	4,413,678	1,728,855	52,662
(Increase) decrease in inventory	390,538	22,635	(6,483)	406,690	-
(Increase) decrease in prepaid items	-	-	-	-	(218,846)
(Increase) decrease in internal balances	118,787	93,524	-	212,311	(212,311)
(Increase) decrease in other current assets	24,976	(123,682)	-	(98,706)	-
(Increase) decrease in other assets	(221,475)	(8,284,171)	-	(8,505,646)	-
(Increase) decrease in unearned deposits	(5,214)	(301,523)	-	(306,737)	-
(Increase) decrease in accounts payable and accrued liabilities	3,021,187	16,719,707	(3,986,783)	15,754,111	257,027
(Increase) decrease in accrued compensated absences	(55,900)	68,211	53,954	66,265	5,726
(Increase) decrease in deferred revenues	-	-	13,787	13,787	886
(Increase) decrease in Net OPEB Obligation	-	-	113,635	113,635	10,835
Total adjustments	15,484,037	22,807,872	3,985,069	42,276,978	225,134
Net cash provided by (used in) operating activities	<u>\$ 47,323,570</u>	<u>\$ 36,737,714</u>	<u>\$ (1,658,890)</u>	<u>\$ 82,402,394</u>	<u>\$ 535,437</u>
Noncash investing, capital, and financing activities					
Contributed capital assets	\$ -	\$ 17,366,195	\$ -	\$ 17,366,195	\$ -
FIF Credits Awarded	\$ -	\$ (326,101)	\$ -	\$ (326,101)	\$ -
FIF Credits Applied	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Pension Trust Fund	Private-purpose Trusts
Assets		
Cash and investments		
Cash and cash equivalents	\$ 2,214,841	\$ 1,380,728
Total cash and investments	2,214,841	1,380,728
Accounts receivable	4,548	2,809
Total assets	2,219,389	1,383,537
Liabilities		
Accounts payable	19,953	-
Total liabilities	19,953	-
Net assets		
Held in Trust for pension benefits and other purposes	2,199,436	1,383,537
Total net assets	\$ 2,199,436	\$ 1,383,537

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	Pension Trust Fund	Private-purpose Trusts
Additions		
Other revenue from operations	\$ -	\$ 40,994
Employer contributions	511,937	-
Other contributions	-	109,404
Investment earnings	28,717	14,197
Total additions	540,654	164,595
Deductions		
Benefit payments and premiums	534,601	147,268
Annuity purchase	2,880,000	-
Other	984,900	-
Total deductions	4,399,501	147,268
Change in net assets	(3,858,847)	17,327
Total net assets - beginning	6,058,283	1,366,210
Total net assets - ending	\$ 2,199,436	\$ 1,383,537



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, 2010

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 and wastewater utility, transit, airport services, 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, 2010

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 capital project 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. 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, 2010

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, state grants, and various other taxes and licenses. The primary expenditures are for public safety, parks and recreation, street maintenance, and solid waste.

Recreational and Cultural. The Recreational and Cultural Fund is a capital project fund used to account for resources used for the acquisition and construction of facilities such as parks, recreation centers and museums. Resources are provided through intergovernmental revenues, facility financing proceeds and transfers from other funds.

The City reports the following 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 fees charged to telephone customers to fund the 911 system. The Federal and State Financial Assistance Fund accounts for federal and state grants. The Storm Water Management Fund accounts for specified fees and maintenance of the storm water system. The City of Fayetteville Finance Corporation Fund accounts for debt service on certain municipal buildings and park improvements.

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 Water, Sewer and Storm Water Fund accounts for two storm water projects primarily funded by federal revolving loans from the North Carolina Department of Environment and Natural Resources. The projects were completed during the fiscal year ended June 30, 2010. 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 Linear Park Fund accounts for projects associated with development of the Linear Park Downtown.

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 the City of Fayetteville and surrounding areas.

Water and Wastewater Fund. This fund accounts for the operations of the water and wastewater facilities for the 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.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

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 Warranty Fleet Fund is used to account for the accumulation and allocation of costs associated with internally leasing vehicles. 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. The PWC Supplemental Pension Trust Fund accounts for the PWC Supplemental Employees' Retirement Plan, a single-employer defined benefit pension plan.

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

All GASB Statements and all Financial Accounting Standards Board ("FASB") Statements issued on or before November 30, 1989, except those that conflict with the GASB are applied in both the government-wide and proprietary fund financial statements.

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

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 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, 2010

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, 2009.

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 \$3,301,088 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, 2010

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, 2010:

Fund

General Fund:	
Taxes receivable	\$ 836,817
Accounts receivable	385,264
Assessments receivable	159,878
Special Revenue Fund:	
Accounts receivable	13,613
Notes receivable	3,301,088
Airport:	
Accounts receivable	237
Solid Waste Recycling:	
Accounts receivable	3,162
Electric Fund:	
Accounts receivable	298,438
Water and Wastewater Fund:	
Accounts receivable	56,206
Total	<u>\$ 5,054,703</u>

Interfund Receivables and Payables

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

Inventories

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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, 2010

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 – 50
Buildings	40
Utility plant systems	20 – 45
Improvements	5 – 15
Vehicles	5 – 20
Furniture and equipment	5 – 10
Computer software	3
Computer equipment	3

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 FASB 62 "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, 2010

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, 2010, the City recorded as other liabilities in the government-wide financial statements, \$17,086,297 for bond premiums and discounts, \$2,880,000 for a net pension asset, \$404,383 in advance payments from Fort Bragg for gross receipt taxes and \$367,181 for North Carolina Department of Transportation projects.

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/Fund Balances

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, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law (G.S. 159-13(b) (16)) restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

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

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

Reserved for streets - Powell Bill – portion of fund balance available for appropriation but legally segregated for street expenditures. It represents the balance of the total unexpended Powell Bill funds which is an annual grant received by the City from the N.C. Department of Transportation.

Reserved for J.P. Riddle Stadium – portion of fund balance available to pay for the operation of the J.P. Riddle Stadium.

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

Reserved for grant compliance – portion of fund balance available for appropriation but legally restricted by external grantors.

Reserved for bond projects – portion of fund balance that is not available for appropriation because it represents the portion available to fund bond related projects.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Unreserved

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2010 - 2011 budget ordinance.

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

Designated for capital projects - portion of fund balance designated to fund capital related projects.

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

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.

H – Pronouncements Implemented in the Current Year

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. See Note 3 for the value of intangible assets held by the City at June 30, 2010. There was no material impact during fiscal year 2010.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009. There was no material impact during fiscal year 2010.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

This statement established accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City has not filed such a petition and thereby is not impacted by this statement during fiscal year 2010.

FASB Accounting Standards Codification. In June 2009, the FASB issued new U.S. GAAP guidance concerning the organization of authoritative guidance under U.S. GAAP. This new guidance created the FASB Accounting Standards Codification (the "Codification"). The Codification has become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The Codification became effective for the City for the period ending December 31, 2009. As the Codification is not intended to change or alter existing U.S. GAAP, it did not have any impact on the City's consolidated financial statements. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

I – Upcoming Pronouncements

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2010.

The City is currently in the process of evaluating this statement and the impact that it will have on the City.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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, 2010

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

At June 30, 2010, the City's demand deposits had a carrying amount of \$64,717,944 and a bank balance of \$63,649,605. Of the bank balance, Federal Deposit Insurance covered \$592,786, and \$63,056,819 was covered by collateral under the Pooling Method.

At June 30, 2010, the City had certificates of deposit totaling \$36,529,699. Of this amount, Federal Deposit Insurance covered \$484,124, and \$36,045,575 was covered by collateral under the Pooling Method.

The City had \$12,815 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, 2010, the City investment balances were as follows:

	Fair Value	Less than 6 Months	6 Mos - 1 Yr	1-5 Years	5-10 Years
U.S. Government Agencies	\$ 76,037,181	\$ 1,017,500	\$ -	\$ 59,737,026	\$ 15,282,655
Commercial Paper	41,121,432	27,452,500	13,668,932	-	-
Government Obligations Fund	2,008,495	2,008,495	-	-	-
N.C. Capital Management Trust - Cash portfolio	53,218,930	53,218,930	-	-	-
Total Primary Government	172,386,038	83,697,425	13,668,932	59,737,026	15,282,655
Reporting Entity Total	<u>\$ 172,386,038</u>	<u>\$ 83,697,425</u>	<u>\$ 13,668,932</u>	<u>\$ 59,737,026</u>	<u>\$ 15,282,655</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides for structuring the investment portfolio so that securities mature to meet cash requirements for the ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities other than Treasuries, Agencies, and North Carolina state and local bonds to a final maturity of no more than three years. Treasuries, Agencies, and North Carolina state and local bonds are limited to maturities not exceeding ten years.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010, the City's commercial paper was rated A1 by Moody's Investors Service and P1 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 as of June 30, 2010. The City's investments in US Agencies (Federal Home Loan Bank, Fannie Mae, Freddie Mac and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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, Freddie Mac securities, Fannie Mae securities, FCAR Owner Trust commercial paper and Dealers Capital Access commercial paper. These investments are 31.6%, 18.2%, 15.2%, 9.3%, 8.7% and 7.4% respectively, of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 172,386,038
Cash (demand deposits)	64,717,944
Plus Certificates of Deposit	35,166,250
Fireman's Relief Fund Certificate of Deposit	1,363,449
Petty cash	12,815
Total cash and investments	<u>\$ 273,646,496</u>

Totals per Statement of Net Assets:

Cash and investments - unrestricted	\$ 159,961,338
Cash and investments - restricted	110,089,589
Pension trust cash and investments	2,214,841
Private-purpose trust cash and investments	1,380,728
Total cash and investments	<u>\$ 273,646,496</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

Primary Government

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Governmental activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 36,297,376	\$ 502,793	\$ -	\$ -	\$ 36,800,169
Construction in progress	3,286,375	1,440,915	-	(1,652,297)	3,074,993
Total capital assets not being depreciated	39,583,751	1,943,708	-	(1,652,297)	39,875,162
Capital assets being depreciated:					
Infrastructure	449,166,805	4,683,321	-	-	453,850,126
Buildings and improvements	72,518,491	341,971	-	1,652,297	74,512,759
Equipment, furniture and fixtures	24,251,866	1,405,659	(192,301)	(2,770,987)	22,694,237
Computer software	-	1,611,552	-	2,770,987	4,382,539
Vehicles	38,337,696	2,408,671	(1,752,738)	-	38,993,629
Total capital assets being depreciated	584,274,858	10,451,174	(1,945,039)	1,652,297	594,433,290
Less accumulated depreciation for:					
Infrastructure	(166,080,698)	(12,398,369)	-	-	(178,479,067)
Buildings and improvements	(25,956,676)	(2,385,747)	-	-	(28,342,423)
Equipment, furniture and fixtures	(19,707,447)	(1,462,948)	192,301	1,415,306	(19,562,788)
Computer software	-	(981,158)	-	(1,415,306)	(2,396,464)
Vehicles	(23,728,516)	(3,131,195)	1,631,567	-	(25,228,144)
Total accumulated depreciation	(235,473,337)	\$ (20,359,417)	\$ 1,823,868	\$ -	(254,008,886)
Total capital assets being depreciated, net	348,801,521				340,424,404
Governmental activity capital assets, net	\$ 388,385,272				\$ 380,299,566

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

Administration	\$ 216,473
Public safety	4,235,459
Environmental protection	1,404,351
Transportation	12,696,762
Economic and physical development	642,474
Recreation and community facilities	834,898
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the funds	329,000
Total depreciation expense	<u>\$ 20,359,417</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3 - Capital Assets (continued)

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

	Balance July 1, 2009	Increases	Decreases *	Transfers	Balance June 30, 2010
Business-type activities:					
Electric Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 5,275,478	\$ 5,925	\$ (16,087)	\$ -	\$ 5,265,316
Construction in progress	16,218,706	13,621,688	(22,885,597) *	-	6,954,797
Total capital assets not being depreciated	<u>21,494,184</u>	<u>13,627,613</u>	<u>(22,901,684)</u>	<u>-</u>	<u>12,220,113</u>
Capital assets being depreciated:					
Electric utility system	349,803,793	20,000,824	(3,356,197)	-	366,448,420
Buildings	37,654,793	4,045,187	-	-	41,699,980
Equipment and machinery	15,087,858	982,753	(740,020)	25,358	15,355,949
Computer programs	11,447,813	687,585	(128,271)	(12,007,127)	-
Intangibles	-	-	-	9,148,804	9,148,804
Computer equipment	-	-	-	3,180,572	3,180,572
Vehicles	6,715,775	171,165	(379,802)	(46,160)	6,460,978
Office equipment	1,475,864	59,256	(82,022)	(328,537)	1,124,561
Total capital assets being depreciated	<u>422,185,896</u>	<u>25,946,770</u>	<u>(4,686,312)</u>	<u>(27,090)</u>	<u>443,419,264</u>
Less accumulated depreciation for:					
Electric utility system	(181,605,811)	(11,770,240)	2,777,077	-	(190,598,974)
Buildings	(13,439,333)	(1,329,416)	-	-	(14,768,749)
Equipment and machinery	(7,937,874)	(585,863)	718,471	(25,360)	(7,830,626)
Computer programs	(10,232,326)	(575,831)	128,273	10,679,884	-
Intangibles	-	-	-	(8,533,158)	(8,533,158)
Computer equipment	-	-	-	(2,468,955)	(2,468,955)
Vehicles	(3,308,372)	(407,184)	375,906	46,160	(3,293,490)
Office equipment	(1,369,201)	(68,366)	78,484	328,263	(1,030,820)
Total accumulated depreciation	<u>(217,892,917)</u>	<u>\$ (14,736,900)</u>	<u>\$ 4,078,211</u>	<u>\$ 26,834</u>	<u>(228,524,772)</u>
Total capital assets being depreciated, net	<u>204,292,979</u>				<u>214,894,492</u>
Electric fund capital assets, net	<u>\$ 225,787,163</u>				<u>\$ 227,114,605</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3 - Capital Assets (continued)

	Balance July 1, 2009	Increases	Decreases *	Transfers	Balance June 30, 2010
Business-type activities:					
Water and Wastewater Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 8,539,715	\$ 475,243	\$ (2,592)	\$ -	\$ 9,012,366
Construction in progress	12,903,231	36,412,614	(37,654,309) *	-	11,661,536
Total capital assets not being depreciated	<u>21,442,946</u>	<u>36,887,857</u>	<u>(37,656,901)</u>	<u>-</u>	<u>20,673,902</u>
Capital assets being depreciated:					
Sewer system	376,958,802	16,084,856	-	-	393,043,658
Water system	242,873,016	20,583,931	-	-	263,456,947
Buildings	4,329,259	566,742	-	-	4,896,001
Equipment and machinery	8,569,805	400,041	(150,354)	(25,360)	8,794,132
Computer programs	10,643,166	597,678	(223,376)	(11,017,468)	-
Intangibles	-	-	-	8,405,898	8,405,898
Computer equipment	-	-	-	2,840,334	2,840,334
Vehicles	5,666,615	440,745	(336,930)	46,160	5,816,590
Office equipment	690,301	-	(5,474)	(222,474)	462,353
Total capital assets being depreciated	<u>649,730,964</u>	<u>38,673,993</u>	<u>(716,134)</u>	<u>27,090</u>	<u>687,715,913</u>
Less accumulated depreciation for:					
Sewer system	(120,840,476)	(8,262,717)	-	-	(129,103,193)
Water system	(89,076,232)	(5,018,831)	-	-	(94,095,063)
Buildings	(2,292,851)	(134,081)	-	-	(2,426,932)
Equipment and machinery	(6,308,792)	(456,595)	134,925	25,360	(6,605,102)
Computer programs	(9,528,350)	(520,661)	223,374	9,825,637	-
Intangibles	-	-	-	(7,870,448)	(7,870,448)
Computer equipment	-	-	-	(2,183,965)	(2,183,965)
Vehicles	(3,010,836)	(369,241)	332,670	(46,160)	(3,093,567)
Office equipment	(630,112)	(9,840)	5,479	222,742	(411,731)
Total accumulated depreciation	<u>(231,687,649)</u>	<u>\$ (14,771,966)</u>	<u>\$ 696,448</u>	<u>\$ (26,834)</u>	<u>(245,790,001)</u>
Total capital assets being depreciated, net	<u>418,043,315</u>				<u>441,925,912</u>
Water and Wastewater fund capital assets, net	<u>\$ 439,486,261</u>				<u>\$ 462,599,814</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3 - Capital Assets (continued)

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Business-type activities (continued):					
Nonmajor enterprise funds					
Capital assets not being depreciated:					
Land and land rights	\$ 2,320,593	\$ -	\$ -	\$ -	\$ 2,320,593
Construction in progress	8,556,360	4,830,173	-	(3,142,072)	10,244,461
Total capital assets not being depreciated	<u>10,876,953</u>	<u>4,830,173</u>	<u>-</u>	<u>(3,142,072)</u>	<u>12,565,054</u>
Capital assets being depreciated:					
Buildings and improvements	48,219,236	896,566	-	3,142,072	52,257,874
Furniture, fixtures and equipment	2,932,932	66,833	(9,500)	(66,522)	2,923,743
Computer software	-	16,822	-	66,522	83,344
Vehicles	7,832,363	1,261,304	(1,828,161)	-	7,265,506
Total capital assets being depreciated	<u>58,984,531</u>	<u>2,241,525</u>	<u>(1,837,661)</u>	<u>3,142,072</u>	<u>62,530,467</u>
Less accumulated depreciation for:					
Buildings and improvements	(28,469,478)	(1,735,784)	-	-	(30,205,262)
Furniture, fixtures and equipment	(2,300,559)	(169,271)	9,500	23,310	(2,437,020)
Computer software	-	(21,831)	-	(23,310)	(45,141)
Vehicles	(5,284,371)	(423,055)	1,771,018	-	(3,936,408)
Total accumulated depreciation	<u>(36,054,408)</u>	<u>\$ (2,349,941)</u>	<u>\$ 1,780,518</u>	<u>\$ -</u>	<u>(36,623,831)</u>
Total capital assets being depreciated, net	<u>22,930,123</u>				<u>25,906,636</u>
Nonmajor enterprise fund capital assets, net	<u>\$ 33,807,076</u>				<u>\$ 38,471,690</u>
Business-type activities capital assets, net	<u>\$ 699,080,500</u>				<u>\$ 728,186,109</u>

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

Electric	\$ 14,736,900
Water and Wastewater	14,771,966
Transit	693,972
Airport	1,655,969
Total depreciation expense	<u>\$ 31,858,807</u>

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2010:

	General	Recreational and Cultural	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 6,586,474	\$ 22,461	\$ 1,132,900	\$ 310,352	\$ 8,052,187	\$ 18,399,595	\$ 11,864,647	\$ 152,510	\$ -
Incurred but not reported	-	-	-	2,398,223	2,398,223	480,779	480,779	-	-
Contracts payable	-	336,942	605,738	-	942,680	-	-	411,129	-
Interest payable	-	-	-	-	-	341,394	2,430,338	28	-
Retainage payable	-	24,548	1,492	-	26,040	-	-	133,399	-
Salaries and benefits payable	2,671,499	-	37,268	131,181	2,839,948	978,210	1,011,941	122,271	19,953
Total	\$ 9,257,973	\$ 383,951	\$ 1,777,398	\$ 2,839,756	14,259,078	\$ 20,199,978	\$ 15,787,705	\$ 819,337	\$ 19,953
Adjustment for interest payable					371,074				
					<u>\$ 14,630,152</u>				
Reconciliation to accounts payable on the financial statements:									
Unrestricted	\$ 9,257,973	\$ 383,951	\$ 1,777,398	\$ 2,839,756	\$ 14,259,078	\$ 14,337,611	\$ 8,770,776	\$ 819,337	\$ 19,953
Restricted	-	-	-	-	-	5,862,367	7,016,929	-	-
	<u>\$ 9,257,973</u>	<u>\$ 383,951</u>	<u>\$ 1,777,398</u>	<u>\$ 2,839,756</u>	<u>14,259,078</u>	<u>\$ 20,199,978</u>	<u>\$ 15,787,705</u>	<u>\$ 819,337</u>	<u>\$ 19,953</u>
Adjustment for interest payable					371,074				
					<u>\$ 14,630,152</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, 2010, 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 3.5% and 4%.	\$ 1,990,000
\$8,450,000 Public Improvement Bonds, Series 2005 due in various semiannual installments through June 1, 2025; interest at various rates between 3.4% and 4.25%.	6,325,000
\$7,896,115 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 3.0% and 5.0%.	<u>7,521,115</u>
	<u>15,836,115</u>
Less: Loss on Defeasance	<u>(545,981)</u>
Total governmental general obligation bonds	<u>15,290,134</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$3,625,000 Street Improvement Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 3.5% and 4.5%.	\$ 2,225,000
\$4,403,885 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>4,228,885</u>
	<u>6,453,885</u>
Less: Loss on Defeasance	<u>(111,113)</u>
Total business-type general obligation bonds	<u>6,342,772</u>
Total general obligation bonds	<u>\$ 21,632,906</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, 2010, 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 3.5% and 5.25%.	\$3,550,000
\$3,920,000 Municipal Building Project Bonds, Series 2005, for the construction of Festival Park due in various annual installments through February 1, 2012; interest at various rates between 3.5% and 5.0%	1,120,000
\$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 3.5% and 5.25%.	<u>1,710,000</u>
Total governmental revenue bonds	<u>6,380,000</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$19,175,000 Revenue Refunding Bonds, Series 2001 due in various annual installments through March 1, 2016; interest at various rates between 4.5% and 5.5%.	\$9,005,000
\$17,025,000 Revenue Bonds, Series 2008 due in various annual installments through March 1, 2023; interest at various rates between 3.5% and 4.5%.	15,825,000
\$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%.	107,580,000
\$36,710,000 Revenue Bonds, Series 2009B due in various annual installments through March 1, 2035; interest at various rates between 3.0% and 5.0%.	<u>36,710,000</u>
Total business-type revenue bonds	169,120,000
Less: Loss on Defeasance	<u>(15,079,263)</u>
Total revenue bonds	<u>\$ 160,420,737</u>

Total interest expense related to the revenue and general obligation bonds totaled \$8,765,228 for the year ended June 30, 2010 and of that amount, \$244,348 was capitalized during the year.

The City has pledged future electric, water and wastewater customer revenues, net of specified operating expenses, to repay \$187,065,000 in revenue and revenue refunding bonds issued at various times from 2001 through 2009. 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 water and sewer customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$232,737,112. Principal and interest paid for the current year and total customer revenues were \$17,986,411 and \$237,548,315, 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. 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, 2010.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 - Long-Term Obligations (continued)

C - Notes Payable

Notes payable financed by the governmental funds are serviced by the Storm Water Management and Federal and State Financial Assistance Funds.

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 and has a variable interest rate of .2% above LIBOR, adjusted monthly. The purpose of the note is for the financing of a community development project.

Additionally, on April 6, 2010 and May 14, 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."

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

The City has entered into other revolving loan agreements for \$7,595,127 and \$16,969,848 with the State of North Carolina. The loans were used for a Wastewater Project. 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.

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 at a variable rate paid quarterly.	\$ 750,000
\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1 st .	232,252
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1 st .	<u>268,346</u>
Total governmental notes payable	<u>1,250,598</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.	\$ 4,177,320
\$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.	13,575,878
\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest	<u>198,000</u>
Total business-type notes payable	<u>17,951,198</u>
Total notes payable	<u>\$ 19,201,796</u>

Total interest expense related to the notes payable obligations totaled \$496,765 for the year ended June 30, 2010.

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 \$448,948 in 2011 including interest at rates ranging from 4.19% to 4.55%	\$ 6,467,007
Capital lease obligations payable in various monthly installments of approximately \$60,852 in 2011 including interest at 3.81%	2,129,824
Capital lease obligations payable in various monthly installments of approximately \$75,388 in 2011 including interest at 2.06%	4,447,866
Capital lease obligations payable in various monthly installments of approximately \$50,235 in 2010 including interest at 1.81%	<u>2,411,299</u>
	15,455,996
Less: amount representing interest	<u>(1,592,703)</u>
Present value of the minimum lease payments	<u>\$ 13,863,293</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 - Long-Term Obligations (continued)

Business-type activities

Capital lease obligations payable in various monthly
installments of approximately \$1,751 in 2011
including interest at 2.06%

\$ 103,336

Less: amount representing interest

(5,145)

Present value of the minimum lease payments

98,191

Total capital lease obligations

\$ 13,961,484

The following is an analysis of leased property under capital leases as of June 30, 2010:

Classes of Property	Cost	Depreciation	Value
Equipment	\$ 5,232,061	\$ 1,756,084	\$ 3,475,977
Vehicles	131,950	37,120	94,830
Buildings and improvement	16,789,518	3,505,268	13,284,250
Total	<u>\$ 22,153,529</u>	<u>\$ 5,298,472</u>	<u>\$ 16,855,057</u>

Total interest expense related to the capital lease obligations totaled \$113,565 for the year ended June 30, 2010.

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, 2010:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Governmental activities:					
General obligation debt	\$ 19,207,825	\$ 7,896,115	\$ 11,267,825	\$ 15,836,115	\$ 1,984,855
Revenue bonds	9,730,000	-	3,350,000	6,380,000	1,120,000
Notes payable	-	1,250,598	-	1,250,598	100,030
Capitalized leases	10,267,567	6,550,809	2,955,083	13,863,293	2,741,878
Compensated absences	4,903,131	7,055,680	6,394,100	5,564,711	3,319,848
Net OPEB Obligation	7,392,211	2,139,259	-	9,531,470	-
	<u>51,500,734</u>	<u>\$ 24,892,461</u>	<u>\$ 23,967,008</u>	<u>52,426,187</u>	<u>9,266,611</u>
Less: loss on defeasance (net of amortization)	<u>(478,907)</u>			<u>(545,981)</u>	<u>-</u>
Total governmental activities	<u>\$ 51,021,827</u>			<u>\$ 51,880,206</u>	<u>\$ 9,266,611</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 - Long-Term Obligations (continued)

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Business-type activities:					
General obligation debt	\$ 7,412,175	\$ 4,403,885	\$ 5,362,175	\$ 6,453,885	\$ 805,145
Revenue bonds	155,045,000	150,865,000	136,790,000	169,120,000	10,960,000
Notes payable	19,219,047	-	1,267,849	17,951,198	1,267,849
Capitalized leases	-	98,191	-	98,191	19,174
Compensated absences	3,186,414	4,786,957	4,857,113	3,116,258	1,908,866
Net OPEB Obligation	2,161,893	717,055	-	2,878,948	-
	<u>187,024,529</u>	<u>\$ 160,871,088</u>	<u>\$ 148,277,137</u>	<u>199,618,480</u>	<u>14,961,034</u>
Less: loss on defeasance (net of amortization)	(7,579,848)			(15,190,376)	-
Total business-type activities	<u>\$ 179,444,681</u>			<u>\$ 184,428,104</u>	<u>\$ 14,961,034</u>

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

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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
2011	\$ 1,984,855	\$ 694,717	\$ 1,120,000	\$ 326,250	\$ 678,968	\$ 218,929
2012	1,974,855	606,868	1,140,000	270,250	678,968	189,170
2013	1,959,855	518,575	600,000	213,250	678,968	159,412
2014	1,954,855	430,483	620,000	183,250	678,968	129,653
2015	1,939,855	341,502	640,000	152,190	302,467	104,178
2016-2020	3,932,748	801,808	2,260,000	260,138	1,512,334	331,474
2021-2025	2,089,092	259,814	-	-	756,167	47,353
2026-2030	-	-	-	-	-	-
	<u>15,836,115</u>	<u>3,653,767</u>	<u>6,380,000</u>	<u>1,405,328</u>	<u>5,286,840</u>	<u>1,180,169</u>
Less: loss on defeasance (net of amortization)	(545,981)	-	-	-	-	-
	<u>\$ 15,290,134</u>	<u>\$ 3,653,767</u>	<u>\$ 6,380,000</u>	<u>\$ 1,405,328</u>	<u>\$ 5,286,840</u>	<u>\$ 1,180,169</u>

Year Ended	Capitalized Leases		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,062,910	\$ 174,791	\$ 100,030	\$ -	\$ 5,946,763	\$ 1,414,687
2012	2,113,447	124,255	100,030	-	6,007,300	1,190,543
2013	2,104,467	72,382	100,030	-	5,443,320	963,619
2014	1,474,851	32,625	100,030	-	4,828,704	776,011
2015	820,778	8,485	100,030	-	3,803,130	606,355
2016-2020	-	-	500,150	-	8,205,232	1,393,420
2021-2025	-	-	125,150	-	2,970,409	307,167
2026-2030	-	-	125,148	-	125,148	-
	<u>8,576,453</u>	<u>412,538</u>	<u>1,250,598</u>	<u>-</u>	<u>37,330,006</u>	<u>6,651,802</u>
Less: loss on defeasance (net of amortization)	-	-	-	-	(545,981)	-
	<u>\$ 8,576,453</u>	<u>\$ 412,538</u>	<u>\$ 1,250,598</u>	<u>\$ -</u>	<u>\$ 36,784,025</u>	<u>\$ 6,651,802</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, 2010

Note 5 - Long-Term Obligations (continued)

Business-type activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 805,145	\$ 291,289	\$ 10,960,000	\$ 7,856,937	\$ 1,267,849	\$ 469,729
2012	805,146	254,032	11,960,000	7,401,663	1,267,849	437,285
2013	805,145	216,275	12,685,000	6,925,838	1,267,849	404,842
2014	800,146	178,517	13,310,000	6,414,537	1,267,849	372,398
2015	625,145	140,510	13,755,000	5,764,375	1,267,849	339,954
2016-2020	2,217,251	343,454	66,565,000	18,356,400	6,141,243	1,213,119
2021-2025	395,907	16,961	23,870,000	6,602,613	4,622,218	461,271
2026-2030	-	-	8,000,000	3,091,750	848,492	22,570
2031-2035	-	-	8,015,000	1,203,000	-	-
	<u>6,453,885</u>	<u>1,441,038</u>	<u>169,120,000</u>	<u>63,617,113</u>	<u>17,951,198</u>	<u>3,721,168</u>
Less: loss on defeasance (net of amortization)	(111,113)	-	(15,079,263)	-	-	-
	<u>\$ 6,342,772</u>	<u>\$ 1,441,038</u>	<u>\$ 154,040,737</u>	<u>\$ 63,617,113</u>	<u>\$ 17,951,198</u>	<u>\$ 3,721,168</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2011	\$ 19,174	\$ 1,844	\$ 13,052,168	\$ 8,619,799
2012	19,573	1,445	14,052,568	8,094,425
2013	19,980	1,037	14,777,974	7,547,992
2014	20,396	622	15,398,391	6,966,074
2015	19,068	197	15,667,062	6,245,036
2016-2020	-	-	74,923,494	19,912,973
2021-2025	-	-	28,888,125	7,080,845
2026-2030	-	-	8,848,492	3,114,320
2031-2035	-	-	8,015,000	1,203,000
	<u>98,191</u>	<u>5,145</u>	<u>193,623,274</u>	<u>68,784,464</u>
Less: loss on defeasance (net of amortization)	-	-	(15,190,376)	-
	<u>\$ 98,191</u>	<u>\$ 5,145</u>	<u>\$ 178,432,898</u>	<u>\$ 68,784,464</u>

G - Legal Debt Margin

The legal debt margin of the City at June 30, 2010, approximated \$956,646,089.

H - Authorized But Un-issued Debt

At June 30, 2010, the City had no bonds authorized but un-issued.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 6 - Defeasance of Debt

A – 2009 General Obligation Refunding Bonds

On November 22, 2009, the City of Fayetteville issued \$12,300,000 in General Obligation Refunding Bonds, Series 2009 with a premium of \$1,312,740 and an interest rate ranging from 3% to 5%. These general obligation bonds were issued to refund the City's outstanding 1996 Street and Public Improvement Bonds, 1999 Street and Public Improvement Bonds, and to advance refund the 2000 Street and Public Improvement Bonds with interest rates ranging from 4.3% to 5.1%.

Net proceeds of \$9,511,538 (after payment of \$249,221 in underwriting fees and other issuance costs) were used to retire the 1996 and 1999 Street and Public Improvement Bonds on November 23, 2009. The remaining net proceeds of \$3,851,981 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for full retirement of the 2000 Street and Public Improvement Bonds on April 1, 2010.

The City completed the refundings to reduce its total debt service payments over the next 11 years by \$934,745 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$868,565.

B – 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, 2010, the amount of prior year defeased debt outstanding and removed from the City's liabilities amounted to \$4,602,411.

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 2001 Revenue Refunding Electric/Water and Wastewater Bonds, 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 \$15,190,376.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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)	\$ 569,921	\$ 569,921
Prepaid retiree insurance premiums (Internal Service)	8,186	8,186
Unearned rent (Proprietary)	34,643	34,643
Unearned grant receipts (Special Revenue)	483	483
Unearned grant receipts (Capital Projects)	419,362	419,301
Unearned grant receipts (Recreational and Cultural)	11,714,339	11,714,339
Taxes receivable, net (General)	2,968,369	-
Taxes receivable, net (Special Revenue)	61,057	-
Accounts and notes receivable (General)	13,956	-
Accounts and notes receivable (Special Revenue)	7,739,854	164,900
Special assessments receivable, net (General)	900,452	-
Total	<u>\$ 24,430,622</u>	<u>\$ 12,911,773</u>

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 \$11,145,622 for all employees for the policy ending June 30, 2010), general liability (up to \$350,000 per occurrence), workers' compensation (\$600,000 per occurrence for police and fire employees, \$500,000 per occurrence for all other employees), 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). 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 per occurrence on property claims. In

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 - Risk Management (continued)

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 outstanding claims at June 30, 2010 is not accrued as the amount of outstanding claims is not material to the financial statements.

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, 2010, a liability for incurred but not reported claims of \$3,359,781 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>2010</u>	<u>2009</u>
Liability at June 30,	\$ 3,511,473	\$ 3,242,380
Current year claims and changes in estimates	16,940,994	16,168,705
Actual claim payments	<u>(17,092,686)</u>	<u>(15,899,612)</u>
Liability at June 30,	<u>\$ 3,359,781</u>	<u>\$ 3,511,473</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 carries 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 Federal Emergency Management Agency (FEMA) defines Zone A as an area close to a river, lake, or stream. The Electric and Water and Wastewater Funds' standard deductible is \$100,000 with the exception of a \$250,000 deductible set for generators.

In accordance with G.S. 159-29, City employees (excluding the electric, waster and wastewater funds) that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The City's Chief Financial Officer is individually bonded for \$100,000. The remaining employees that 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, 2010

Note 8 - Risk Management (continued)

The Electric and Water and Wastewater Fund employees that have access to \$100 or more at any given time of the Utility funds are insured under the Crime Policy. The policy covers Public Employee Dishonesty (up to \$1,000,000 for the Chief Executive Officer, Chief Financial Officer (PWC), Director of Planning and Capital Projects, and the Director of Accounting Systems). Other employees are covered for money and securities losses (up to \$1,000,000), and forgery, alterations and computer fraud (up to \$1,000,000). This crime policy has a \$10,000 deductible.

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 \$177.9 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, bond improvement, Linear Park, electric, water and wastewater, transit and airport projects. At June 30, 2010, cumulative expenditures to date totaled approximately \$102.8 million leaving an unexpended balance of \$75.1 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. Beginning in July 2003, 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, 2010

Note 9 - Commitments and Contingent Liabilities (continued)

of the contract which ends in June 2012. The remaining capacity and energy will either be produced at the Butler-Warner Generation Plant or purchased on the open market. The lowest available price will be used to meet the City's needs. When the market price goes above the price at the Butler-Warner Generation Plant, the City may permit the marketing of 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. Under this agreement, PEC will provide the City's full power supply requirements except for resources provided by PWC from other sources as permitted under the agreement, including utilization of the City's SEPA allocation. 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, 2010, the purchased power cost to PEC was \$96,801,615. The City did not sell power on the open market in fiscal year 2010.

On August 22, 2005, City Council adopted a resolution authorizing the City to enter into a 20-year master lease agreement, subject to Local Government Commission approval, with Festival Park Plaza Office LLC. On September 6, 2005, the LGC approved the City's master lease application. The master lease was executed on November 17, 2005. Under the terms of the master lease, the City is obligated to make certain lease payments if the building is not sufficiently leased to subtenants to cover debt service and operating expenses on the building throughout the term of the agreement. Approximately 43% of the building was occupied at June 30, 2010. The City recorded an expenditure of \$369,409 under the master lease agreement for the fiscal year ended June 30, 2010.

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 and have terms of 3 to 10 years and are due to expire at various dates from 2010 to 2014. Minimum lease provisions at June 30, 2010 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2011	\$ 372,755
2012	293,583
2013	264,189
2014	182,881
Total	<u>\$ 1,113,408</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

For the fiscal year ended June 30, 2010, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$40,994 for the 144 employed firemen who perform firefighting duties for the City's fire department. These employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a monthly contribution paid by each member, investment income, and a State appropriation.

Note 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 4.89% and 4.86%, respectively, of annual covered payroll. The rate for the Electric and Water and Wastewater funds is 10.03%. 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, 2010, 2009 and 2008, were \$6,042,941, \$5,881,291 and \$5,558,873, respectively. The contributions made by the City equaled the required contributions for each year.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 11 - Employee Retirement Systems (continued)

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

The Supplemental Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina ("SERP plan") is a single-employer defined benefit pension plan administered by the Public Works Commission Employees' Retirement Plan Board of Trustees. This plan was established on April 1, 2003 to equalize benefits received under the LGERS plan to those formerly participating in the Employees' Retirement Plan (ERP).

The only employees eligible to participate in the SERP plan are those who met the requirements of the ERP plan. Effective, April 1, 2003 no additional employees will enter this plan. Benefits vest after five years of credited service. Electric and Water and Wastewater fund employees reaching the defined retirement age are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.8% of their final average compensation times years of credited service. The SERP plan provides retirement benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Public Works Commission. All benefit payments by the SERP plan will be offset by the benefits payable from the LGERS plan. 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 liabilities for benefits. The City of Fayetteville City Council has the authority to establish and amend the retirement plan provisions. The SERP plan does not issue a separate report. Rather, the financial report of the SERP plan is included as a pension trust fund.

The contribution requirements of the plan members and the Public Works Commission are established and may be amended by the City of Fayetteville City Council. There will be no employee contributions after April 1, 2003. The Public Works Commission is required to contribute at an actuarially determined rate. The rate for the years ended June 30, 2010, 2009 and 2008 was 0% of annual covered payroll.

The annual required contribution calculation for June 30, 2010 was determined as part of the July 1, 2009, actuarial valuation using the aggregate actuarial cost method. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

The actuarial assumptions included a 5% investment rate of return (net of administrative expenses). There is no projected salary increase as the benefits for active employees have worn away in this plan. All benefits for active employees are covered by LGERS. An inflation component of 3% is included. The assumptions did not include postretirement benefit increases, which are funded by the Commission's appropriations when granted.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 11 - Employee Retirement Systems (continued)

The actuarial value of assets was determined by using the market value at June 30, 2009. There was no annual required contribution for the current year under this plan. This benefit plan is a contributory, defined benefit retirement plan, which covers all employees who participated in the SERP plan at April 1, 2003.

In fiscal year 2009 the Supplemental Employees' Retirement Plan Board of Trustees voted to purchase a group annuity for the participants of the plan. This annuity purchase was approved by the Commission and the City Council. During fiscal year 2010 a Non-Participating Single Premium Group Annuity Contract was purchased from the John Hancock Life Insurance Company to provide all benefits earned under the plan. The John Hancock Life Insurance Company is responsible for paying all future benefit payments to the Plan participants. The Commission has minimal liability for the Supplemental Employees' Retirement Plan. This annuity contract is subject to the laws of the State of North Carolina. North Carolina has an Insurance Guaranty Fund that will cover all benefits in the case of the insurance company's insolvency. The limits of the guaranty fund exceed the value of any participant's benefit.

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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	31
Active plan members	<u>363</u>
Total	<u>394</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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 11 - Employee Retirement Systems (continued)

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 \$511,931, or 2.76% 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, 2008 actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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	\$ 469,933
Interest on net pension obligation	(35,320)
Adjustment to annual required contribution	<u>30,689</u>
Annual pension cost	465,302
Contributions made	<u>511,937</u>
Increase (decrease) in net pension obligation	(46,635)
Net prepaid pension obligation beginning of year	<u>(487,171)</u>
Net prepaid pension obligation end of year	<u><u>\$ (533,806)</u></u>

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
2008	\$ 383,772	98.84%	\$ (457,951)
2009	415,308	107.04	(487,171)
2010	465,302	110.02	(533,806)

Funded Status and Funding Progress

As of June 30, 2010 the plan was not funded. The most recent actuarial valuation was December 31, 2009. The actuarial value of plan assets was \$2,161,322. The actuarial accrued liability (AAL) for benefits was \$7,423,392 and the unfunded actuarial accrued liability (UAAL) was \$5,262,070. The funded ratio was 29.12 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$18,645,039 and the ratio of the UAAL to the covered payroll was 28.22 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, 2010

Note 11 - Employee Retirement Systems (continued)

The fiscal year 2009-2010 combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENTS OF NET ASSETS

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total June 30, 2010
ASSETS			
Cash and cash equivalents	\$ 2,214,841	\$ -	\$ 2,214,841
Other assets	-	-	-
Accounts receivable	4,548	-	4,548
Total assets	<u>2,219,389</u>	<u>-</u>	<u>2,219,389</u>
LIABILITIES			
Accounts payable	19,953	-	19,953
Total liabilities	<u>19,953</u>	<u>-</u>	<u>19,953</u>
NET ASSETS			
Held in trust for benefits and other purposes	2,199,436	-	2,199,436
Total net assets	<u>\$ 2,199,436</u>	<u>\$ -</u>	<u>\$ 2,199,436</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total June 30, 2010
ADDITIONS			
Employer contributions	\$ 511,937	\$ -	\$ 511,937
Investment earnings	25,308	3,409	28,717
Total additions	<u>537,245</u>	<u>3,409</u>	<u>540,654</u>
DEDUCTIONS			
Benefit payments and premiums	472,047	62,554	534,601
Annuity purchase	-	2,880,000	2,880,000
Other	-	984,900	984,900
Total deductions	<u>472,047</u>	<u>3,927,454</u>	<u>4,399,501</u>
CHANGE IN NET ASSETS	65,198	(3,924,045)	(3,858,847)
Total net assets - beginning	2,134,238	3,924,045	6,058,283
Total net assets - ending	<u>\$ 2,199,436</u>	<u>\$ -</u>	<u>\$ 2,199,436</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 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 employees. All employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010, were \$1,887,620, which consisted of \$957,633 from the City and \$929,987 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, 2010

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 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, 2009, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	467
Active plan members	1,379
Total	<u>1,846</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 \$799,635 or 1.35 percent of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$11,145,622 for all employees and retirees for the policy ending June 30, 2010. Retiree members contributed \$187,484 or 0.32 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, 2010

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 City prospectively implemented GASB Statement 45 at June 30, 2008. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2010, 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)	\$2,963,516
Interest on net OPEB obligation	304,185
Adjustment to annual required contribution	<u>(262,433)</u>
Annual OPEB cost (expense)	3,005,268
Contributions made	<u>(799,635)</u>
Increase (decrease) in net OPEB obligation	2,205,633
Net OPEB obligation, beginning of the year	7,604,621
Net OPEB obligation, end of the year	<u>\$9,810,254</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 through 2010 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 6,585,964	15.11%	\$ 5,590,699
2009	2,887,096	30.24%	7,604,621
2010	3,005,268	26.61%	9,810,254

Funded Status and Funding Progress. As of June 30, 2010 the plan was not funded. The most recent actuarial valuation was December 31, 2009. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$31,906,033. The covered payroll (annual payroll of active employees covered by the plan) was \$59,132,363 and the ratio of the UAAL to the covered payroll was 53.96 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, 2010

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, 2009 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 10.50 to 5.00 percent annually. Both rates included a 3.75 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, 2009, was 30 years.

In addition to the pension benefits described in Note 11, the City's Public Works Commission administers a single-employer defined benefit healthcare plan for the Electric, Water and Wastewater, and 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, 2010:

Retirees	69
Active members	<u>581</u>
Total	<u>650</u>

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

The current Annual Required Contribution (ARC) rate is 5.0 percent of annual covered payroll. The Commission is self-insured with respect to healthcare coverage.

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, 2010.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

Annual Required Contribution (ARC)	\$1,464,968
Interest on net OPEB obligation	(11,857)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,453,111
Contributions made	(802,430)
Increase (decrease) in net OPEB obligation	650,681
Net OPEB obligation, beginning of the year	1,949,481
Net OPEB obligation, end of the year	<u>\$2,600,162</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 through 2010 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 1,070,188	0.00%	\$ 1,070,188
2009	1,464,968	39.49%	1,949,481
2010	1,453,111	55.22%	2,600,162

As of June 30, 2010 the plan was not funded. The most recent actuarial valuation was August 31, 2009. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$15,772,610. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Wastewater and 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) was \$30,451,478 and the ratio of the UAAL to the covered payroll was 51.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

In the August 31, 2009 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. Both rates included a 3.00 percent inflation assumption.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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, 2010, consist of the following:

Due From:	Due To:			
	General	Electric	Waste and Wastewater	Total
Nonmajor Enterprise Fund	\$ 213,918	\$ -	\$ -	\$ 213,918
Internal Service Fund	-	119,382	5,533	124,915
	<u>\$ 213,918</u>	<u>\$ 119,382</u>	<u>\$ 5,533</u>	<u>\$ 338,833</u>

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

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2010, consist of the following:

Transfer out:	Transfer in:						
	General	Recreational and Cultural	Nonmajor Governmental	Electric	Water and Wastewater	Nonmajor Enterprise	Internal Service
General	\$ -	\$ 258,001	\$ 10,985,803	\$ 20,847	\$ 1,017,983	\$ 2,649,540	\$ -
Recreational & Cultural	31,155	-	133,136	-	-	-	-
Nonmajor Governmental	13,500	-	204,093	-	24,195	-	1,921,100
Electric	8,690,001	-	1,160	-	-	-	-
Water and Wastewater	-	-	79	-	-	-	-
Nonmajor Enterprise	427,245	-	3,458	-	-	-	-
Internal Service	-	-	2,576,050	-	-	-	-
Totals	<u>\$ 9,161,901</u>	<u>\$ 258,001</u>	<u>\$ 13,903,779</u>	<u>\$ 20,847</u>	<u>\$ 1,042,178</u>	<u>\$ 2,649,540</u>	<u>\$ 1,921,100</u>

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

During the fiscal year ended June 30, 2010, a total of \$8,690,001 was transferred from the electric fund to the general fund. This transfer consisted of two components: (1) 3.1% of electric fund net assets at June 30, 2010 totaling \$8,376,232, and (2) reimbursement of general fund street light utility expenditures of \$313,769.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 13 – Interfund Balances and Activity (continued)

Transfers totaling \$10,985,803 were also made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$6,065,830 for transportation projects including street resurfacing, and transportation and railroad crossing improvement project commitments under municipal agreements; \$747,093 for general government projects including telephone system upgrades and computer replacements; \$158,390 for economic development projects, \$131,000 for miscellaneous expenditures which were ineligible for bond proceed reimbursement, and \$20,000 for public safety projects. Additionally, transfers for special revenue funds included: \$3,535,342 transferred to the City of Fayetteville Finance Corporation for lease purchase payments for city facilities, \$291,973 transferred for local matches for Federal and State funded programs, \$30,178 transferred for stormwater system improvements and \$5,999 for expenditures related to operations of the emergency telephone system.

Note 14 – Subsequent Events

On August 10, 2010, the City issued \$5,950,000 recovery zone economic bonds to finance the construction of a five-story parking deck. The bonds are secured by real property. The scheduled date for final repayment is August 10, 2025.

On November 8, 2010, City Council approved calling \$7,680,000 Public Works Commission Revenue Refunding Bonds, Series 2001, on March 1, 2011.



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)
12/31/2000	\$ 1,228,812	\$ 2,728,524	\$ 1,499,712	45.04%	\$ 10,581,205	14.17%
12/31/2001	1,382,479	3,074,210	1,691,731	44.97%	11,197,858	15.11%
12/31/2002	1,491,666	3,356,167	1,864,501	44.45%	11,941,930	15.61%
12/31/2003	1,628,946	3,516,635	1,887,689	46.32%	12,062,456	15.65%
12/31/2004	1,657,940	3,902,435	2,244,495	42.48%	13,501,537	16.62%
12/31/2005	1,762,344	3,882,639	2,120,295	45.39%	14,117,825	15.02%
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%

The annual required contribution for the fiscal year ended June 30, 2010 was determined as part of the December 31, 2008 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. The inflation component was 3.75%. 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, 2008 was 22 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
2001	\$ 145,228	114.21%	\$ 165,864
2002	259,788	104.76%	272,141
2003	286,336	108.65%	311,091
2004	311,445	102.16%	318,169
2005	318,276	99.97%	318,169
2006	361,749	115.76%	418,762
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

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, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	5%
Projected salary increases*	4.5 -12.3%
* Includes inflation at	3.75%
Cost-of-living adjustments	N/A

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Supplemental Public Works Commission Retirement System
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/01/03	\$ 3,990,343	N/A	N/A	N/A	N/A	N/A
7/01/04	3,952,504	N/A	N/A	N/A	N/A	N/A
7/01/05	4,105,589	N/A	N/A	N/A	N/A	N/A
7/01/06	4,149,640	N/A	N/A	N/A	N/A	N/A
7/01/07	4,560,792	N/A	N/A	N/A	N/A	N/A
7/01/08	4,187,435	N/A	N/A	N/A	N/A	N/A
7/01/09	3,947,048	N/A	N/A	N/A	N/A	N/A

Note that this schedule is provided for informational purposes only and is calculated using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan, which calculates actuarial valuations using the aggregate actuarial cost method.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Supplemental Public Works Commission Retirement System
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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There was no pension obligation as of July 1, 2003. Since then, the cost and contributions have been zero so there is still no net pension obligation.

Notes to the Required Schedules:

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

Valuation date	July 1, 2009
Actuarial cost method	Aggregate
Amortization method	N/A
Amortization period	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases*	N/A
Includes inflation at	3.0%
Cost-of-living adjustments	None

* Benefits for active employees have worn away in this plan. All benefits for active employees are covered by LGERS.

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)
12/31/2005	\$ -	\$ 54,434,583	\$ 54,434,583	0.00%	\$ 44,476,975	122.40%
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%

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 OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 6,585,964	15.11%	\$ 5,590,699
2009	2,856,401	30.57%	7,604,621
2010	3,005,268	26.61%	9,810,254

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, 2009
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*	10.5% - 5%
* Includes inflation at	3.75%

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)
2/22/07	\$ -	\$ 11,080,476	\$ 11,080,476	0.00%	\$ 27,983,314	39.60%
8/31/09	-	15,772,610	15,772,610	0.00%	29,452,949	53.55%
8/31/09	-	15,772,610	15,772,610	0.00%	30,451,478	51.80%

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 OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 1,070,188	0.00%	\$ 1,070,188
2009	1,453,111	39.49%	1,949,481
2010	1,453,111	55.22%	2,600,162

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	August 31, 2009
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%

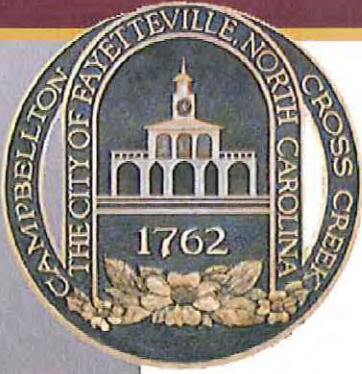


Supplemental Financial Information

Combining and Individual Fund Financial Statements and Schedules

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

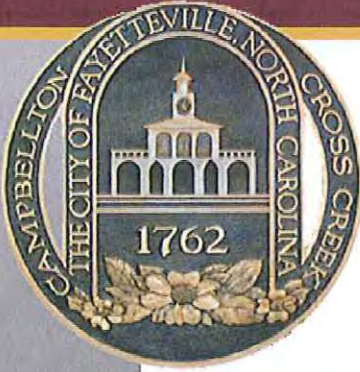
Combining statements are presented where there is more than one fund of a given type. Individual fund statements are presented if only one fund exists in a given fund type.



Governmental Funds

- General Fund
- Recreational and Cultural Fund
- Nonmajor Governmental Funds
 - Special Revenue Funds
 - Capital Project Funds

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



General Fund

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

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2010 and 2009

ASSETS	2010	2009
Cash and investments	\$ 42,543,129	\$ 41,653,341
Taxes receivable	2,968,369	3,150,513
Accounts receivable	12,875,388	12,764,126
Interfund receivable	213,918	249,542
Assessments receivable	630,776	489,373
Inventories	104,678	79,900
Restricted cash and investments	1,071,729	-
Total assets	\$ 60,407,987	\$ 58,386,795
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 9,257,973	\$ 6,994,124
Unearned deposits	108,739	131,418
Deferred revenues	4,452,697	5,342,238
Total liabilities	13,819,409	12,467,780
Fund balances		
Fund balances:		
Reserved		
By State statute	12,805,674	11,960,494
For encumbrances	2,597,091	4,167,814
For inventories	104,678	79,900
For downtown	104,316	124,882
For county recreation	2,273,244	1,598,321
For JP Riddle Stadium	59,410	26,523
For donations	28,115	27,000
Unreserved		
Designated		
For subsequent year's expenditures	2,908,969	3,643,174
For special purpose	3,558,494	3,562,081
For capital projects	3,424,312	3,339,367
Undesignated	18,724,275	17,389,459
Total fund balances	46,588,578	45,919,015
Total liabilities and fund balances	\$ 60,407,987	\$ 58,386,795

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2010
With Comparative Actual Statements for the Year Ended June 30, 2009**

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 55,783,708	\$ 1,470,077	\$ 57,253,785	\$ 53,988,079
Prior year	1,162,700	(42,684)	1,120,016	1,253,509
Penalties	315,450	10,706	326,156	311,424
Total ad valorem taxes	<u>57,261,858</u>	<u>1,438,099</u>	<u>58,699,957</u>	<u>55,553,012</u>
Other taxes				
Vehicle license tax	627,285	3,568	630,853	630,065
Privilege license	1,084,100	(100,954)	983,146	1,013,929
Cablevision franchise tax	430,604	(58,378)	372,226	380,944
Gross receipts tax on rental property	544,590	(66,704)	477,886	441,381
Total other taxes	<u>2,686,579</u>	<u>(222,468)</u>	<u>2,464,111</u>	<u>2,466,319</u>
Unrestricted intergovernmental				
Local option sales tax	30,975,771	(185,890)	30,789,881	29,628,044
Telecommunications sales tax	2,219,165	(223,339)	1,995,826	2,081,301
Utility franchise tax	4,647,921	90,841	4,738,762	4,048,341
Piped natural gas tax	679,507	(38,994)	640,513	665,756
Video franchise fee	2,503,918	156,173	2,660,091	2,401,090
Beer and wine tax	330,702	(34,832)	295,870	814,901
County - other	359,103	12,061	371,164	288,973
Local - public safety	339,602	3,102	342,704	335,106
Local - other	84,177	8,800	92,977	103,549
Total unrestricted intergovernmental	<u>42,139,866</u>	<u>(212,078)</u>	<u>41,927,788</u>	<u>40,367,061</u>
Restricted intergovernmental				
Federal - public safety	772,802	78,231	851,033	170,492
Powell Bill allocation	5,027,328	131,326	5,158,654	5,270,237
State - other	23,600	10,454	34,054	76,511
State - public safety	65,400	(240)	65,160	74,044
Solid waste disposal tax	136,913	4,389	141,302	84,449
County recreation	2,656,792	731,692	3,388,484	2,825,146
County - other	77,689	14,311	92,000	77,353
Total restricted intergovernmental	<u>8,760,524</u>	<u>970,163</u>	<u>9,730,687</u>	<u>8,578,232</u>
Permits and fees	<u>1,987,000</u>	<u>(106,726)</u>	<u>1,880,274</u>	<u>1,889,966</u>
Sales and services				
Property leases	949,084	(486,358)	462,726	425,030
Engineering/planning services	370,172	3,537	373,709	333,452
Public safety services	1,196,437	(387,406)	809,031	947,682
Environmental services	71,939	3,121	75,060	70,693
Recreation and cultural services	986,133	203,075	1,189,208	1,078,230
Parking revenues	153,200	32,214	185,414	215,162
Other fees and services	91,921	(4,254)	87,667	193,683
Total sales and services	<u>3,818,886</u>	<u>(636,071)</u>	<u>3,182,815</u>	<u>3,263,932</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year Ended June 30, 2010
With Comparative Actual Statements for the Year Ended June 30, 2009**

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Revenues (continued)				
Miscellaneous				
Refunds and sundry	\$ 642,056	\$ 62,861	\$ 704,917	\$ 795,089
Indirect cost allocation	1,112,866	6,232	1,119,098	1,091,906
Special use assessment	195,000	3,103	198,103	211,691
Total miscellaneous	<u>1,949,922</u>	<u>72,196</u>	<u>2,022,118</u>	<u>2,098,686</u>
Interest earned on investments	<u>844,000</u>	<u>(196,832)</u>	<u>647,168</u>	<u>1,340,965</u>
Total revenues	<u>119,448,635</u>	<u>1,106,283</u>	<u>120,554,918</u>	<u>115,558,173</u>
Expenditures				
Current				
Administration				
Legislative				
Salaries and employee benefits	286,170	19,101	267,069	266,785
Other operating expenditures	455,965	54,507	401,458	184,530
	<u>742,135</u>	<u>73,608</u>	<u>668,527</u>	<u>451,315</u>
City attorney				
Salaries and employee benefits	543,177	1,044	542,133	473,408
Other operating expenditures	649,895	38,120	611,775	355,833
	<u>1,193,072</u>	<u>39,164</u>	<u>1,153,908</u>	<u>829,241</u>
Executive				
Salaries and employee benefits	1,073,936	10,370	1,063,566	951,942
Other operating expenditures	101,842	35,690	66,152	105,281
	<u>1,175,778</u>	<u>46,060</u>	<u>1,129,718</u>	<u>1,057,223</u>
Human resources development				
Salaries and employee benefits	890,504	46,949	843,555	815,900
Other operating expenditures	326,976	76,003	250,973	216,090
	<u>1,217,480</u>	<u>122,952</u>	<u>1,094,528</u>	<u>1,031,990</u>
Management services				
Salaries and employee benefits	514,177	65,671	448,506	662,577
Other operating expenditures	229,145	37,844	191,301	187,181
Capital outlay	-	-	-	5,870
Inventory	126,000	5,247	120,753	126,834
Cost redistribution	(164,000)	(1,971)	(162,029)	(172,124)
	<u>705,322</u>	<u>106,791</u>	<u>598,531</u>	<u>810,338</u>
Information technology				
Salaries and employee benefits	1,203,938	34,329	1,169,609	816,340
Other operating expenditures	1,177,751	224,692	953,059	1,326,988
Capital outlay	202,053	136,558	65,495	244,064
Cost redistribution	-	-	-	(5,702)
	<u>2,583,742</u>	<u>395,579</u>	<u>2,188,163</u>	<u>2,381,690</u>
Human relations				
Salaries and employee benefits	208,598	1,196	207,402	201,147
Other operating expenditures	37,014	16,710	20,304	22,707
Payments to agencies	2,281	1	2,280	-
	<u>247,893</u>	<u>17,907</u>	<u>229,986</u>	<u>223,854</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General FundYear Ended June 30, 2010
With Comparative Actual Statements for the Year Ended June 30, 2009

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Expenditures (continued)				
Current (continued)				
Administration (continued)				
Finance				
Salaries and employee benefits	\$ 1,193,151	\$ 7,118	\$ 1,186,033	\$ 1,180,079
Other operating expenditures	1,311,269	134,810	1,176,459	1,177,891
Capital outlay	43,305	7,685	35,620	86,224
	<u>2,547,725</u>	<u>149,613</u>	<u>2,398,112</u>	<u>2,444,194</u>
General government				
Salaries and employee benefits	74,103	8,163	65,940	108,047
Other operating expenditures	8,874,437	672,682	8,201,755	6,236,559
Capital outlay	100,172	100,172	-	-
Inventory	1,300,131	130,816	1,169,315	1,419,461
Payments to agencies	376,500	-	376,500	339,000
Cost redistribution	(1,361,000)	(109,424)	(1,251,576)	(1,513,388)
	<u>9,364,343</u>	<u>802,409</u>	<u>8,561,934</u>	<u>6,589,679</u>
Public buildings				
Salaries and employee benefits	789,045	3,732	785,313	800,460
Other operating expenditures	881,354	23,195	858,159	959,984
Capital outlay	-	-	-	22,105
	<u>1,670,399</u>	<u>26,927</u>	<u>1,643,472</u>	<u>1,782,549</u>
Project management				
Salaries and employee benefits	173,830	7,311	166,519	186,996
Other operating expenditures	7,827	3,685	4,142	6,088
	<u>181,657</u>	<u>10,996</u>	<u>170,661</u>	<u>193,084</u>
Total Administration	<u>21,629,546</u>	<u>1,792,006</u>	<u>19,837,540</u>	<u>17,795,157</u>
Public Safety				
Police				
Salaries and employee benefits	33,890,531	910,538	32,979,993	32,133,909
Other operating expenditures	5,213,531	515,554	4,697,977	4,521,065
Capital outlay	1,902,233	1,104,873	797,360	1,485,948
Payments to agencies	3,000	-	3,000	3,000
	<u>41,009,295</u>	<u>2,530,965</u>	<u>38,478,330</u>	<u>38,143,922</u>
Fire				
Salaries and employee benefits	18,090,765	5,406	18,085,359	17,550,515
Other operating expenditures	2,667,871	180,896	2,486,975	2,241,638
Capital outlay	1,129,918	94,451	1,035,467	1,282,133
Cost redistribution	(75,000)	-	(75,000)	(51,178)
	<u>21,813,554</u>	<u>280,753</u>	<u>21,532,801</u>	<u>21,023,108</u>
Inspections				
Salaries and employee benefits	2,225,942	68,328	2,157,614	2,254,614
Other operating expenditures	473,051	134,993	338,058	463,555
Capital outlay	72,088	30,001	42,087	43,663
	<u>2,771,081</u>	<u>233,322</u>	<u>2,537,759</u>	<u>2,761,832</u>
Total public safety	<u>65,593,930</u>	<u>3,045,040</u>	<u>62,548,890</u>	<u>61,928,862</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2010

With Comparative Actual Statements for the Year Ended June 30, 2009

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Expenditures (continued)				
Current (continued)				
Environmental protection				
Environmental services				
Salaries and employee benefits	\$ 3,931,577	\$ 46,762	\$ 3,884,815	\$ 4,081,688
Other operating expenditures	2,125,198	187,459	1,937,739	1,946,025
Capital outlay	814,108	355,997	458,111	1,024,311
	<u>6,870,883</u>	<u>590,218</u>	<u>6,280,665</u>	<u>7,052,024</u>
Cemeteries				
Salaries and employee benefits	98,611	2,647	95,964	100,551
Other operating expenditures	29,473	7,205	22,268	40,260
	<u>128,084</u>	<u>9,852</u>	<u>118,232</u>	<u>140,811</u>
Urban forestry				
Salaries and employee benefits	133,025	445	132,580	120,792
Other operating expenditures	14,647	1,862	12,785	10,994
	<u>147,672</u>	<u>2,307</u>	<u>145,365</u>	<u>131,786</u>
Street sweeping				
Salaries and employee benefits	377,634	6,123	371,511	347,284
Other operating expenditures	259,838	15,373	244,465	209,151
Capital outlay	178,644	-	178,644	356,241
	<u>816,116</u>	<u>21,496</u>	<u>794,620</u>	<u>912,676</u>
Total environmental protection	<u>7,962,755</u>	<u>623,873</u>	<u>7,338,882</u>	<u>8,237,297</u>
Transportation				
Streets				
Salaries and employee benefits	2,697,429	61,366	2,636,063	2,642,744
Other operating expenditures	3,112,081	235,635	2,876,446	2,271,888
Capital outlay	248,190	-	248,190	488,424
Cost redistribution	-	756	(756)	-
	<u>6,057,700</u>	<u>297,757</u>	<u>5,759,943</u>	<u>5,403,056</u>
Engineering				
Salaries and employee benefits	1,281,730	66,544	1,215,186	1,387,273
Other operating expenditures	235,936	122,473	113,463	105,413
Capital outlay	5,400	3,279	2,121	41,382
	<u>1,523,066</u>	<u>192,296</u>	<u>1,330,770</u>	<u>1,534,068</u>
Parking				
Other operating expenditures	338,620	52,904	285,716	206,508
Total transportation	<u>7,919,386</u>	<u>542,957</u>	<u>7,376,429</u>	<u>7,143,632</u>
Economic and physical development				
Central business district				
Other operating expenditures	58,400	293	58,107	100,927
Capital outlay	19,560	19,560	-	-
Cost redistribution	25,000	-	25,000	-
	<u>102,960</u>	<u>19,853</u>	<u>83,107</u>	<u>100,927</u>

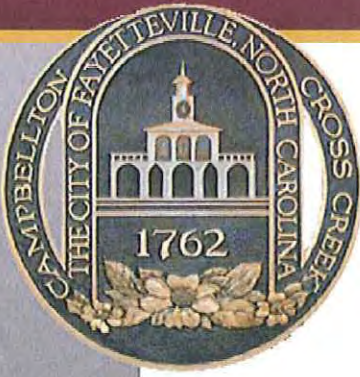
CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2010

With Comparative Actual Statements for the Year Ended June 30, 2009

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Expenditures (continued)				
Current (continued)				
Economic and physical development (continued)				
Community development				
Salaries and employee benefits	\$ 137,916	\$ 253	\$ 137,663	\$ 111,912
Other operating expenditures	739,995	277,021	462,974	433,763
Cost redistribution	(25,000)	-	(25,000)	-
	<u>852,911</u>	<u>277,274</u>	<u>575,637</u>	<u>545,675</u>
Planning and development				
Salaries and employee benefits	500,005	25,070	474,935	492,607
Other operating expenditures	356,034	181,665	174,369	262,073
Capital outlay	6,000	6,000	-	-
Payments to agencies	9,132	821	8,311	6,067
	<u>871,171</u>	<u>213,556</u>	<u>657,615</u>	<u>760,747</u>
Total economic and physical development	<u>1,827,042</u>	<u>510,683</u>	<u>1,316,359</u>	<u>1,407,349</u>
Recreation and community facilities				
Parks and recreation				
Salaries and employee benefits	7,035,176	117,788	6,917,388	7,229,154
Other operating expenditures	4,594,451	795,942	3,798,509	3,777,786
Capital outlay	578,997	353,616	225,381	231,246
	<u>12,208,624</u>	<u>1,267,346</u>	<u>10,941,278</u>	<u>11,238,186</u>
Total recreation and community facilities	<u>12,208,624</u>	<u>1,267,346</u>	<u>10,941,278</u>	<u>11,238,186</u>
Debt service				
Principal	5,976,263	160,516	5,815,747	6,693,028
Interest	994,219	693	993,526	1,406,077
Bond issuance costs	131,014	-	131,014	-
Total debt service	<u>7,101,496</u>	<u>161,209</u>	<u>6,940,287</u>	<u>8,099,105</u>
Total expenditures	<u>124,242,779</u>	<u>7,943,114</u>	<u>116,299,665</u>	<u>115,849,588</u>
Revenues over (under) expenditures	<u>(4,794,144)</u>	<u>9,049,397</u>	<u>4,255,253</u>	<u>(291,415)</u>
Other financing sources (uses)				
Sale of capital assets	225,000	(21,084)	203,916	240,465
Appropriated fund balance	9,668,300	(9,668,300)	-	-
Transfers in	9,172,772	(10,871)	9,161,901	8,516,480
Transfers (out)	(15,180,866)	248,692	(14,932,174)	(15,555,256)
Proceeds from loans	750,000	-	750,000	-
Proceeds from capital leases	-	1,071,729	1,071,729	-
Refunding bonds issued	7,896,115	-	7,896,115	-
Premium on refunding bonds	863,131	-	863,131	-
Payment to refunded bond escrow agent	(8,600,308)	-	(8,600,308)	-
Total other financing sources (uses)	<u>4,794,144</u>	<u>(8,379,834)</u>	<u>(3,585,690)</u>	<u>(6,798,311)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 669,563</u>	<u>669,563</u>	<u>(7,089,726)</u>
Fund balance				
Beginning of year - July 1			<u>45,919,015</u>	<u>53,008,741</u>
End of year - June 30			<u>\$ 46,588,578</u>	<u>\$ 45,919,015</u>



Recreational and Cultural Fund

The Recreational and Cultural Fund is a major capital project fund used to account for resources used for the acquisition and construction of facilities such as parks, recreation centers and museums.

Resources are provided primarily through intergovernmental revenues, facility financing proceeds and transfers from other funds.

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
Recreational and Cultural Fund**

June 30, 2010 and 2009

ASSETS	2010	2009
Cash and investments	\$ 1,354,589	\$ 1,439,809
Accounts receivable	29,925	30,437
Restricted cash and investments	12,050,110	13,712,898
Total assets	\$ 13,434,624	\$ 15,183,144
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 383,951	\$ 101,779
Deferred revenues	11,714,339	13,665,507
Total liabilities	12,098,290	13,767,286
Fund balances		
Fund balances:		
Reserved		
By State statute	29,925	30,437
For encumbrances	603,544	1,297,621
Unreserved		
Designated		
For subsequent year's expenditures	702,865	87,800
Total fund balances	1,336,334	1,415,858
Total liabilities and fund balances	\$ 13,434,624	\$ 15,183,144

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, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 275,000	\$ -	\$ -	\$ -	\$ -
State grants and contributions	19,299,895	3,156,703	622,315	1,976,168	4,510,556
Total restricted intergovernmental	<u>19,574,895</u>	<u>3,156,703</u>	<u>622,315</u>	<u>1,976,168</u>	<u>4,510,556</u>
Miscellaneous					
Other	-	108,313	-	1,845	110,158
Donations	300,505	300,505	-	250	300,755
Total miscellaneous	<u>300,505</u>	<u>408,818</u>	<u>-</u>	<u>2,095</u>	<u>410,913</u>
Interest earned on investments	<u>33,036</u>	<u>328,465</u>	<u>-</u>	<u>169,370</u>	<u>497,835</u>
Total revenues	<u>19,908,436</u>	<u>3,893,986</u>	<u>622,315</u>	<u>2,147,633</u>	<u>5,419,304</u>
Expenditures					
Current					
Recreational and community facilities					
Cape Fear River Park	-	280,963	280,963	-	-
Disabled accessibility minibus	65,000	-	-	-	-
Freedom Park	482,175	471,626	-	1,519	473,145
Amtrak Station	-	691,460	691,460	-	-
Bonnie Doone Park	554,895	554,163	-	521	554,684
EE Miller Recreation Center	2,295,960	2,295,960	-	-	2,295,960
NC State Veterans Park	2,300,000	2,121,648	-	110,204	2,231,852
Western Area Neighborhood Park	800,000	-	-	-	-
NC State Veterans Park #2	14,700,000	452,526	-	2,026,060	2,478,586
Playground equipment and improvements	303,000	113,835	-	144,993	258,828
Cape Fear River Trail Phase 2	2,614,345	18,450	-	37,570	56,020
Total expenditures	<u>24,115,375</u>	<u>7,000,631</u>	<u>972,423</u>	<u>2,320,867</u>	<u>8,349,075</u>
Revenues over (under) expenditures	<u>(4,206,939)</u>	<u>(3,106,645)</u>	<u>(350,108)</u>	<u>(173,234)</u>	<u>(2,929,771)</u>
Other financing sources (uses)					
Transfers in	2,180,192	2,398,147	419,146	258,001	2,237,002
Transfers out	(95,253)	-	(69,038)	(164,291)	(95,253)
Capital leases, bonds, and other debt	2,122,000	2,124,356	-	-	2,124,356
Total other financing sources (uses)	<u>4,206,939</u>	<u>4,522,503</u>	<u>350,108</u>	<u>93,710</u>	<u>4,266,105</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,415,858</u>	<u>\$ -</u>	<u>(79,524)</u>	<u>\$ 1,336,334</u>
Fund balance					
Beginning of year - July 1				1,415,858	
End of year - June 30				<u>\$ 1,336,334</u>	



Nonmajor Governmental Funds



CITY OF FAYETTEVILLE, NORTH CAROLINA

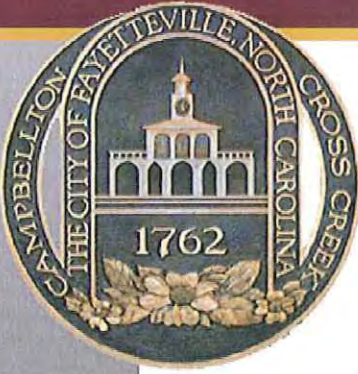
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 7,439,169	\$ 11,650,250	\$ 19,089,419
Accounts receivable	8,706,773	1,051,881	9,758,654
Restricted asset - cash and investments	962,217	3,979,979	4,942,196
Total assets	\$ 17,108,159	\$ 16,682,110	\$ 33,790,269
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 653,454	\$ 1,123,944	\$ 1,777,398
Unearned deposits	48,240	-	48,240
Deferred revenues	7,801,394	419,363	8,220,757
Total liabilities	8,503,088	1,543,307	10,046,395
Fund balances:			
Reserved			
By State statute	1,935,379	2,492,267	4,427,646
For encumbrances	2,351,412	7,512,057	9,863,469
For streets - Powell Bill	-	2,425,237	2,425,237
For grant compliance	792,028	8,516	800,544
For bond projects	-	190,158	190,158
Unreserved			
Designated			
For subsequent year's expenditures	1,025,386	3,765,339	4,790,725
For special purpose	2,420,000	-	2,420,000
Undesignated	80,866	(1,254,771)	(1,173,905)
Total fund balances	8,605,071	15,138,803	23,743,874
Total liabilities and fund balances	\$ 17,108,159	\$ 16,682,110	\$ 33,790,269

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Other taxes and fees	\$ 6,173,198	\$ -	\$ 6,173,198
Restricted intergovernmental	4,453,550	804,547	5,258,097
Miscellaneous	668,435	144,485	812,920
Interest earned on investments	102,257	11,004	113,261
Total revenues	<u>11,397,440</u>	<u>960,036</u>	<u>12,357,476</u>
Expenditures			
Current			
Administration	-	245,384	245,384
Public safety	2,655,283	4,925,759	7,581,042
Environmental protection	3,691,224	903,265	4,594,489
Transportation	-	3,331,491	3,331,491
Economic and physical development	3,322,606	754,170	4,076,776
Recreation and community facilities	123,866	98,289	222,155
Debt service:			
Principal	3,350,000	89,569	3,439,569
Interest	535,063	-	535,063
Total expenditures	<u>13,678,042</u>	<u>10,347,927</u>	<u>24,025,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,280,602)</u>	<u>(9,387,891)</u>	<u>(11,668,493)</u>
Other financing sources (uses)			
Sale of capital assets	6,156	-	6,156
Proceeds from capital leases	-	5,479,080	5,479,080
Proceeds from loans	-	500,598	500,598
Transfers in	3,977,272	9,926,507	13,903,779
Transfers out	(20,773)	(2,142,115)	(2,162,888)
Total other financing sources (uses)	<u>3,962,655</u>	<u>13,764,070</u>	<u>17,726,725</u>
Net change in fund balances	1,682,053	4,376,179	6,058,232
Fund balance - beginning	<u>6,923,018</u>	<u>10,762,624</u>	<u>17,685,642</u>
Fund balance- ending	<u>\$ 8,605,071</u>	<u>\$ 15,138,803</u>	<u>\$ 23,743,874</u>



Special Revenue Funds

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

The following comprise the City's Special Revenue Funds:

- Emergency Telephone System Fund
- Federal and State Financial Assistance Fund
- Stormwater Management Fund
- City of Fayetteville Finance Corporation 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, 2010

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	Storm Water Management Fund	Fayetteville Finance Corp Fund	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 679,399	\$ -	\$ 6,759,770	\$ -	\$ 7,439,169
Accounts receivable	89,971	8,528,860	87,942	-	8,706,773
Interfund receivable	-	-	864,618	-	864,618
Restricted asset - cash and investments	-	962,217	-	-	962,217
Total assets	<u>\$ 769,370</u>	<u>\$ 9,491,077</u>	<u>\$ 7,712,330</u>	<u>\$ -</u>	<u>\$ 17,972,777</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 95,101	\$ 202,648	\$ 355,705	\$ -	\$ 653,454
Interfund payables	-	864,618	-	-	864,618
Unearned deposits	-	-	48,240	-	48,240
Deferred revenues	-	7,740,337	61,057	-	7,801,394
Total liabilities	<u>95,101</u>	<u>8,807,603</u>	<u>465,002</u>	<u>-</u>	<u>9,367,706</u>
Fund balances:					
Reserved					
By State statute	89,971	953,905	891,503	-	1,935,379
For encumbrances	148,870	962,743	1,239,799	-	2,351,412
For grant compliance	-	792,028	-	-	792,028
Unreserved					
Designated					
For subsequent year's expenditures	-	-	1,025,386	-	1,025,386
For special purpose	-	-	2,420,000	-	2,420,000
Undesignated	435,428	(2,025,202)	1,670,640	-	80,866
Total fund balances	<u>674,269</u>	<u>683,474</u>	<u>7,247,328</u>	<u>-</u>	<u>8,605,071</u>
Total liabilities and fund balances	<u>\$ 769,370</u>	<u>\$ 9,491,077</u>	<u>\$ 7,712,330</u>	<u>\$ -</u>	<u>\$ 17,972,777</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2010

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	Storm Water Management Fund	Fayetteville Finance Corp Fund	Total Nonmajor Special Revenue Funds
Revenues					
Other taxes and fees	\$ 1,060,306	\$ -	\$ 5,112,892	\$ -	\$ 6,173,198
Restricted intergovernmental	-	4,433,550	20,000	-	4,453,550
Miscellaneous	-	663,814	4,621	-	668,435
Interest earned on investments	10,186	11,406	80,030	635	102,257
Total revenues	<u>1,070,492</u>	<u>5,108,770</u>	<u>5,217,543</u>	<u>635</u>	<u>11,397,440</u>
Expenditures					
Current:					
Public safety	950,714	1,704,569	-	-	2,655,283
Environmental protection	-	92,357	3,598,867	-	3,691,224
Economic and physical development	-	3,316,236	-	6,370	3,322,606
Recreation and community facilities	-	123,866	-	-	123,866
Debt Service:					
Principal	-	-	-	3,350,000	3,350,000
Interest	-	1,100	-	533,963	535,063
Total expenditures	<u>950,714</u>	<u>5,238,128</u>	<u>3,598,867</u>	<u>3,890,333</u>	<u>13,678,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>119,778</u>	<u>(129,358)</u>	<u>1,618,676</u>	<u>(3,889,698)</u>	<u>(2,280,602)</u>
Other financing sources (uses)					
Sale of capital assets	-	-	6,156	-	6,156
Transfers in	5,999	295,431	140,500	3,535,342	3,977,272
Transfers out	-	(13,500)	(7,273)	-	(20,773)
Total other financing sources (uses)	<u>5,999</u>	<u>281,931</u>	<u>139,383</u>	<u>3,535,342</u>	<u>3,962,655</u>
Net change in fund balances	<u>125,777</u>	<u>152,573</u>	<u>1,758,059</u>	<u>(354,356)</u>	<u>1,682,053</u>
Fund balance - beginning	<u>548,492</u>	<u>530,901</u>	<u>5,489,269</u>	<u>354,356</u>	<u>6,923,018</u>
Fund balance - ending	<u>\$ 674,269</u>	<u>\$ 683,474</u>	<u>\$ 7,247,328</u>	<u>\$ -</u>	<u>\$ 8,605,071</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, 2010
(With Comparative Actual Amounts For Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Revenues				
Other taxes	\$ 1,064,600	\$ (4,294)	\$ 1,060,306	\$ 1,138,897
Interest earned on investments	10,000	186	10,186	10,925
Miscellaneous	-	-	-	15
Total revenues	<u>1,074,600</u>	<u>(4,108)</u>	<u>1,070,492</u>	<u>1,149,837</u>
Expenditures				
Current				
Public safety				
Salaries and employee benefits	54,239	227	54,012	52,852
Other operating expenditures	766,693	159,821	606,872	492,284
Capital outlay	527,350	237,520	289,830	296,544
Total public safety	<u>1,348,282</u>	<u>397,568</u>	<u>950,714</u>	<u>841,680</u>
Debt service				
Principal	-	-	-	70,248
Interest	-	-	-	1,028
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,275</u>
Total expenditures	<u>1,348,282</u>	<u>397,568</u>	<u>950,714</u>	<u>912,955</u>
Revenues over (under) expenditures	<u>(273,682)</u>	<u>393,460</u>	<u>119,778</u>	<u>236,882</u>
Other financing sources (uses)				
Appropriated fund balance	267,683	(267,683)	-	-
Transfers in	5,999	-	5,999	-
Total other financing sources (uses)	<u>273,682</u>	<u>(267,683)</u>	<u>5,999</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 125,777</u>	<u>125,777</u>	<u>236,882</u>
Fund balance				
Beginning of year - July 1			548,492	311,610
End of year - June 30			<u>\$ 674,269</u>	<u>\$ 548,492</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 18,802,826	\$ 6,576,718	\$ 114,141	\$ 3,924,007	\$ 10,386,584
State grants	1,888,950	1,529,940	354,211	508,179	1,683,908
County	12,152	35,012	34,247	1,364	2,129
Total restricted intergovernmental	20,703,928	8,141,670	502,599	4,433,550	12,072,621
Miscellaneous	2,729,879	2,369,965	56,606	663,814	2,977,173
Interest earned on investments	49,183	72,427	-	11,406	83,833
Total revenues	23,482,990	10,584,062	559,205	5,108,770	15,133,627
Expenditures					
Current					
Public safety	7,215,477	2,433,937	581,352	1,704,569	3,557,154
Environmental protection	1,504,958	-	-	92,357	92,357
Economic and physical development	14,941,133	8,019,684	-	3,316,236	11,335,920
Recreation and community facilities	423,106	12,470	-	123,866	136,336
Total current	24,084,674	10,466,091	581,352	5,237,028	15,121,767
Debt service	120,699	75,311	-	1,100	76,411
Total expenditures	24,205,373	10,541,402	581,352	5,238,128	15,198,178
Revenues over (under) expenditures	(722,383)	42,660	(22,147)	(129,358)	(64,551)
Other financing sources (uses)					
Sale of capital assets	89,188	89,187	-	-	89,187
Transfers in	646,695	399,054	22,147	295,431	672,338
Transfers out	(13,500)	-	-	(13,500)	(13,500)
Total other financing sources (uses)	722,383	488,241	22,147	281,931	748,025
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 530,901	\$ -	152,573	\$ 683,474
Fund balance					
Beginning of year - July 1				530,901	
End of year - June 30				<u>\$ 683,474</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, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Expenditures by project:					
Public safety					
Federal and State Forefeiture	\$ 1,815,010	\$ 1,180,995	\$ -	\$ 136,297	\$ 1,317,292
PSN Anti-Gang; Operation Ceasefire	120,930	149,929	56,627	14,337	107,639
PSN Media Blitz	23,000	19,889	-	-	19,889
JCPC Gang Violence Prevention	-	1,023	1,023	-	-
Gangs across the Carolinas	93,172	92,721	92,721	93,155	93,155
Juvenile Restitution	133,259	306,720	306,720	74,582	74,582
Gang Prevention	-	10,120	10,120	-	-
Justice Assistance Grant	452,191	369,617	114,141	135,089	390,565
COPS Technology Grant	100,000	-	-	99,591	99,591
Badges for Baseball 2010	26,823	-	-	26,823	26,823
FY07 Hazmat Equipment	251,571	110,155	-	141,412	251,567
FY08 Hazmat Equipment	205,714	-	-	40,149	40,149
FY09 Hazmat Equipment	135,714	-	-	1,715	1,715
FY06 Hazmat Equipment	192,857	192,768	-	38	192,806
FY08 FEMA Firefighter Grant	245,210	-	-	245,210	245,210
FY08 FEMA Firefighter Fire Prevention Grant	38,000	-	-	37,995	37,995
FY08 FEMA Firefighter Operations and Safety Grant	144,810	-	-	-	-
COPS Hiring Recovery Program (ARRA)	2,528,240	-	-	201,354	201,354
Justice Assistance Grant (ARRA)	708,976	-	-	456,822	456,822
Total public safety	7,215,477	2,433,937	581,352	1,704,569	3,557,154
Environmental protection					
Energy Efficiency Block Grant (ARRA)	1,478,500	-	-	67,500	67,500
NC DENR Waste Reduction	26,458	-	-	24,857	24,857
Total environmental protection	1,504,958	-	-	92,357	92,357
Economic and physical development					
Community Development Block Grant	7,923,583	4,861,665	-	1,888,254	6,749,919
Military Business Park	666,750	-	-	152,337	152,337
NC Rural Economic Development	47,335	-	-	47,320	47,320
Community Garden	28,000	20,088	-	3,443	23,531
HOME	5,300,233	3,137,931	-	1,064,975	4,202,906
CDBG-R (ARRA)	385,584	-	-	63,713	63,713
Homeless Prevention (ARRA)	589,648	-	-	96,194	96,194
Total economic and physical development	14,941,133	8,019,684	-	3,316,236	11,335,920
Recreation and community facilities					
Wayfinding signage	400,586	12,470	-	114,446	126,916
Cultural arts program	22,520	-	-	9,420	9,420
Total recreation and community facilities	423,106	12,470	-	123,866	136,336
Total expenditures by project	\$ 24,084,674	\$ 10,466,091	\$ 581,352	\$ 5,237,028	\$ 15,121,767

CITY OF FAYETTEVILLE, NORTH CAROLINA

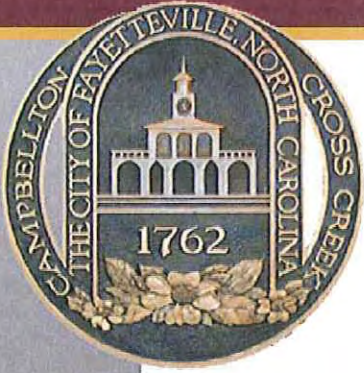
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Storm Water Management FundYear Ended June 30, 2010
(With Comparative Actual Amounts For Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Revenues				
Other fees				
Storm water fee	\$ 5,120,887	\$ (22,658)	\$ 5,098,229	\$ 5,688,647
Penalties	18,829	(4,166)	14,663	23,946
Total other fees	<u>5,139,716</u>	<u>(26,824)</u>	<u>5,112,892</u>	<u>5,712,593</u>
Restricted intergovernmental				
State	-	20,000	20,000	-
	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Miscellaneous	<u>-</u>	<u>4,621</u>	<u>4,621</u>	<u>-</u>
Interest earned on investments	<u>83,000</u>	<u>(2,970)</u>	<u>80,030</u>	<u>140,532</u>
Total revenues	<u>5,222,716</u>	<u>(5,173)</u>	<u>5,217,543</u>	<u>5,853,125</u>
Expenditures				
Current				
Environmental protection				
Salaries and employee benefits	1,526,516	103,584	1,422,932	1,598,606
Other operating expenditures	3,697,273	2,497,267	1,200,006	1,919,079
Capital outlay	2,604,708	1,703,779	900,929	1,390,564
Cost redistribution	75,000	-	75,000	51,178
Total environmental protection	<u>7,903,497</u>	<u>4,304,630</u>	<u>3,598,867</u>	<u>4,959,427</u>
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,162</u>
Total expenditures	<u>7,903,497</u>	<u>4,304,630</u>	<u>3,598,867</u>	<u>4,982,589</u>
Revenues over (under) expenditures	<u>(2,680,781)</u>	<u>4,299,457</u>	<u>1,618,676</u>	<u>870,536</u>
Other financing sources (uses)				
Sale of capital assets	-	6,156	6,156	500
Transfers out	(191,920)	184,647	(7,273)	-
Transfers in	30,178	110,322	140,500	-
Appropriated fund balance	2,842,523	(2,842,523)	-	-
Total other financing sources (uses)	<u>2,680,781</u>	<u>(2,541,398)</u>	<u>139,383</u>	<u>500</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,758,059</u>	<u>1,758,059</u>	<u>871,036</u>
Fund balance				
Beginning of year - July 1			5,489,269	4,618,233
End of year - June 30			<u>\$ 7,247,328</u>	<u>\$ 5,489,269</u>

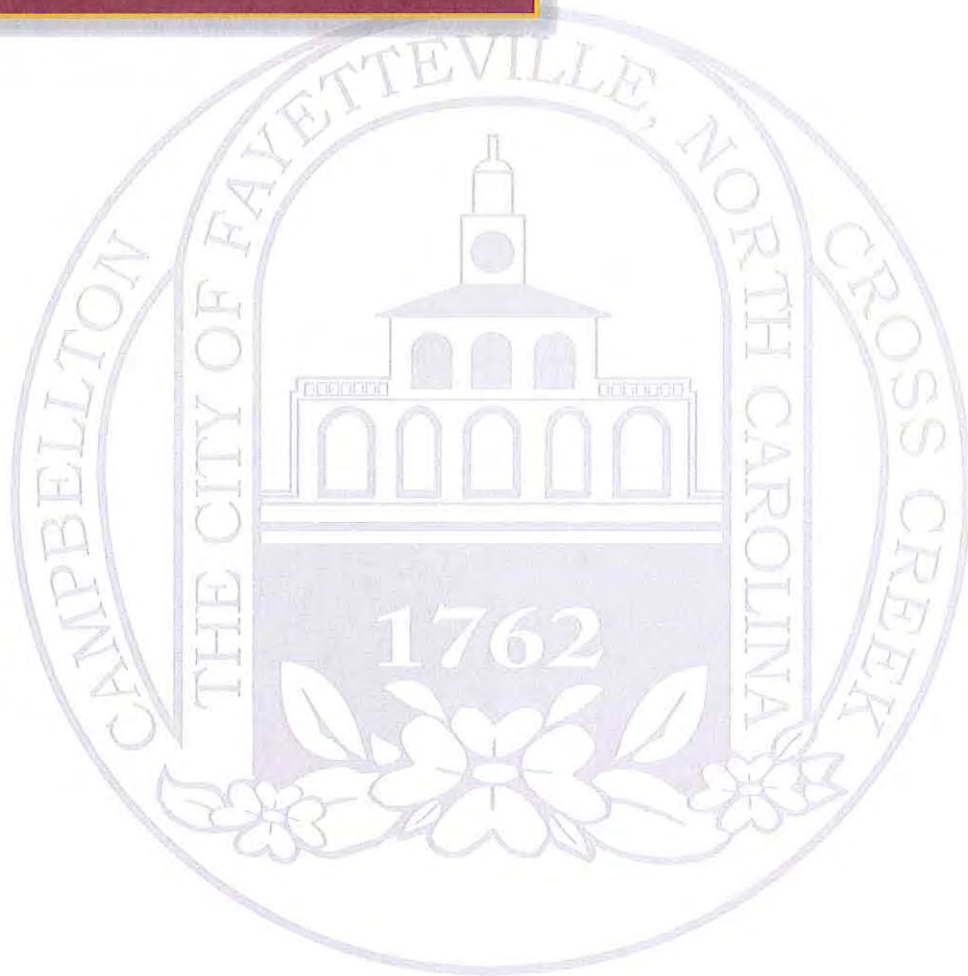
CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
City of Fayetteville Finance Corporation FundYear Ended June 30, 2010
(With Comparative Actual Amounts For Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Revenues				
Interest earned on investments	\$ 471	\$ 164	\$ 635	\$ 3,510
Expenditures				
Current				
Economic and physical development				
Other operating expenditures	23,145	16,775	6,370	6,604
Debt service				
Principal	3,350,000	-	3,350,000	1,555,000
Interest	536,250	2,287	533,963	548,368
Total debt service	3,886,250	2,287	3,883,963	2,103,368
Total expenditures	3,909,395	19,062	3,890,333	2,109,972
Revenues over (under) expenditures	(3,908,924)	19,226	(3,889,698)	(2,106,462)
Other financing sources (uses)				
Transfers in	3,554,569	(19,227)	3,535,342	2,460,818
Appropriated fund balance	354,355	(354,355)	-	-
Total financing sources (uses)	3,908,924	(373,582)	3,535,342	2,460,818
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ (354,356)	(354,356)	354,356
Fund balance				
Beginning of year - July 1			354,356	-
End of year - June 30			\$ -	\$ 354,356



Nonmajor Capital Project Funds





Capital Project Funds

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

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

- General Government Fund
- Public Safety Fund
- Transportation Fund
- Water, Sewer and Storm Water Fund
- Bond Improvement Fund
- Economic and Physical Development Fund
- Linear Park Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combing Balance Sheet
Nonmajor Capital Project Funds
June 30, 2010

	General Government Fund	Public Safety Fund	Transportation Fund	Water, Sewer and StormWater Fund	Bond Improvement Fund	Economic and Physical Development Fund	Linear Park Fund	Total Nonmajor Capital Project Funds
Assets								
Cash and investments	\$ 728,373	\$ -	\$ 4,412,452	\$ -	\$ -	\$ 6,291,071	\$ 218,354	\$ 11,650,250
Accounts receivable	807	842	123,167	901,998	3,321	18,244	3,502	1,051,881
Interfund receivable	-	-	1,423,896	-	-	16,551	-	1,440,447
Restricted asset - cash and investments	-	1,339,874	2,425,237	-	190,158	-	24,710	3,979,979
Total assets	<u>\$ 729,180</u>	<u>\$ 1,340,716</u>	<u>\$ 8,384,752</u>	<u>\$ 901,998</u>	<u>\$ 193,479</u>	<u>\$ 6,325,866</u>	<u>\$ 246,566</u>	<u>\$ 18,122,557</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable and accrued expenses	\$ 1,710	\$ 19,103	\$ 909,906	\$ 45,194	\$ -	\$ 148,031	\$ -	\$ 1,123,944
Interfund payables	-	567,092	-	856,804	16,551	-	-	1,440,447
Deferred revenues	-	394,592	61	-	-	-	24,710	419,363
Total liabilities	<u>1,710</u>	<u>980,787</u>	<u>909,967</u>	<u>901,998</u>	<u>16,551</u>	<u>148,031</u>	<u>24,710</u>	<u>2,983,754</u>
Fund balances:								
Reserved								
By state statute	807	842	1,547,002	901,998	3,321	34,795	3,502	2,492,267
For encumbrances	330,622	686,793	2,312,660	-	-	4,166,832	15,150	7,512,057
For streets - Powell bill	-	-	2,425,237	-	-	-	-	2,425,237
For grant compliance	-	8,516	-	-	-	-	-	8,516
For bond projects	-	-	-	-	190,158	-	-	190,158
Unreserved								
Designated								
For subsequent year's expenditures	396,041	-	1,189,886	-	-	1,976,208	203,204	3,765,339
Undesignated	-	(336,222)	-	(901,998)	(16,551)	-	-	(1,254,771)
Total fund balances	<u>727,470</u>	<u>359,929</u>	<u>7,474,785</u>	<u>-</u>	<u>176,928</u>	<u>6,177,835</u>	<u>221,856</u>	<u>15,138,803</u>
Total liabilities and fund balances	<u>\$ 729,180</u>	<u>\$ 1,340,716</u>	<u>\$ 8,384,752</u>	<u>\$ 901,998</u>	<u>\$ 193,479</u>	<u>\$ 6,325,866</u>	<u>\$ 246,566</u>	<u>\$ 18,122,557</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended June 30, 2010

	General Government Fund	Public Safety Fund	Transportation Fund	Water, Sewer and StormWater Fund	Bond Improvement Fund	Economic and Physical Development Fund	Linear Park Fund	Total Nonmajor Capital Project Funds
Revenues								
Restricted intergovernmental	\$ -	\$ 5,408	\$ 98,346	\$ 500,597	\$ -	\$ 215,508	\$ (15,312)	\$ 804,547
Miscellaneous	-	-	5,000	-	-	15,435	124,050	144,485
Interest earned in investments	-	5,605	1,836	-	1,665	-	1,898	11,004
Total revenues	-	11,013	105,182	500,597	1,665	230,943	110,636	960,036
Expenditures								
Administration	245,384	-	-	-	-	-	-	245,384
Public safety	-	4,925,759	-	-	-	-	-	4,925,759
Environmental protection	-	-	-	898,145	5,120	-	-	903,265
Transportation	-	-	2,864,683	-	466,808	-	-	3,331,491
Economic and physical development	-	-	-	-	-	754,170	-	754,170
Recreation and community facilities	-	-	-	-	12,074	-	86,215	98,289
Debt service:								
Principal	-	-	-	-	89,569	-	-	89,569
Total expenditures	245,384	4,925,759	2,864,683	898,145	573,571	754,170	86,215	10,347,927
Excess (deficiency) of revenues over (under) expenditures	(245,384)	(4,914,746)	(2,759,501)	(397,548)	(571,906)	(523,227)	24,421	(9,387,891)
Other financing sources (uses)								
Proceeds from capital leases	-	5,479,080	-	-	-	-	-	5,479,080
Proceeds from loans	-	-	-	500,598	-	-	-	500,598
Transfers in	935,268	20,000	6,098,447	7,273	131,000	2,734,440	79	9,926,507
Transfers out	-	(1,979,440)	-	(110,323)	(52,352)	-	-	(2,142,115)
Total other financing sources (uses)	935,268	3,519,640	6,098,447	397,548	78,648	2,734,440	79	13,764,070
Net change in fund balances	689,884	(1,395,106)	3,338,946	-	(493,258)	2,211,213	24,500	4,376,179
Fund balance - beginning	37,586	1,755,035	4,135,839	-	670,186	3,966,622	197,356	10,762,624
Fund balance - ending	\$ 727,470	\$ 359,929	\$ 7,474,785	\$ -	\$ 176,928	\$ 6,177,835	\$ 221,856	\$ 15,138,803

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, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 63,500	\$ -	\$ -	\$ -	\$ -
Expenditures					
Current					
Administration					
Clean Cities project	385,491	-	-	-	-
Computer replacements	320,162	-	-	30,861	30,861
Telephone system upgrade	123,440	-	-	-	-
Planning software	51,700	-	-	-	-
Integrated cashing system	106,180	-	-	68,325	68,325
Grove Street roof replacement	60,500	-	-	-	-
Building projects	150,775	48,055	-	82,732	130,787
Parking lot projects	101,000	41,793	-	55,513	97,306
Demolition of city building	-	62,758	62,758	-	-
Council chambers upgrade	158,453	150,499	-	7,953	158,452
Total expenditures	<u>1,457,701</u>	<u>303,105</u>	<u>62,758</u>	<u>245,384</u>	<u>485,731</u>
Revenues over (under) expenditures	<u>(1,394,201)</u>	<u>(303,105)</u>	<u>(62,758)</u>	<u>(245,384)</u>	<u>(485,731)</u>
Other financing sources (uses)					
Transfers in	1,394,201	340,691	62,758	935,268	1,213,201
Total other financing sources (uses)	<u>1,394,201</u>	<u>340,691</u>	<u>62,758</u>	<u>935,268</u>	<u>1,213,201</u>
Revenues and other financing sources					
(uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 37,586</u>	<u>\$ -</u>	<u>689,884</u>	<u>\$ 727,470</u>
Fund balance					
Beginning of year - July 1				<u>37,586</u>	
End of year - June 30				<u>\$ 727,470</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants and contributions	\$ 400,000	\$ -	\$ -	\$ 5,408	\$ 5,408
Interest earned on investments	-	79,859	-	5,605	85,464
Total revenues	400,000	79,859	-	11,013	90,872
Expenditures					
Current					
Public Safety					
Fire station #15	2,564,410	2,532,054	-	-	2,532,054
Police department server upgrade	208,000	75,118	-	82,875	157,993
Fire station #12	125,000	-	-	-	-
Fire training tower	500,000	-	-	5,408	5,408
Fire station #19	235,000	21,624	-	41,683	63,307
Police department CAD and RMS	3,219,717	945,878	-	1,625,923	2,571,801
Police department 800mhz radios	3,600,000	-	-	3,169,870	3,169,870
Total expenditures	10,452,127	3,574,674	-	4,925,759	8,500,433
Revenues over (under) expenditures	(10,052,127)	(3,494,815)	-	(4,914,746)	(8,409,561)
Other financing sources (uses)					
Proceeds from capital leases	9,469,717	2,415,000	-	5,479,080	7,894,080
Transfers in	2,962,850	2,834,850	-	20,000	2,854,850
Transfers out	(2,380,440)	-	-	(1,979,440)	(1,979,440)
Total other financing sources (uses)	10,052,127	5,249,850	-	3,519,640	8,769,490
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,755,035	\$ -	(1,395,106)	\$ 359,929
Fund balance					
Beginning of year - July 1				1,755,035	
End of year - June 30				<u>\$ 359,929</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants	\$ 630,710	\$ 252,248	\$ 144,745	\$ 98,346	\$ 205,849
Total restricted intergovernmental	630,710	252,248	144,745	98,346	205,849
Miscellaneous					
Owner contributions	98,775	163,607	-	-	163,607
Other	15,204	30,408	-	5,000	35,408
Total miscellaneous	113,979	194,015	-	5,000	199,015
Interest earned on investments	4,413	6,100	-	1,836	7,936
Total revenues	749,102	452,363	144,745	105,182	412,800
Expenditures					
Current					
Transportation					
Traffic control system	1,629,069	1,251,268	-	268,440	1,519,708
Sidewalks	1,546,145	88,177	65,357	144,238	167,058
Downtown railroad enhancements	1,892,000	-	-	-	-
Transportation improvements	8,507,274	8,069,592	6,218,017	2,452,005	4,303,580
Gateway beautifications	-	58,991	58,991	-	-
Total expenditures	13,574,488	9,468,028	6,342,365	2,864,683	5,990,346
Revenues (over) under expenditures	(12,825,386)	(9,015,665)	(6,197,620)	(2,759,501)	(5,577,546)
Other financing sources (uses)					
Transfers in	12,825,386	13,301,504	6,347,620	6,098,447	13,052,331
Transfers out	-	(150,000)	(150,000)	-	-
Total other financing sources (uses)	12,825,386	13,151,504	6,197,620	6,098,447	13,052,331
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 4,135,839	\$ -	3,338,946	\$ 7,474,785
Fund balance					
Beginning of year - July 1				4,135,839	
End of year - June 30				\$ 7,474,785	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Water, Sewer and Storm Water Fund

From Inception And For Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ -	\$ -	\$ -	\$ 500,597	\$ 500,597
Total restricted ingovernmental	-	-	-	500,597	500,597
Miscellaneous					
Lumbee River Electric Membership Corporation - Service Territory	-	3,449,709	3,449,709	-	-
Total miscellaneous	-	3,449,709	3,449,709	-	-
Interest earned on investments	-	271,303	271,303	-	-
Total revenues	-	3,721,012	3,721,012	500,597	500,597
Expenditures					
Current					
Environmental Protection					
Swainey Ave Drainage Improvement	597,647	-	-	395,767	395,767
Skye Drive Drainage Improvement	640,950	-	-	502,378	502,378
Total expenditures	1,238,597	-	-	898,145	898,145
Revenues over (under) expenditures	(1,238,597)	3,721,012	3,721,012	(397,548)	(397,548)
Other financing sources (uses)					
Transfers in	191,920	-	-	7,273	7,273
Proceeds from loans	1,157,000	-	-	500,598	500,598
Transfers out	(110,323)	(3,721,012)	(3,721,012)	(110,323)	(110,323)
Total other financing sources (uses)	1,238,597	(3,721,012)	(3,721,012)	397,548	397,548
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 - Bond Improvement Fund

From Inception And For Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Miscellaneous					
Owner contribution	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000
Total miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Interest earned on investments	<u>897,897</u>	<u>1,218,151</u>	<u>323,661</u>	<u>1,665</u>	<u>896,155</u>
Total revenues	<u>907,897</u>	<u>1,228,151</u>	<u>323,661</u>	<u>1,665</u>	<u>906,155</u>
Expenditures					
Current					
Economic and physical development					
Bond administration	1,119,703	1,119,699	-	-	1,119,699
Debt service	160,460	121,189	-	39,271	160,460
	<u>1,280,163</u>	<u>1,240,888</u>	<u>-</u>	<u>39,271</u>	<u>1,280,159</u>
Transportation					
Streets	9,532,495	9,058,711	-	466,808	9,525,519
Sidewalks	796,972	796,971	-	-	796,971
	<u>10,329,467</u>	<u>9,855,682</u>	<u>-</u>	<u>466,808</u>	<u>10,322,490</u>
Environmental Protection					
Drainage	595,137	590,016	-	5,120	595,136
	<u>595,137</u>	<u>590,016</u>	<u>-</u>	<u>5,120</u>	<u>595,136</u>
Public Safety					
Debt service	236,422	97,426	-	-	97,426
FSU Fire Station	3,494,187	3,494,183	-	-	3,494,183
	<u>3,730,609</u>	<u>3,591,609</u>	<u>-</u>	<u>-</u>	<u>3,591,609</u>
Recreational and community facilities					
Debt service	100,592	218,039	167,743	50,298	100,594
Westover Recreation Center	-	2,767,918	2,767,918	-	-
Festival Park	-	4,364,591	4,364,591	-	-
Cape Fear River Park	929,661	885,378	-	12,074	897,452
	<u>1,030,253</u>	<u>8,235,926</u>	<u>7,300,252</u>	<u>62,372</u>	<u>998,046</u>
Total expenditures	<u>16,965,629</u>	<u>23,514,121</u>	<u>7,300,252</u>	<u>573,571</u>	<u>16,787,440</u>
Revenues over (under) expenditures	<u>(16,057,732)</u>	<u>(22,285,970)</u>	<u>(6,976,591)</u>	<u>(571,906)</u>	<u>(15,881,285)</u>
Other financing sources (uses)					
Transfers in	2,020,546	1,889,546	-	131,000	2,020,546
Capital leases, bonds, and other debt	14,494,293	21,470,884	6,976,591	-	14,494,293
Transfers out	(457,107)	(404,274)	-	(52,352)	(456,626)
Total other financing sources (uses)	<u>16,057,732</u>	<u>22,956,156</u>	<u>6,976,591</u>	<u>78,648</u>	<u>16,058,213</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 670,186</u>	<u>\$ -</u>	<u>(493,258)</u>	<u>\$ 176,928</u>
Fund balance					
Beginning of year - July 1				670,186	
End of year - June 30				<u>\$ 176,928</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants	\$ 2,731,419	\$ 2,515,131	\$ -	\$ 215,508	\$ 2,730,639
County other	239,000	-	-	-	-
Total restricted intergovernmental	<u>2,970,419</u>	<u>2,515,131</u>	<u>-</u>	<u>215,508</u>	<u>2,730,639</u>
Miscellaneous					
Donations	656,426	2,761,545	2,402,398	15,435	374,582
Total miscellaneous	<u>656,426</u>	<u>2,761,545</u>	<u>2,402,398</u>	<u>15,435</u>	<u>374,582</u>
Interest earned on investments	-	19,084	19,084	-	-
Total revenues	<u>3,626,845</u>	<u>5,295,760</u>	<u>2,421,482</u>	<u>230,943</u>	<u>3,105,221</u>
Expenditures					
Current					
Economic and physical development					
USO/Amphitheater Dem/Festival Park	-	3,948,648	3,948,648	-	-
Cape Fear & Yadkin Valley Depot	3,414,274	3,143,982	-	269,387	3,413,369
300 Block of Hay Street	1,857,475	1,823,729	-	12,837	1,836,566
Texfi Project	527,376	22,511	-	27,834	50,345
HOPE VI	6,526,000	198,553	-	444,112	642,665
Downtown parking deck	450,000	-	-	-	-
Total expenditures	<u>12,775,125</u>	<u>9,137,423</u>	<u>3,948,648</u>	<u>754,170</u>	<u>5,942,945</u>
Revenues over (under) expenditures	<u>(9,148,280)</u>	<u>(3,841,663)</u>	<u>(1,527,166)</u>	<u>(523,227)</u>	<u>(2,837,724)</u>
Other financing sources (uses)					
Transfers in	8,814,280	7,562,850	1,527,166	2,734,440	8,770,124
Sale of capital assets	334,000	245,435	-	-	245,435
Total other financing sources (uses)	<u>9,148,280</u>	<u>7,808,285</u>	<u>1,527,166</u>	<u>2,734,440</u>	<u>9,015,559</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,966,622</u>	<u>\$ -</u>	<u>2,211,213</u>	<u>\$ 6,177,835</u>
Fund balance					
Beginning of year - July 1				<u>3,966,622</u>	
End of year - June 30				<u>\$ 6,177,835</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2010

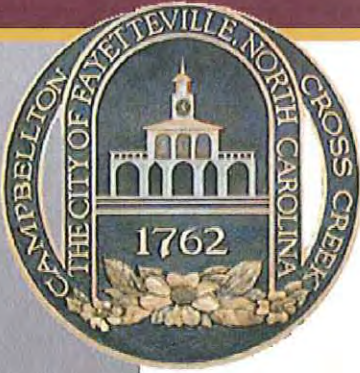
	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
County grants and contributions	\$ 130,000	\$ 120,602	\$ -	\$ (15,312)	\$ 105,290
Total restricted intergovernmental	<u>130,000</u>	<u>120,602</u>	<u>-</u>	<u>(15,312)</u>	<u>105,290</u>
Miscellaneous					
Other (donations)	1,363,364	1,363,864	-	124,050	1,487,914
Total miscellaneous	<u>1,363,364</u>	<u>1,363,864</u>	<u>-</u>	<u>124,050</u>	<u>1,487,914</u>
Interest earned on investments	38,687	41,494	-	1,898	43,392
Total revenues	<u>1,532,051</u>	<u>1,525,960</u>	<u>-</u>	<u>110,636</u>	<u>1,636,596</u>
Expenditures					
Current					
Recreational and community facilities					
Linear Park	1,582,051	1,378,704	-	86,215	1,464,919
Total expenditures	<u>1,582,051</u>	<u>1,378,704</u>	<u>-</u>	<u>86,215</u>	<u>1,464,919</u>
Revenues over (under) expenditures	<u>(50,000)</u>	<u>147,256</u>	<u>-</u>	<u>24,421</u>	<u>171,677</u>
Other financing sources (uses)					
Transfers in	50,000	50,100	-	79	50,179
Total other financing sources (uses)	<u>50,000</u>	<u>50,100</u>	<u>-</u>	<u>79</u>	<u>50,179</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 197,356</u>	<u>\$ -</u>	<u>24,500</u>	<u>\$ 221,856</u>
Fund balance					
Beginning of year - July 1				<u>197,356</u>	
End of year - June 30				<u>\$ 221,856</u>	



Proprietary Funds

- Enterprise Funds
- Internal Service Funds

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



Enterprise Funds

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

The following comprise the City's Enterprise Funds:

- Electric Fund
- Water and Wastewater Fund
- 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, 2010

	Electric Fund	Rate Stabilization Fund	Total
Assets			
Current unrestricted assets			
Cash and cash equivalents	\$ 19,813,178	\$ -	\$ 19,813,178
Investments	32,663,242	-	32,663,242
Receivables	25,797,805	-	25,797,805
Internal balances	119,382	-	119,382
Less allowance for doubtful accounts	(298,438)	-	(298,438)
Inventories	11,826,219	-	11,826,219
Other current assets	184,363	-	184,363
Total current unrestricted assets	90,105,751	-	90,105,751
Current restricted assets			
Cash and cash equivalents	7,159,014	14,753,155	21,912,169
Investments	7,437,522	10,000,000	17,437,522
Collateral pledged in lieu of deposits	306,077	-	306,077
Receivables	1,000	83,047	84,047
Total current restricted assets	14,903,613	24,836,202	39,739,815
Total current assets	105,009,364	24,836,202	129,845,566
Noncurrent assets			
Other assets	2,104,853	-	2,104,853
Net pension asset	1,440,000	-	1,440,000
Capital assets:			
Land	5,265,316	-	5,265,316
Construction in process	6,954,797	-	6,954,797
Electric utility systems	175,849,446	-	175,849,446
Buildings	26,931,231	-	26,931,231
Equipment and machinery	7,525,323	-	7,525,323
Computer programs	711,617	-	711,617
Intangibles	615,646	-	615,646
Vehicles	3,167,488	-	3,167,488
Office equipment	93,741	-	93,741
Capital assets, net	227,114,605	-	227,114,605
Total noncurrent assets	230,659,458	-	230,659,458
Total assets	\$ 335,668,822	\$ 24,836,202	\$ 360,505,024
Liabilities and net assets			
Current liabilities to be paid from unrestricted current assets			
Current portion of long-term liabilities	\$ 2,950,408	\$ -	\$ 2,950,408
Accounts payable and accrued expenses	14,337,611	-	14,337,611
Total current liabilities to be paid from unrestricted current assets	17,288,019	-	17,288,019
Current liabilities to be paid from restricted current assets			
Accounts payable and accrued expenses	5,862,367	-	5,862,367
Total current liabilities to be paid from restricted current assets	5,862,367	-	5,862,367
Total current liabilities	23,150,386	-	23,150,386
Noncurrent liabilities			
Long-term liabilities	17,722,904	-	17,722,904
Other liabilities	3,023,245	-	3,023,245
Net pension obligation	1,440,000	-	1,440,000
Unearned deposits	10,985	-	10,985
Total noncurrent liabilities	22,197,134	-	22,197,134
Total liabilities	45,347,520	-	45,347,520
Net assets			
Invested in capital assets, net of related debt	207,919,958	-	207,919,958
Restricted for -			
Debt service	51	-	51
Unrestricted net assets	82,401,293	24,836,202	107,237,495
Total net assets	290,321,302	24,836,202	315,157,504
Total liabilities and net assets	\$ 335,668,822	\$ 24,836,202	\$ 360,505,024

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets Electric Fund Year ended June 30, 2010

	Electric Fund	Rate Stabilization Fund	Total
Operating revenues			
Charges for services	\$ 173,192,801	\$ -	\$ 173,192,801
Total operating revenues	<u>173,192,801</u>	<u>-</u>	<u>173,192,801</u>
Operating expenses			
Power supply and generation	103,856,516	-	103,856,516
Electric operation	11,249,470	-	11,249,470
General and administrative	11,510,382	-	11,510,382
Depreciation	14,736,900	-	14,736,900
Total operating expenses	<u>141,353,268</u>	<u>-</u>	<u>141,353,268</u>
Operating income (loss)	<u>31,839,533</u>	<u>-</u>	<u>31,839,533</u>
Nonoperating revenue (expense)			
Interest earned on investments	1,620,748	202,014	1,822,762
Gain (loss) on disposal of assets	(399,293)	-	(399,293)
Interest expense	(983,829)	-	(983,829)
Amortization	(238,543)	-	(238,543)
Finance costs	(20,693)	-	(20,693)
Total nonoperating revenue (expense)	<u>(21,610)</u>	<u>202,014</u>	<u>180,404</u>
Income (loss) before transfers and contributions	<u>31,817,923</u>	<u>202,014</u>	<u>32,019,937</u>
Transfers in	-	5,000,000	5,000,000
Transfers out	(5,000,000)	-	(5,000,000)
Transfers in - City of Fayetteville	20,847	-	20,847
Transfers out - City of Fayetteville	(8,691,161)	-	(8,691,161)
Contributions	1,407,440	-	1,407,440
Change in net assets	19,555,049	5,202,014	24,757,063
Total net assets - beginning	<u>270,766,253</u>	<u>19,634,188</u>	<u>290,400,441</u>
Total net assets - ending	<u>\$ 290,321,302</u>	<u>\$ 24,836,202</u>	<u>\$ 315,157,504</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)**

	2010			2009
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Electric operations				
Sale of electricity	\$ 162,046,900	\$ 2,987,500	\$ 165,034,400	\$ 161,874,930
City Services	2,999,000	(1,917,546)	1,081,454	1,063,681
Non-utility charges	1,269,700	1,134,524	2,404,224	1,473,612
Service charges	1,550,000	304,845	1,854,845	1,968,962
Miscellaneous	2,169,600	648,278	2,817,878	3,070,241
Total operating revenues	<u>170,035,200</u>	<u>3,157,601</u>	<u>173,192,801</u>	<u>169,451,426</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(399,293)	(399,293)	(337,229)
Interest earned on investments	1,060,000	560,748	1,620,748	2,077,918
Total non-operating revenues	<u>1,060,000</u>	<u>161,455</u>	<u>1,221,455</u>	<u>1,740,689</u>
Contributions				
Contributions	3,367,900	(1,960,460)	1,407,440	1,042,848
Total contributions	<u>3,367,900</u>	<u>(1,960,460)</u>	<u>1,407,440</u>	<u>1,042,848</u>
Transfers in				
Transfer from City of Fayetteville	24,200	(3,353)	20,847	31,065
Transfer from Uptown Revitalization Fund	-	-	-	15,456
Total transfers in	<u>24,200</u>	<u>(3,353)</u>	<u>20,847</u>	<u>46,521</u>
Budgetary appropriations				
Proceeds from 2009 bonds	19,464,900	(97)	19,464,803	-
Appropriated net assets	2,624,100	(289,001)	2,335,099	-
Total budgetary appropriations	<u>22,089,000</u>	<u>(289,098)</u>	<u>21,799,902</u>	<u>-</u>
Total revenues	<u><u>\$ 196,576,300</u></u>	<u><u>\$ 1,066,145</u></u>	<u><u>\$ 197,642,445</u></u>	<u><u>\$ 172,281,484</u></u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 105,402,860	\$ 1,546,344	\$ 103,856,516	\$ 104,981,262
Administration	340,120	133,212	206,908	250,704
Apparatus repair shop	364,030	12,010	352,020	319,934
Electric meter shop	841,580	250	841,330	784,809
Construction and maintenance	6,638,080	276,665	6,361,415	6,507,853
Substation construction	1,259,900	63	1,259,837	1,049,645
Engineering	2,366,780	138,820	2,227,960	2,217,010
Total electric operations	<u>117,213,350</u>	<u>2,107,364</u>	<u>115,105,986</u>	<u>116,111,217</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)**

	2010			2009
	Budget	Variance Positive (Negative)	Actual	Actual
Expenditures (continued)				
General and administrative				
Executive	\$ 1,057,195	\$ 311,848	\$ 745,347	\$ 754,324
Internal audit	118,530	2,129	116,401	106,687
Public information	585,095	2,910	582,185	513,892
Financial administration	195,375	6,436	188,939	162,361
Administrative - administration	182,265	71	182,194	120,643
Human resources	587,970	55,736	532,234	422,862
Accounting	498,655	3,231	495,424	450,260
Accounts receivable	749,335	35,313	714,022	707,929
Payroll	71,575	2,909	68,666	59,203
Customer service administration	2,200,105	454,985	1,745,120	1,957,525
Utility field services	1,274,020	56,910	1,217,110	1,230,309
Business planning	282,680	1,632	281,048	272,066
Business development	368,940	40,973	327,967	354,220
Risk management	589,935	4,472	585,463	480,934
Capital projects	219,355	3,120	216,235	209,276
Rates	272,950	58	272,892	144,858
Budget	115,735	3,495	112,240	107,183
Purchasing	222,120	3,967	218,153	202,366
Warehouse	482,090	90	482,000	435,079
Business planning, development & logistics	256,905	1,861	255,044	182,674
Fleet maintenance	1,267,600	392,151	875,449	749,534
Facilities maintenance	208,095	4,867	203,228	321,352
Telecommunications systems	508,190	8,497	499,693	551,354
Information systems	1,172,440	970	1,171,470	1,084,277
Pension expense	12,500	8,183	4,317	12,193
Medical insurance	2,785,600	(353,279)	3,138,879	3,090,448
Other	3,414,250	1,350,653	2,063,597	1,859,008
Allocated rent and fiber clearing	(2,125,000)	(9,569)	(2,115,431)	(2,088,219)
Overhead clearing	(2,396,500)	1,553,281	(3,949,781)	(3,018,351)
Total general and administrative	15,178,005	3,947,900	11,230,105	11,436,247
Total operating expenditures	132,391,355	6,055,264	126,336,091	127,547,464
Non-operating expenditures				
Interest expense	984,000	171	983,829	1,391,834
Finance costs	31,000	10,307	20,693	82,192
Total non-operating expenditures	1,015,000	10,478	1,004,522	1,474,026

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Electric Fund

Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)

	2010			2009
	Budget	Variance Positive (Negative)	Actual	Actual
Transfers out				
Transfers to City of Fayetteville	\$ 8,691,300	\$ 139	\$ 8,691,161	\$ 7,991,049
Transfers to Electric Rate Stabilization Fund	5,000,000	-	5,000,000	3,000,000
Total transfers out	<u>13,691,300</u>	<u>139</u>	<u>13,691,161</u>	<u>10,991,049</u>
Budgetary appropriations				
Inventory increase (decrease)	-	249,420	(249,420)	(248,067)
Vehicle and equipment	-	(35,687)	35,687	268,466
Debt principal payments	1,807,250	37	1,807,213	7,886,635
NC DOT Project payments	-	(41,976)	41,976	68,373
Capital outlay	24,025,200	6,631,405	17,393,795	20,543,419
Bond Refund Payments	18,622,800	30	18,622,770	-
Finance costs	1,562,200	1,682	1,560,518	-
Appropriated net assets	3,461,195	2,097,395	1,363,800	-
Total budgetary appropriations	<u>49,478,645</u>	<u>8,902,306</u>	<u>40,576,339</u>	<u>28,518,826</u>
Total expenditures	<u>\$ 196,576,300</u>	<u>\$ 14,968,187</u>	<u>\$ 181,608,113</u>	<u>\$ 168,531,365</u>
Reconciliation of change in net assets				
Total revenues		\$ 1,066,145	\$ 197,642,445	\$ 172,281,484
Total expenditures		14,968,187	181,608,113	168,531,365
Subtotal		<u>\$ 16,034,332</u>	16,034,332	3,750,119
Reconciling items:				
Budgetary appropriations			18,776,437	28,518,826
Developer			-	1,295
Depreciation			(14,736,900)	(14,340,796)
Amortization			(238,543)	(644,010)
OPEB expense			(280,277)	(371,189)
Total reconciling items			<u>3,520,717</u>	<u>13,164,126</u>
Change in net assets			<u>\$ 19,555,049</u>	<u>\$ 16,914,245</u>

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, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 4,169,725	\$ 2,464,463	\$ 202,014	\$ 2,666,477
Rate stabilization transfer	2,690,800	4,169,725	-	4,169,725
Total revenues	<u>6,860,525</u>	<u>6,634,188</u>	<u>202,014</u>	<u>6,836,202</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>6,860,525</u>	<u>6,634,188</u>	<u>202,014</u>	<u>6,836,202</u>
Other financing sources (uses)				
Transfer from Electric Fund	23,000,000	18,000,000	5,000,000	23,000,000
Transfer to Electric Fund	(5,000,000)	(5,000,000)	-	(5,000,000)
Appropriated net assets	(24,860,525)	-	-	-
Total other financing sources (uses)	<u>(6,860,525)</u>	<u>13,000,000</u>	<u>5,000,000</u>	<u>18,000,000</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 19,634,188</u>	<u>5,202,014</u>	<u>\$ 24,836,202</u>
Change in net assets			<u>\$ 5,202,014</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2010

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Project 1 Capital Project 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	\$ 13,438,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,438,216
Investments	8,096,486	-	-	-	-	-	-	-	8,096,486
Receivables	15,461,835	-	-	-	-	-	-	-	15,461,835
Internal balances	119,490	-	17,752	-	-	(77,509)	(38,881)	(15,319)	5,533
Less Allowance for doubtful accounts	(56,206)	-	-	-	-	-	-	-	(56,206)
Inventories	1,362,410	-	-	-	-	-	-	-	1,362,410
Other current assets	306,402	-	-	-	-	-	-	-	306,402
Total current unrestricted assets	38,728,633	-	17,752	-	-	(77,509)	(38,881)	(15,319)	38,614,676
Current restricted assets									
Cash and cash equivalents	11,429,751	4,203,132	2,876,757	-	1,669,814	20,925,817	1,962,902	-	43,068,173
Investments	7,925,795	1,000,000	-	-	-	-	-	-	8,925,795
Receivables	10,758	9,254	22,582	-	-	25,352	57,032	-	124,978
Other restricted current assets	82,439	-	-	-	-	-	-	-	82,439
Total current restricted assets	19,448,743	5,212,386	2,899,339	-	1,669,814	20,951,169	2,019,934	-	52,201,385
Total current assets	58,177,376	5,212,386	2,917,091	-	1,669,814	20,873,660	1,981,053	(15,319)	90,816,061
Noncurrent assets									
Other assets	13,422,394	-	-	-	-	-	-	-	13,422,394
Net pension asset	1,440,000	-	-	-	-	-	-	-	1,440,000
Capital Assets:									
Land	9,012,366	-	-	-	-	-	-	-	9,012,366
Construction in process	2,298,897	-	-	-	-	4,318,438	4,530,354	513,847	11,661,536
Water system	169,361,884	-	-	-	-	-	-	-	169,361,884
Sewer system	263,940,465	-	-	-	-	-	-	-	263,940,465
Buildings	2,469,069	-	-	-	-	-	-	-	2,469,069
Equipment and machinery	2,189,030	-	-	-	-	-	-	-	2,189,030
Computer equipment	656,369	-	-	-	-	-	-	-	656,369
Intangibles	535,450	-	-	-	-	-	-	-	535,450
Vehicles	2,723,023	-	-	-	-	-	-	-	2,723,023
Office equipment	50,622	-	-	-	-	-	-	-	50,622
Capital assets, net	453,237,175	-	-	-	-	4,318,438	4,530,354	513,847	462,599,814
Total noncurrent assets	468,099,569	-	-	-	-	4,318,438	4,530,354	513,847	477,462,208
Total assets	\$ 526,276,945	\$ 5,212,386	\$ 2,917,091	\$ -	\$ 1,669,814	\$ 25,192,098	\$ 6,511,407	\$ 498,528	\$ 568,278,269

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2010

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Project 1 Capital Project 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
Liabilities and net assets									
Current portion of long-term liabilities	\$ 11,773,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,773,103
Accounts payable and accrued expenses	8,770,776	-	-	-	-	-	-	-	8,770,776
Total current liabilities to be paid from unrestricted current assets	20,543,879	-	-	-	-	-	-	-	20,543,879
Current liabilities to be paid from restricted current assets									
Accounts payable and accrued expenses	2,359,249	-	159,093	-	-	3,617,782	779,685	101,120	7,016,929
Total current liabilities to be paid from restricted current assets	2,359,249	-	159,093	-	-	3,617,782	779,685	101,120	7,016,929
Total current liabilities	22,903,128	-	159,093	-	-	3,617,782	779,685	101,120	27,560,808
Noncurrent liabilities									
Long-term liabilities	148,786,201	-	-	-	-	-	-	-	148,786,201
Other liabilities	15,997,149	-	-	-	-	-	-	-	15,997,149
Net pension obligation	1,440,000	-	-	-	-	-	-	-	1,440,000
Unearned deposits	2,861,047	-	-	-	-	-	-	-	2,861,047
Total noncurrent liabilities	169,084,397	-	-	-	-	-	-	-	169,084,397
Total liabilities	191,987,525	-	159,093	-	-	3,617,782	779,685	101,120	196,645,205
Net assets									
Invested in capital assets, net of related debt	316,985,834	-	-	-	-	4,318,438	4,530,354	513,847	326,348,473
Restricted for -									
Capital Projects	9,758	-	-	-	-	-	-	-	9,758
Debt service	41,207	-	-	-	-	-	-	-	41,207
Unrestricted net assets	17,252,621	5,212,386	2,757,998	-	1,669,814	17,255,878	1,201,368	(116,439)	45,233,626
Total net assets	334,289,420	5,212,386	2,757,998	-	1,669,814	21,574,316	5,731,722	397,408	371,633,064
Total liabilities and net assets	\$ 526,276,945	\$ 5,212,386	\$ 2,917,091	\$ -	\$ 1,669,814	\$ 25,192,098	\$ 6,511,407	\$ 498,528	\$ 568,278,269

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Water and Wastewater Fund
Year ended June 30, 2010

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Project 1 Capital Project 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	\$ 64,355,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,355,514
Miscellaneous operating income-water	-	-	-	11,063,969	-	-	-	-	11,063,969
Total operating revenues	<u>64,355,514</u>	<u>-</u>	<u>-</u>	<u>11,063,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,419,483</u>
Operating expenses									
Water operations	12,415,704	-	-	-	-	-	-	-	12,415,704
Miscellaneous operating expense-water	-	-	-	11,063,969	-	-	-	-	11,063,969
Wastewater operations	11,390,966	-	-	-	-	-	-	-	11,390,966
General and administrative	11,847,036	-	-	-	-	-	-	-	11,847,036
Depreciation	14,771,966	-	-	-	-	-	-	-	14,771,966
Total operating expenses	<u>50,425,672</u>	<u>-</u>	<u>-</u>	<u>11,063,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,489,641</u>
Operating income (loss)	<u>13,929,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,929,842</u>
Nonoperating revenue (expense)									
Interest earned on investments	1,202,119	15,845	8,386	-	1,529	-	-	-	1,227,879
Gain (loss) on disposal of assets	40,892	-	-	-	-	-	-	-	40,892
Interest expense	(6,618,794)	-	-	-	-	-	-	-	(6,618,794)
Amortization	(842,713)	-	-	-	-	-	-	-	(842,713)
Finance costs	(111,923)	-	-	-	-	-	-	-	(111,923)
Total nonoperating revenue (expense)	<u>(6,330,419)</u>	<u>15,845</u>	<u>8,386</u>	<u>-</u>	<u>1,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,304,659)</u>
Income (loss) before transfers and contributions	<u>7,599,423</u>	<u>15,845</u>	<u>8,386</u>	<u>-</u>	<u>1,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,625,183</u>
Transfers in	16,917,772	2,500,000	-	-	1,500,000	33,357,450	5,905,085	397,408	60,577,715
Transfers out	(43,262,535)	-	(4,869,990)	-	(488,693)	(11,783,134)	(173,363)	-	(60,577,715)
Transfers in - City of Fayetteville	385,200	-	-	-	656,978	-	-	-	1,042,178
Transfers out - City of Fayetteville	(79)	-	-	-	-	-	-	-	(79)
Capital Contributions	22,835,906	-	-	-	-	-	-	-	22,835,906
Change in net assets	<u>4,475,687</u>	<u>2,515,845</u>	<u>(4,861,604)</u>	<u>-</u>	<u>1,669,814</u>	<u>21,574,316</u>	<u>5,731,722</u>	<u>397,408</u>	<u>31,503,188</u>
Total net assets - beginning	<u>329,813,733</u>	<u>2,696,541</u>	<u>7,619,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,129,876</u>
Total net assets - ending	<u>\$ 334,289,420</u>	<u>\$ 5,212,386</u>	<u>\$ 2,757,998</u>	<u>\$ -</u>	<u>\$ 1,669,814</u>	<u>\$ 21,574,316</u>	<u>\$ 5,731,722</u>	<u>\$ 397,408</u>	<u>\$ 371,633,064</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund

Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)

	2010			2009
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Water operations				
Water Sales	\$ 29,260,800	\$ (1,847,101)	\$ 27,413,699	\$ 24,933,136
Connection fees	232,500	108,398	340,898	274,849
City Services	128,900	75,096	203,996	150,491
Total water operations	<u>29,622,200</u>	<u>(1,663,607)</u>	<u>27,958,593</u>	<u>25,358,476</u>
Wastewater operations				
Sewer charges	33,052,100	533,878	33,585,978	30,097,529
Connection fees	100,000	151,134	251,134	141,878
City services	66,500	8,331	74,831	65,425
Total wastewater operations	<u>33,218,600</u>	<u>693,343</u>	<u>33,911,943</u>	<u>30,304,832</u>
Other operating revenues				
Non-utility charges	1,207,600	709,083	1,916,683	1,221,836
Service charges	372,000	(25,947)	346,053	356,442
Miscellaneous	213,300	8,942	222,242	284,012
Total other operating revenues	<u>1,792,900</u>	<u>692,078</u>	<u>2,484,978</u>	<u>1,862,290</u>
Total operating revenues	<u>64,633,700</u>	<u>(278,186)</u>	<u>64,355,514</u>	<u>57,525,598</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	40,892	40,892	172,642
Interest earned on investments	1,000,000	202,119	1,202,119	2,108,699
Total non-operating revenues	<u>1,000,000</u>	<u>243,011</u>	<u>1,243,011</u>	<u>2,281,341</u>
Contributions				
Contributions	6,658,100	(1,514,490)	5,143,610	4,825,448
Total contributions	<u>6,658,100</u>	<u>(1,514,490)</u>	<u>5,143,610</u>	<u>4,825,448</u>
Transfers in				
Transfer from City of Fayetteville	385,200	-	385,200	400,000
Transfer from Annexation Phase V Reserve Fund	91,300	(15)	91,285	-
Transfer from Phase V, Project 1	1,000,000	-	1,000,000	-
Transfer from Annexation Capital Reserve Fund	-	-	-	665,254
Transfer from Phase IVB	-	-	-	63,187
Total transfers in	<u>1,476,500</u>	<u>(15)</u>	<u>1,476,485</u>	<u>1,128,441</u>
Budgetary appropriations				
Department of Transportation financing	138,000	(319,532)	(181,532)	38,361
Cumberland county note proceeds	39,600	-	39,600	39,600
Series 2009 bond proceeds	152,264,330	89	152,264,419	-
Appropriations of net assets	16,720,010	(880,552)	15,839,458	-
Total budgetary appropriations	<u>169,161,940</u>	<u>(1,199,995)</u>	<u>167,961,945</u>	<u>77,961</u>
Total revenues	<u>\$ 242,930,240</u>	<u>\$ (2,749,675)</u>	<u>\$ 240,180,565</u>	<u>\$ 65,638,789</u>
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,202,450	\$ 108,998	\$ 1,093,452	\$ 1,151,954
Water meter shop	168,750	4,008	164,742	126,826
Construction and maintenance	4,561,880	104	4,561,756	3,629,105
Contract system maintenance	167,220	230	166,990	93,236
P. O. Hoffer water treatment plant	3,965,312	87,785	3,877,527	3,977,273
Glenville Lake water treatment plant	1,925,312	133	1,925,179	1,747,698
Water Resources environmental system protection	161,345	5,226	156,119	152,710
Laboratory	245,470	7,252	238,218	236,080
Environmental	101,295	592	100,703	97,272
Watersheds	144,340	13,322	131,018	159,975
Total water operations	<u>12,643,354</u>	<u>227,650</u>	<u>12,415,704</u>	<u>11,372,129</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)**

		2010		
	Budget	Variance Positive (Negative)	Actual	2009 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,202,450	\$ 108,998	\$ 1,093,452	\$ 1,151,954
Sewer construction and maintenance	4,815,152	145	4,815,007	4,630,849
Contract system maintenance	111,480	153	111,327	62,157
Cross Creek WW treatment plant	2,404,672	8,456	2,396,216	2,379,859
Rockfish Creek WW treatment plant	2,238,362	10	2,238,352	2,070,770
Residuals management	277,120	35,547	241,573	245,659
Water resource environmental system protection	161,345	5,226	156,119	152,709
Laboratory	245,470	7,253	238,217	236,080
Environmental	101,295	592	100,703	97,272
Total wastewater operations	11,557,346	166,380	11,390,966	11,027,309
General and administrative				
Executive	426,795	128,039	298,756	298,078
Internal audit	118,280	2,133	116,147	103,728
Public information	571,345	3,529	567,816	522,446
Financial administration	188,675	5	188,670	189,617
Administrative administration	158,715	10,582	148,133	99,219
Human resources	572,870	144,458	428,412	419,162
Accounting	487,155	5,690	481,465	486,684
Accounts receivable	718,735	4,570	714,165	707,147
Payroll	68,775	5,814	62,961	57,006
Customer service administration	1,569,005	34,923	1,534,082	1,539,455
Utility field service	1,010,870	4,067	1,006,803	1,005,465
Business development	318,440	9,206	309,234	296,595
Business planning	285,300	96	285,204	274,139
Risk management	609,335	1,229	608,106	748,112
Capital projects	218,155	648	217,507	202,557
Rates	105,200	2,040	103,160	131,270
Budget	115,685	3,613	112,072	106,837
Purchasing	221,620	3,829	217,791	205,234
Warehouse	355,590	174,641	180,949	236,368
Business planning, development & logistics	244,255	1,989	242,266	181,119
Fleet maintenance	1,491,400	77	1,491,323	1,443,960
Facilities maintenance	206,995	5,092	201,903	321,342

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)**

		2010		
	Budget	Variance Positive (Negative)	Actual	2009 Actual
Expenditures (continued)				
Operating expenditures (continued)				
General and administrative (continued)				
Telecommunications systems	\$ 508,190	\$ 10,828	\$ 497,362	\$ 550,627
Information systems	1,171,840	1,525	1,170,315	1,099,851
Pension expenses	4,400	83	4,317	12,193
Medical insurance	2,885,500	(321,582)	3,207,082	3,182,279
Other	1,782,760	658,674	1,124,086	969,211
Overhead clearing	(2,272,300)	1,723,892	(3,996,192)	(3,533,528)
Total general and administrative	<u>14,143,585</u>	<u>2,619,690</u>	<u>11,523,895</u>	<u>11,856,173</u>
Total operating expenditures	<u>38,344,285</u>	<u>3,013,720</u>	<u>35,330,565</u>	<u>34,255,611</u>
Non-operating expenditures				
Interest expense	6,864,000	245,206	6,618,794	7,334,834
Finance costs	130,000	18,077	111,923	370,333
Total non-operating expenditures	<u>6,994,000</u>	<u>263,283</u>	<u>6,730,717</u>	<u>7,705,167</u>
Transfers out				
Transfer to City of Fayetteville	-	(79)	79	-
Transfer to W/WW Rate Stabilization Fund	2,500,000	-	2,500,000	500,000
Transfer to Annexation Phase V Reserve Fund	1,500,000	-	1,500,000	-
Transfer to Annexation Phase V Project 1 Fund	-	-	-	2,149,500
Transfer to Annexation Phase V Areas 6/7 Fund	5,903,543	(1,542)	5,905,085	-
Transfer to Series 2009B W/WW Revenue Bond Fund	33,348,735	(8,715)	33,357,450	-
Total transfers out	<u>43,252,278</u>	<u>(10,336)</u>	<u>43,262,614</u>	<u>2,649,500</u>
Budgetary appropriations				
Inventory increase	-	(51,564)	51,564	(118,239)
Vehicle and equipment	-	(83,643)	83,643	1,108,992
Finance costs	9,234,750	(509,848)	9,744,598	-
Debt principal payments	9,952,600	48	9,952,552	6,433,130
Note payments	1,267,900	51	1,267,849	1,267,849
Bond refund payments	111,769,610	(31)	111,769,641	-
NC DOT project payments	-	-	-	2,582,027
Capital outlay	19,067,100	4,162,716	14,904,384	16,184,182
Appropriation of net assets	3,047,717	3,047,717	-	650,000
Total budgetary appropriations	<u>154,339,677</u>	<u>6,565,446</u>	<u>147,774,231</u>	<u>28,107,941</u>
Total expenditures	<u>\$ 242,930,240</u>	<u>\$ 9,832,113</u>	<u>\$ 233,098,127</u>	<u>\$ 72,718,219</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)**

	<u>2010</u>		
	Variance Positive (Negative)	Actual	2009 Actual
<u>Budget</u>			
Reconciliation of change in net assets			
Total revenue	\$ (2,749,675)	\$ 240,180,565	\$ 65,638,789
Total expenditures	<u>9,832,113</u>	<u>233,098,127</u>	<u>72,718,219</u>
Subtotal	<u>\$ 7,082,438</u>	7,082,438	(7,079,430)
Reconciling items:			
Budgetary appropriations		(20,187,714)	28,029,980
Depreciation		(14,771,966)	(14,619,909)
Amortization		(842,713)	(892,260)
OPEB expense		(323,141)	(441,168)
Developer and FIF credits		18,098,504	6,431,308
Assessments		(406,208)	542,105
Transfer of assets (to) / from Annexation Capital Project Fund Phase V-1		3,869,990	35,217
Transfer of assets (to) / from Annexation Capital Project Fund Phase V-6/7		173,363	-
Transfer (to) / from Series 2009B Revenue Bond Capital Project Fund		11,783,134	-
Transfer (to) / from Series 2008 Revenue Bond Capital Project Fund		-	3,063,261
Total reconciling items		<u>(2,606,751)</u>	<u>22,148,534</u>
Change in net assets		<u>\$ 4,475,687</u>	<u>\$ 15,069,104</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 219,500	\$ 196,541	\$ 15,845	\$ 212,386
Total revenues	<u>219,500</u>	<u>196,541</u>	<u>15,845</u>	<u>212,386</u>
Other financing sources				
Transfer from Water and Wastewater Fund	3,000,000	2,500,000	2,500,000	5,000,000
Appropriated net assets	<u>(3,219,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(219,500)</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>5,000,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 2,696,541</u>	<u>2,515,845</u>	<u>\$ 5,212,386</u>
Change in net assets			<u>\$ 2,515,845</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Capital Project Fund - Phase V-Project 1
From Inception and for the Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 4,385	\$ -	\$ 4,385
Interest earned on other investments	-	225,855	8,386	234,241
Total revenues	<u>93,470</u>	<u>230,240</u>	<u>8,386</u>	<u>238,626</u>
Expenditures				
Construction	-	7,822,658	745,229	8,567,887
Engineering	-	1,072,880	22,013	1,094,893
Rights of way	-	285,486	-	285,486
Other	-	624,703	100,801	725,504
Total expenditures	<u>14,285,816</u>	<u>9,805,727</u>	<u>868,043</u>	<u>10,673,770</u>
Revenues under expenditures	<u>(14,192,346)</u>	<u>(9,575,487)</u>	<u>(859,657)</u>	<u>(10,435,144)</u>
Other financing sources (uses)				
Bond proceeds	4,547,362	4,547,362	-	4,547,362
Transfer from the City	4,822,492	4,822,890	-	4,822,890
Transfer to Water and Wastewater Fund	-	-	(1,000,000)	(1,000,000)
Transfer from Water and Wastewater Fund	4,822,492	4,822,890	-	4,822,890
Total other financing sources (uses)	<u>14,192,346</u>	<u>14,193,142</u>	<u>(1,000,000)</u>	<u>13,193,142</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 4,617,655</u>	<u>(1,859,657)</u>	<u>\$ 2,757,998</u>
Reconciling items:				
Capital outlay			868,043	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,869,990)	
Change in net assets			<u>\$ (4,861,604)</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 Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Miscellaneous Operating Revenues	\$ 21,840,234	\$ 10,597,116	\$ 11,063,969	\$ 21,661,085
Total Revenues	<u>21,840,234</u>	<u>10,597,116</u>	<u>11,063,969</u>	<u>21,661,085</u>
Expenditures				
Design, budget and schedule	2,397,125	2,398,490	-	2,398,490
Initial capital payment	14,864,714	4,954,905	9,909,809	14,864,714
Transition costs	274,112	274,112	-	274,112
Interim plant operations	3,346,188	2,811,725	951,730	3,763,455
Interim operations major	481,400	112,384	-	112,384
Fluoride Spill Remediation	476,695	45,500	202,430	247,930
Total expenditures	<u>21,840,234</u>	<u>10,597,116</u>	<u>11,063,969</u>	<u>21,661,085</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Change in net assets			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Phase V Reserve Fund
From Inception and for the Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 2,000	\$ -	\$ 1,529	\$ 1,529
Total revenues	<u>2,000</u>	<u>-</u>	<u>1,529</u>	<u>1,529</u>
 Revenues under expenditures	 <u>2,000</u>	 <u>-</u>	 <u>1,529</u>	 <u>1,529</u>
Other financing sources (uses)				
Transfer from the City	656,978	-	656,978	656,978
Transfer from Water and Wastewater Fund	1,500,000	-	1,500,000	1,500,000
Transfer to Annexation Phase V, Areas 8-13 Fund	(609,530)	-	(397,408)	(397,408)
Transfer to Water and Wastewater Fund	(91,300)	-	(91,285)	(91,285)
Appropriated net assets	<u>(1,458,148)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,000)</u>	<u>-</u>	<u>1,668,285</u>	<u>1,668,285</u>
 Revenues and other financing sources (uses) over expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>1,669,814</u>	 <u>\$ 1,669,814</u>
 Change in net assets			 <u>\$ 1,669,814</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2009B Revenue Bond Capital Projects Fund
From Inception and for the Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ 166,744	\$ -	\$ 21,591	\$ 21,591
Total revenues	<u>166,744</u>	<u>-</u>	<u>21,591</u>	<u>21,591</u>
Expenditures				
Construction	-	-	11,995,476	11,995,476
Engineering	-	-	242,822	242,822
Land and Land Rights	-	-	20,000	20,000
DOT project payments	-	-	2,237,953	2,237,953
Other	-	-	510,906	510,906
Total expenditures	<u>33,515,479</u>	<u>-</u>	<u>15,007,157</u>	<u>15,007,157</u>
Revenues under expenditures	<u>(33,348,735)</u>	<u>-</u>	<u>(14,985,566)</u>	<u>(14,985,566)</u>
Other financing sources				
Bond proceeds	33,348,735	-	33,357,450	33,357,450
Total other financing sources	<u>33,348,735</u>	<u>-</u>	<u>33,357,450</u>	<u>33,357,450</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	18,371,884	<u>\$ 18,371,884</u>
Reconciling items:				
Capital outlay			12,747,613	
DOT project payments			2,237,953	
Transfer of assets (to)/from the Water and Wastewater Fund			(11,783,134)	
Change in net assets			<u>\$ 21,574,316</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Capital Project Fund - Phase V-Areas 6/7
From Inception and for the Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ 29,518	\$ -	\$ 3,661	\$ 3,661
Total revenues	<u>29,518</u>	<u>-</u>	<u>3,661</u>	<u>3,661</u>
Expenditures				
Construction	-	-	3,658,334	3,658,334
Engineering	-	-	624,057	624,057
Rights of way	-	-	173,363	173,363
Other	-	-	251,624	251,624
Total expenditures	<u>5,933,061</u>	<u>-</u>	<u>4,707,378</u>	<u>4,707,378</u>
Revenues under expenditures	<u>(5,903,543)</u>	<u>-</u>	<u>(4,703,717)</u>	<u>(4,703,717)</u>
Other financing sources				
Bond proceeds	5,903,543	-	5,905,085	5,905,085
Total other financing sources	<u>5,903,543</u>	<u>-</u>	<u>5,905,085</u>	<u>5,905,085</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	1,201,368	<u>\$ 1,201,368</u>
Reconciling items:				
Capital outlay			4,703,717	
Transfer of assets (to)/from the Water and Wastewater Fund			(173,363)	
Change in net assets			<u>\$ 5,731,722</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Capital Project Fund - Phase V-Areas 8-13
From Inception and for the Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Engineering	-	-	455,768	455,768
Rights of way	-	-	48,262	48,262
Other	-	-	9,817	9,817
Total expenditures	<u>9,000,000</u>	<u>-</u>	<u>513,847</u>	<u>513,847</u>
Revenues (under) expenditures	<u>(9,000,000)</u>	<u>-</u>	<u>(513,847)</u>	<u>(513,847)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	9,000,000	-	397,408	397,408
Total other financing sources	<u>9,000,000</u>	<u>-</u>	<u>397,408</u>	<u>397,408</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(116,439)</u>	<u>\$ (116,439)</u>
Reconciling items:				
Capital outlay			513,847	
Change in net assets			<u>397,408</u>	



Nonmajor Enterprise Funds



CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2010

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and investments	\$ 1,644,405	\$ 5,485,631	\$ 621,849	\$ 7,751,885
Accounts receivable	299,019	1,428,159	168,419	1,895,597
Inventories	136,714	5,374	12,840	154,928
Prepaid expenses	3,750	-	-	3,750
Restricted cash and investments	-	681,895	-	681,895
Total current assets	<u>2,083,888</u>	<u>7,601,059</u>	<u>803,108</u>	<u>10,488,055</u>
Noncurrent assets				
Capital assets	5,274,283	33,197,407	-	38,471,690
Total noncurrent assets	<u>5,274,283</u>	<u>33,197,407</u>	<u>-</u>	<u>38,471,690</u>
Total assets	<u>\$ 7,358,171</u>	<u>\$ 40,798,466</u>	<u>\$ 803,108</u>	<u>\$ 48,959,745</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 122,454	\$ 540,762	\$ 156,121	\$ 819,337
Current portion of long-term liabilities	153,504	84,019	-	237,523
Interfund payables	-	213,918	-	213,918
Unearned deposits	-	675	-	675
Total current liabilities	<u>275,958</u>	<u>839,374</u>	<u>156,121</u>	<u>1,271,453</u>
Noncurrent liabilities				
Net OPEB obligation	330,428	137,469	-	467,897
Long-term debt	79,017	-	-	79,017
Deferred revenues	-	34,643	-	34,643
Total noncurrent liabilities	<u>409,445</u>	<u>172,112</u>	<u>-</u>	<u>581,557</u>
Total liabilities	<u>685,403</u>	<u>1,011,486</u>	<u>156,121</u>	<u>1,853,010</u>
Net assets				
Invested in capital assets, net of related debt	5,274,283	33,197,407	-	38,471,690
Restricted for:				
Capital projects	-	797,224	-	797,224
Unrestricted	1,398,485	5,792,349	646,987	7,837,821
Total net assets	<u>6,672,768</u>	<u>39,786,980</u>	<u>646,987</u>	<u>47,106,735</u>
Total liabilities and net assets	<u>\$ 7,358,171</u>	<u>\$ 40,798,466</u>	<u>\$ 803,108</u>	<u>\$ 48,959,745</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2010

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 824,696	\$ 3,564,005	\$ 2,250,474	\$ 6,639,175
Other revenue from operations	14,794	171,647	8,209	194,650
Total operating revenues	839,490	3,735,652	2,258,683	6,833,825
Operating expenses				
Salaries and employee benefits	3,430,693	1,110,719	-	4,541,412
Other operating expenses	2,077,851	1,564,370	1,944,210	5,586,431
Depreciation	693,972	1,655,969	-	2,349,941
Total operating expenses	6,202,516	4,331,058	1,944,210	12,477,784
Operating income (loss)	(5,363,026)	(595,406)	314,473	(5,643,959)
Nonoperating revenue (expense)				
Interest earned on investments	-	70,519	12,361	82,880
Federal and State grants	1,688,646	145,595	-	1,834,241
Passenger facility charges	-	894,481	-	894,481
Miscellaneous revenues	-	83,377	4,067	87,444
Gain (loss) on disposal of capital assets	(27,933)	50	-	(27,883)
County revenue	-	-	296,121	296,121
Vehicle fee revenue	649,160	-	-	649,160
Interest expense	-	(14,003)	-	(14,003)
Miscellaneous expense	-	(244,706)	-	(244,706)
Total nonoperating revenue (expense)	2,309,873	935,313	312,549	3,557,735
Income (loss) before transfers and contributions	(3,053,153)	339,907	627,022	(2,086,224)
Transfers in	2,649,540	-	-	2,649,540
Transfers out	-	-	(430,703)	(430,703)
Capital contributions	1,733,733	3,752,977	-	5,486,710
Change in net assets	1,330,120	4,092,884	196,319	5,619,323
Total net assets - beginning	5,342,648	35,694,096	450,668	41,487,412
Total net assets - ending	\$ 6,672,768	\$ 39,786,980	\$ 646,987	\$ 47,106,735

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2010

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers	\$ 1,628,312	\$ 8,291,861	\$ 2,619,163	\$ 12,539,336
Cash paid to or on behalf of employees for services	(3,303,743)	(1,070,080)	-	(4,373,823)
Cash paid for goods and services	(2,144,859)	(5,743,034)	(1,936,510)	(9,824,403)
Net cash provided by (used in) operating activities	(3,820,290)	1,478,747	682,653	(1,658,890)
Noncapital financing activities				
Transfers in	2,649,540	-	-	2,649,540
Federal and State grants	1,688,646	145,595	-	1,834,241
Transfers out	-	-	(430,703)	(430,703)
Vehicle revenue fees	649,160	-	-	649,160
Net cash provided (used) by noncapital financing activities	4,987,346	145,595	(430,703)	4,702,238
Capital and related financing activities				
Proceeds from sale of assets	29,210	50	-	29,260
Proceeds from debt proceeds	98,191	-	-	98,191
Contributed capital received	1,733,733	3,752,977	-	5,486,710
Acquisition and construction of capital assets	(1,835,441)	(5,236,254)	-	(7,071,695)
Principal paid in debt maturities	-	(35,624)	-	(35,624)
Interest paid on debt maturities	-	(14,003)	-	(14,003)
Net cash provided (used) by capital and related financing activities	25,693	(1,532,854)	-	(1,507,161)
Investing activities				
Interest and dividends	-	70,519	12,361	82,880
Net cash provided (used) by investing activities	-	70,519	12,361	82,880
Net increase (decrease) in cash and cash equivalents/investments	1,192,749	162,007	264,311	1,619,067
Cash and cash equivalents/investments				
Beginning of year	451,656	6,005,519	357,538	6,814,713
End of year	\$ 1,644,405	\$ 6,167,526	\$ 621,849	\$ 8,433,780
Cash and cash equivalents	\$ 1,644,405	\$ 6,167,526	\$ 621,849	\$ 8,433,780
Total cash and cash equivalents/investments	\$ 1,644,405	\$ 6,167,526	\$ 621,849	\$ 8,433,780
Unrestricted cash and cash equivalents/investments	\$ 1,644,405	\$ 5,485,631	\$ 621,849	\$ 7,751,885
Restricted cash and equivalents/investments	-	681,895	-	681,895
Total cash and cash equivalents/investments	\$ 1,644,405	\$ 6,167,526	\$ 621,849	\$ 8,433,780

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2010

	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)	\$ (5,363,026)	\$ (595,406)	\$ 314,473	\$ (5,643,959)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	693,972	1,655,969	-	2,349,941
Nonoperating payments for goods and services	-	(244,706)	-	(244,706)
Nonoperating receipts from customers	-	977,858	300,188	1,278,046
Change in assets and liabilities				
(Increase) decrease in accounts receivable	789,482	3,563,904	60,292	4,413,678
(Increase) decrease in inventory	(14,155)	(2,448)	10,120	(6,483)
(Increase) decrease in accounts payable and accrued liabilities	(52,853)	(3,931,510)	(2,420)	(3,986,783)
(Increase) decrease in accrued compensated absences	42,131	11,823	-	53,954
(Increase) decrease in deferred revenues	(660)	14,447	-	13,787
(Increase) decrease in Net OPEB Obligation	84,819	28,816	-	113,635
Total adjustments	<u>1,542,736</u>	<u>2,074,153</u>	<u>368,180</u>	<u>3,985,069</u>
Net cash provided by (used in) operating activities	<u>\$ (3,820,290)</u>	<u>\$ 1,478,747</u>	<u>\$ 682,653</u>	<u>\$ (1,658,890)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Transit FundYear Ended June 30, 2010
(With Comparative Actual Amounts for Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Operating revenues				
Charges for services	\$ 841,792	\$ (17,096)	\$ 824,696	\$ 783,596
Other revenues from operations	23,192	(8,398)	14,794	18,371
Total operating revenues	<u>864,984</u>	<u>(25,494)</u>	<u>839,490</u>	<u>801,967</u>
Operating Expenditures				
Salaries and employee benefits	3,366,590	(62,847)	3,303,743	2,910,884
Other operating expenditures	2,271,151	(393,844)	1,877,307	2,027,021
Total operating expenditures	<u>5,637,741</u>	<u>(456,691)</u>	<u>5,181,050</u>	<u>4,937,905</u>
Operating loss	<u>(4,772,757)</u>	<u>431,197</u>	<u>(4,341,560)</u>	<u>(4,135,938)</u>
Nonoperating revenues (expenditures)				
Federal grants	1,273,111	(217,626)	1,055,485	1,203,536
State grants	683,251	(149,253)	533,998	683,251
Vehicle fee revenue	600,000	49,160	649,160	432,465
Debt service - principal payment	(1,554)	1,554	-	-
Total nonoperating revenues (expenditures)	<u>2,554,808</u>	<u>(316,165)</u>	<u>2,238,643</u>	<u>2,319,252</u>
Revenues under expenditures	<u>(2,217,949)</u>	<u>115,032</u>	<u>(2,102,917)</u>	<u>(1,816,686)</u>
Other financing sources (uses)				
Transfers in	2,217,949	(144,242)	2,073,707	1,805,999
Proceeds from sale of assets	-	29,210	29,210	10,894
Capital lease proceeds	-	98,191	98,191	-
Total other financing sources (uses)	<u>2,217,949</u>	<u>(16,841)</u>	<u>2,201,108</u>	<u>1,816,893</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 98,191</u>	<u>\$ 98,191</u>	<u>\$ 207</u>
Reconciliation of change in net assets:				
Total revenues			\$ 5,279,241	\$ 4,938,112
Total expenditures			(5,181,050)	(4,937,905)
Subtotal			<u>98,191</u>	<u>207</u>
Depreciation			(693,972)	(576,482)
Capital lease proceeds			(98,191)	-
Net OPEB expense			(84,819)	(66,536)
Change in inventory			(7,107)	(22,325)
Decrease (increase) in accrued vacation			(42,131)	(9,320)
Bad debt expense			623	(207)
Proceeds from sale of assets			(29,210)	(10,894)
Gain (loss) on disposal of assets			(27,933)	10,894
Subtotal			<u>(982,740)</u>	<u>(674,870)</u>
Change in net assets			<u>\$ (884,549)</u>	<u>\$ (674,663)</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, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 9,363,176	\$ 3,327,407	\$ -	\$ 1,573,741	\$ 4,901,148
State grants	980,450	290,688	-	159,992	450,680
Miscellaneous	-	8,161	-	-	8,161
Total revenues	<u>10,343,626</u>	<u>3,626,256</u>	<u>-</u>	<u>1,733,733</u>	<u>5,359,989</u>
Expenditures					
FTA Capital 0271	1,238,560	1,238,527	-	-	1,238,527
FTA Capital 0313	1,239,430	1,207,565	-	31,865	1,239,430
FTA Capital 0327	940,000	324,648	-	54,287	378,935
FTA Capital 0357	555,000	533,137	-	21,581	554,718
FTA Capital 0378	20,000	-	-	20,000	20,000
FTA Capital 0406	270,209	111,358	-	22,196	133,554
FTA Capital 0425	387,000	351,963	-	1,805	353,768
FTA Capital 0444	117,416	109,359	-	7,133	116,492
FTA Capital 04.0027	1,880,844	204,586	-	1,596,830	1,801,416
Multi-Modal Center (no grant)	500,000	-	-	-	-
FTA Capital 0457	203,422	-	-	163,623	163,623
NCDOT Capital 09-AT-004	419,012	-	-	-	-
FTA Capital 0464	811,667	-	-	-	-
Improvements & Enhancements (no grant)	459,000	-	-	-	-
ARRA Capital 06.002	3,129,010	-	-	-	-
Total expenditures	<u>12,170,570</u>	<u>4,081,143</u>	<u>-</u>	<u>1,919,320</u>	<u>6,000,463</u>
Revenues over (under) expenditures	<u>(1,826,944)</u>	<u>(454,887)</u>	<u>-</u>	<u>(185,587)</u>	<u>(640,474)</u>
Other financing sources (uses)					
Proceeds from the sale of assets	-	23,592	-	-	23,592
Transfers in	1,826,944	1,264,557	-	548,509	1,813,066
Total other financing sources (uses)	<u>1,826,944</u>	<u>1,288,149</u>	<u>-</u>	<u>548,509</u>	<u>1,836,658</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 833,262</u>	<u>\$ -</u>	<u>\$ 362,922</u>	<u>\$ 1,196,184</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 362,922	
Capital outlay				1,919,320	
Non-capitalizable items				(83,879)	
Change in net assets				<u>\$ 2,198,363</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Intergovernmental					
Federal grants	\$ 837,828	\$ 425,012	\$ -	\$ 88,145	\$ 513,157
State grants	104,729	53,126	-	11,018	64,144
Total intergovernmental	<u>942,557</u>	<u>478,138</u>	<u>-</u>	<u>99,163</u>	<u>577,301</u>
Total revenues	<u>942,557</u>	<u>478,138</u>	<u>-</u>	<u>99,163</u>	<u>577,301</u>
Expenditures					
Current					
Transportation	1,047,286	531,263	-	110,181	641,444
Total expenditures	<u>1,047,286</u>	<u>531,263</u>	<u>-</u>	<u>110,181</u>	<u>641,444</u>
Revenues over (under) expenditures	<u>(104,729)</u>	<u>(53,125)</u>	<u>-</u>	<u>(11,018)</u>	<u>(64,143)</u>
Other financing sources (uses)					
Transfers in	104,729	77,405	-	27,324	104,729
Total other financing sources (uses)	<u>104,729</u>	<u>77,405</u>	<u>-</u>	<u>27,324</u>	<u>104,729</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 24,280</u>	<u>\$ -</u>	<u>\$ 16,306</u>	<u>\$ 40,586</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 16,306	
Change in net assets				<u>\$ 16,306</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2010

	<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	\$ 226,654	\$ -	\$ 46,827	\$ 273,481
FTA 90.2425	181,750	106,467	-	22,266	128,733
FTA 90.2453	300,000	198,142	-	24,654	222,796
FTA 90.2464	273,236	-	-	16,434	16,434
Total transportation	<u>1,047,286</u>	<u>531,263</u>	<u>-</u>	<u>110,181</u>	<u>641,444</u>
 Total expenditures by project	 <u>\$ 1,047,286</u>	 <u>\$ 531,263</u>	 <u>\$ -</u>	 <u>\$ 110,181</u>	 <u>\$ 641,444</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Airport FundYear Ended June 30, 2010
(With Comparative Actual Amounts for Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Operating revenues				
Charges for services	\$ 3,553,214	\$ 10,791	\$ 3,564,005	\$ 3,639,617
Other revenues from operations	110,117	61,530	171,647	135,385
Total operating revenues	<u>3,663,331</u>	<u>72,321</u>	<u>3,735,652</u>	<u>3,775,002</u>
Operating expenditures				
Salaries and employee benefits	1,129,762	59,682	1,070,080	1,138,619
Other operating expenditures	2,036,570	545,696	1,490,874	1,367,897
Capital outlay	192,545	127,899	64,646	333,398
Total operating expenditures	<u>3,358,877</u>	<u>733,277</u>	<u>2,625,600</u>	<u>2,839,914</u>
Operating income (loss)	<u>304,454</u>	<u>805,598</u>	<u>1,110,052</u>	<u>935,088</u>
Nonoperating revenues				
Interest earned on investments	47,000	(2,996)	44,004	68,149
Miscellaneous	84,297	-	84,297	85,794
Federal and State grants	146,183	(588)	145,595	166,023
Total nonoperating revenues	<u>277,480</u>	<u>(3,584)</u>	<u>273,896</u>	<u>319,966</u>
Nonoperating expenditures				
Interest expense	-	(14,003)	14,003	16,073
Debt service - principal payment	-	(35,624)	35,624	33,555
Public safety reimbursements	384,494	139,788	244,706	250,320
Total nonoperating expenditures	<u>384,494</u>	<u>90,161</u>	<u>294,333</u>	<u>299,948</u>
Revenues over (under) expenditures	<u>197,440</u>	<u>892,175</u>	<u>1,089,615</u>	<u>955,106</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	50	50	9,378
Transfers in	-	90,688	90,688	-
Transfers out	(197,440)	165,805	(31,635)	(1,861,695)
Total other financing sources (uses)	<u>(197,440)</u>	<u>256,543</u>	<u>59,103</u>	<u>(1,852,317)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,148,718</u>	<u>\$ 1,148,718</u>	<u>\$ (897,211)</u>
Reconciliation of change in net assets				
Total revenues			\$ 4,100,286	\$ 4,104,346
Total expenditures			2,951,568	5,001,557
Subtotal			<u>1,148,718</u>	<u>(897,211)</u>
Depreciation			(1,655,969)	(1,492,816)
Amortization			-	(22,000)
Change in accrued vacation			(11,823)	(3,730)
Change in inventory			2,448	(3,104)
Capital outlay			64,646	333,398
Proceeds from sale of assets			(50)	(9,378)
Gain (loss) on disposal of assets			50	3,395
Principal payment			35,624	33,555
Net OPEB expense			(28,816)	(28,838)
Subtotal			<u>(1,593,890)</u>	<u>(1,189,518)</u>
Change in net assets			<u>\$ (445,172)</u>	<u>\$ (2,086,729)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of
Airport Capital Project Fund

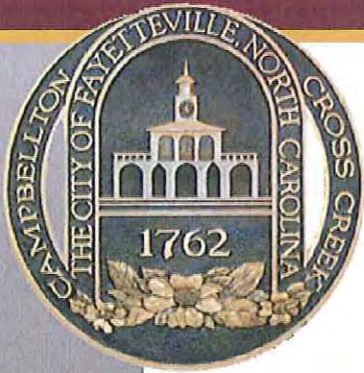
From Inception and for Year Ended June 30, 2010

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 15,520,035	\$ 10,786,130	\$ -	\$ 3,148,471	\$ 13,934,601
State grants	1,000,744	710,491	459,136	513,818	765,173
Miscellaneous income	-	281,782	280,862	(920)	-
Passenger facility charges	752,663	828,003	20,000	894,481	1,702,484
Investment income	88,303	280,126	-	26,515	306,641
Total revenues	17,361,745	12,886,532	759,998	4,582,365	16,708,899
Expenditures					
Storm Water Improvements	361,114	227,920	-	-	227,920
AIP-30 Loop, Building, Beacon	3,558,021	3,298,249	-	-	3,298,249
Security System Installation	-	40,801	40,801	-	-
AIP-31 Airport Fire Training Facility	1,257,991	1,246,652	-	11,338	1,257,990
14 Unit T-Hangar	-	561,723	561,723	-	-
Public Seating Upgrade	-	105,000	105,000	-	-
Security Screening Area	-	70,282	70,282	-	-
AIP-32 Airport Improvement Projects	738,420	516,564	-	10,200	526,764
West GA Ramp Rehabilitation	672,277	52,188	-	531,309	583,497
AIP-33 Airfield Lighting Vault	2,179,347	1,728,272	-	361,794	2,090,066
Taxiway A Rehabilitation	206,710	-	-	202,996	202,996
AIP-35 ARFF Rehabilitation	1,703,607	-	-	828,436	828,436
Vegetation Management Project	54,000	-	-	28,000	28,000
Visual Navigational Aide	11,600	-	-	11,600	11,600
Local Match/Future Projects	349,000	-	-	-	-
AIP-34 Runway 4/22 Rehabilitation	7,171,533	4,582,879	-	1,992,927	6,575,806
Fingerprint Machine Replacement	13,772	-	-	-	-
Renovation of Airport Parking	1,542,969	-	-	1,178,264	1,178,264
Total expenditures	19,820,361	12,430,530	777,806	5,156,864	16,809,588
Revenues over (under) expenditures	(2,458,616)	456,002	(17,808)	(574,499)	(100,689)
Other financing sources (uses)					
Transfers in	2,546,020	2,921,438	17,808	31,635	2,935,265
Transfers out	(90,688)	-	-	(90,688)	(90,688)
Proceeds from sale of assets	3,284	3,284	-	-	3,284
Total other financing sources (uses)	2,458,616	2,924,722	17,808	(59,053)	2,847,861
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 3,380,724	\$ -	\$ (633,552)	\$ 2,747,172
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (633,552)	
Capital outlay				5,247,552	
Non-capitalizable items				(75,944)	
Change in net assets				\$ 4,538,056	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Solid Waste Recycling FundYear Ended June 30, 2010
(With Comparative Actual Amounts for Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Operating revenues				
Charges for services	\$ 2,273,576	\$ (23,102)	\$ 2,250,474	\$ 2,512,988
Other revenue from operations	5,000	3,209	8,209	8,050
Total operating revenues	<u>2,278,576</u>	<u>(19,893)</u>	<u>2,258,683</u>	<u>2,521,038</u>
Operating expenditures				
Other operating expenditures	2,166,486	222,276	1,944,210	1,919,318
Total operating expenditures	<u>2,166,486</u>	<u>222,276</u>	<u>1,944,210</u>	<u>1,919,318</u>
Operating income (loss)	<u>112,090</u>	<u>202,383</u>	<u>314,473</u>	<u>601,720</u>
Nonoperating revenues (expenditures)				
Federal and State grants	-	-	-	11,774
County revenue	299,555	(3,434)	296,121	251,296
Miscellaneous	1,100	2,967	4,067	3,661
Donations	-	-	-	100
Interest earned on investments	18,000	(5,639)	12,361	21,901
Nonoperating revenues (expenditures)	<u>318,655</u>	<u>(6,106)</u>	<u>312,549</u>	<u>288,732</u>
Revenues over (under) expenditures	<u>430,745</u>	<u>196,277</u>	<u>627,022</u>	<u>890,452</u>
Other financing sources (uses)				
Transfers out	(430,745)	42	(430,703)	(487,245)
Total other financing sources (uses)	<u>(430,745)</u>	<u>42</u>	<u>(430,703)</u>	<u>(487,245)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 196,319</u>	<u>\$ 196,319</u>	<u>\$ 403,207</u>
Reconciliation of change in net assets				
Total revenues			\$ 2,571,232	\$ 2,809,770
Total expenditures			2,374,913	2,406,563
Subtotal			<u>196,319</u>	<u>403,207</u>
Change in net assets			<u>\$ 196,319</u>	<u>\$ 403,207</u>



Internal Service Funds

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

The following comprise the City's Internal Service Funds:

- Warranty Fleet Fund
- 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, 2010

	Warranty Fleet Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Assets				
Current assets				
Cash and investments	\$ 1,117,977	\$ 14,093,217	\$ -	\$ 15,211,194
Accounts receivable	2,099	33,843	950,181	986,123
Prepaid expenses	-	300,230	-	300,230
Total current assets	<u>1,120,076</u>	<u>14,427,290</u>	<u>950,181</u>	<u>16,497,547</u>
Noncurrent assets				
Capital assets	184,184	-	1,723,906	1,908,090
Total noncurrent assets	<u>184,184</u>	<u>-</u>	<u>1,723,906</u>	<u>1,908,090</u>
Total assets	<u>\$ 1,304,260</u>	<u>\$ 14,427,290</u>	<u>\$ 2,674,087</u>	<u>\$ 18,405,637</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 7,912	\$ 2,525,542	\$ 306,302	\$ 2,839,756
Current portion of long-term debt	-	18,446	119,928	138,374
Interfund payables	-	-	124,915	124,915
Total current liabilities	<u>7,912</u>	<u>2,543,988</u>	<u>551,145</u>	<u>3,103,045</u>
Noncurrent liabilities				
Net OPEB obligation	-	48,915	189,111	238,026
Deferred revenues	-	8,186	-	8,186
Long-term debt	-	-	53,329	53,329
Total noncurrent liabilities	<u>-</u>	<u>57,101</u>	<u>242,440</u>	<u>299,541</u>
Total liabilities	<u>7,912</u>	<u>2,601,089</u>	<u>793,585</u>	<u>3,402,586</u>
Net assets				
Invested in capital assets, net of related debt	184,184	-	1,723,906	1,908,090
Unrestricted	1,112,164	11,826,201	156,596	13,094,961
Total net assets	<u>1,296,348</u>	<u>11,826,201</u>	<u>1,880,502</u>	<u>15,003,051</u>
Total liabilities and net assets	<u>\$ 1,304,260</u>	<u>\$ 14,427,290</u>	<u>\$ 2,674,087</u>	<u>\$ 18,405,637</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2010

	Warranty Fleet Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating revenues				
Other revenue from operations	\$ -	\$ 433,283	\$ 6,708,404	\$ 7,141,687
Interfund charges and employee contributions	298,021	13,963,174	-	14,261,195
Miscellaneous operating revenues	-	-	1,285	1,285
Total operating revenues	<u>298,021</u>	<u>14,396,457</u>	<u>6,709,689</u>	<u>21,404,167</u>
Operating expenses				
Salaries and employee benefits	-	401,600	-	401,600
Other operating expenses	151,525	13,614,526	6,597,213	20,363,264
Depreciation	214,872	-	114,128	329,000
Total operating expenses	<u>366,397</u>	<u>14,016,126</u>	<u>6,711,341</u>	<u>21,093,864</u>
Operating income (loss)	<u>(68,376)</u>	<u>380,331</u>	<u>(1,652)</u>	<u>310,303</u>
Nonoperating revenue (expense)				
Interest earned on investments	12,025	192,007	-	204,032
Miscellaneous revenue	-	155	-	155
Gain (loss) on disposal of capital assets	2,525	-	1,652	4,177
Total nonoperating revenue (expense)	<u>14,550</u>	<u>192,162</u>	<u>1,652</u>	<u>208,364</u>
Income (loss) before transfers and contributions	<u>(53,826)</u>	<u>572,493</u>	<u>-</u>	<u>518,667</u>
Transfers in	-	1,921,100	-	1,921,100
Transfers out	-	(2,576,050)	-	(2,576,050)
Change in net assets	<u>(53,826)</u>	<u>(82,457)</u>	<u>-</u>	<u>(136,283)</u>
Total net assets - beginning	<u>1,350,174</u>	<u>11,908,658</u>	<u>1,880,502</u>	<u>15,139,334</u>
Total net assets - ending	<u>\$ 1,296,348</u>	<u>\$ 11,826,201</u>	<u>\$ 1,880,502</u>	<u>\$ 15,003,051</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2010

	Warranty Fleet Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating activities				
Cash received from customers	\$ 298,965	\$ 13,980,985	\$ 6,744,637	\$ 21,024,587
Cash received from insurance reimbursements	-	433,283	-	433,283
Cash paid to or on behalf of employees for services	-	(385,240)	(1,965,939)	(2,351,179)
Cash paid for goods and services	(154,169)	(13,647,629)	(4,769,456)	(18,571,254)
Net cash provided by (used in) operating activities	144,796	381,399	9,242	535,437
Noncapital financing activities				
Transfers in	-	1,921,100	-	1,921,100
Transfers out	-	(2,576,050)	-	(2,576,050)
Net cash provided (used) by noncapital financing activities	-	(654,950)	-	(654,950)
Capital and related financing activities				
Proceeds from sale of assets	2,525	-	1,652	4,177
Acquisition and construction of capital assets	-	-	(10,894)	(10,894)
Net cash provided (used) by capital and related financing activities	2,525	-	(9,242)	(6,717)
Investing activities				
Interest and dividends	12,025	192,007	-	204,032
Net cash provided (used) by investing activities	12,025	192,007	-	204,032
Net increase (decrease) in cash and cash equivalents/investments	159,346	(81,544)	-	77,802
Cash and cash equivalents/investments				
Beginning of year	958,631	14,174,761	-	15,133,392
End of year	\$ 1,117,977	\$ 14,093,217	\$ -	\$ 15,211,194
Cash and cash equivalents	\$ 1,117,977	\$ 14,093,217	\$ -	\$ 15,211,194
Total cash and cash equivalents/investments	\$ 1,117,977	\$ 14,093,217	\$ -	\$ 15,211,194
Unrestricted cash and cash equivalents/investments	\$ 1,117,977	\$ 14,093,217	\$ -	\$ 15,211,194
Total cash and cash equivalents/investments	\$ 1,117,977	\$ 14,093,217	\$ -	\$ 15,211,194
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (68,376)	\$ 380,331	\$ (1,652)	\$ 310,303
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	214,872	-	114,128	329,000
Nonoperating receipts from customers	-	155	-	155
Change in assets and liabilities				
(Increase) decrease in accounts receivable	944	16,770	34,948	52,662
(Increase) decrease in internal balances	-	-	(212,311)	(212,311)
(Increase) decrease in prepaid items	-	(218,846)	-	(218,846)
(Increase) decrease in accounts payable and accrued liabilities	(2,644)	185,743	73,928	257,027
(Increase) decrease in accrued compensated absences	-	5,525	201	5,726
(Increase) decrease in deferred revenues	-	886	-	886
(Increase) decrease in Net OPEB Obligation	-	10,835	-	10,835
Net cash provided by (used in) operating activities	\$ 144,796	\$ 381,399	\$ 9,242	\$ 535,437

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Warranty Fleet FundYear Ended June 30, 2010
(With Comparative Actual Amounts for Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Operating revenues				
Interfund charges and employee contributions	\$ 302,690	\$ (4,669)	\$ 298,021	\$ 288,210
Total operating revenues	<u>302,690</u>	<u>(4,669)</u>	<u>298,021</u>	<u>288,210</u>
Operating expenditures				
Other operating expenditures	205,548	54,023	151,525	138,755
Capital outlay	119,142	119,142	-	45,733
Total operating expenditures	<u>324,690</u>	<u>173,165</u>	<u>151,525</u>	<u>184,488</u>
Operating income (loss)	<u>(22,000)</u>	<u>168,496</u>	<u>146,496</u>	<u>103,722</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	20,000	(7,975)	12,025	20,907
Total nonoperating revenues (expenditures)	<u>20,000</u>	<u>(7,975)</u>	<u>12,025</u>	<u>20,907</u>
Revenues over (under) expenditures	<u>(2,000)</u>	<u>160,521</u>	<u>158,521</u>	<u>124,629</u>
Other financing sources (uses)				
Proceeds from disposal of capital assets	2,000	525	2,525	6,300
Total other financing sources (uses)	<u>2,000</u>	<u>525</u>	<u>2,525</u>	<u>6,300</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 161,046</u>	<u>\$ 161,046</u>	<u>\$ 130,929</u>
Reconciliation to change in net assets:				
Total revenues			\$ 312,571	\$ 315,417
Total expenditures			151,525	184,488
Subtotal			<u>161,046</u>	<u>130,929</u>
Depreciation			(214,872)	(185,437)
Capital outlay			-	45,733
Subtotal			<u>(214,872)</u>	<u>(139,704)</u>
Change in net assets			<u>\$ (53,826)</u>	<u>\$ (8,775)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Insurance FundYear Ended June 30, 2010
(With Comparative Actual Amounts for Year Ended June 30, 2009)

	Budget	Variance Positive (Negative)	2010 Actual	2009 Actual
Operating revenues				
Interfund charges and employee contributions	\$ 15,388,596	\$ (1,425,422)	\$ 13,963,174	\$ 14,401,076
Other revenues from operations	86,286	346,997	433,283	323,022
Total operating revenues	<u>15,474,882</u>	<u>(1,078,425)</u>	<u>14,396,457</u>	<u>14,724,098</u>
Operating expenditures				
Salaries and employee benefits	393,702	8,462	385,240	409,943
Other operating expenditures	16,256,717	2,839,648	13,417,069	12,698,969
Total operating expenditures	<u>16,650,419</u>	<u>2,848,110</u>	<u>13,802,309</u>	<u>13,108,912</u>
Operating income (loss)	<u>(1,175,537)</u>	<u>1,769,685</u>	<u>594,148</u>	<u>1,615,186</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	368,000	(175,993)	192,007	343,638
Miscellaneous	-	155	155	2
Total nonoperating revenues (expenditures)	<u>368,000</u>	<u>(175,838)</u>	<u>192,162</u>	<u>343,640</u>
Revenues over (under) expenditures	<u>(807,537)</u>	<u>1,593,847</u>	<u>786,310</u>	<u>1,958,826</u>
Other financing sources (uses)				
Sale of capital assets	-	-	-	110
Transfers out	(2,576,050)	-	(2,576,050)	(2,322,100)
Transfers in	-	1,921,100	1,921,100	-
Appropriated fund balance	3,383,587	(3,383,587)	-	-
Total other financing sources (uses)	<u>807,537</u>	<u>(1,462,487)</u>	<u>(654,950)</u>	<u>(2,321,990)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 131,360</u>	<u>\$ 131,360</u>	<u>\$ (363,164)</u>
Reconciliation to change in net assets:				
Total revenues			\$ 16,509,719	\$ 15,067,848
Total expenditures			16,378,359	15,431,012
Subtotal			<u>131,360</u>	<u>(363,164)</u>
Depreciation			-	(21,408)
Decrease (increase) in accrued vacation			(5,525)	(3,515)
Change in net OPEB expense			(10,835)	(10,684)
Decrease (increase) in insurance liability			(197,457)	(282,858)
Subtotal			<u>(213,817)</u>	<u>(318,465)</u>
Change in net assets			<u>\$ (82,457)</u>	<u>\$ (681,629)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

**Year ended June 30, 2010
(With Comparative Actual Amounts for Year Ended June 30, 2009)**

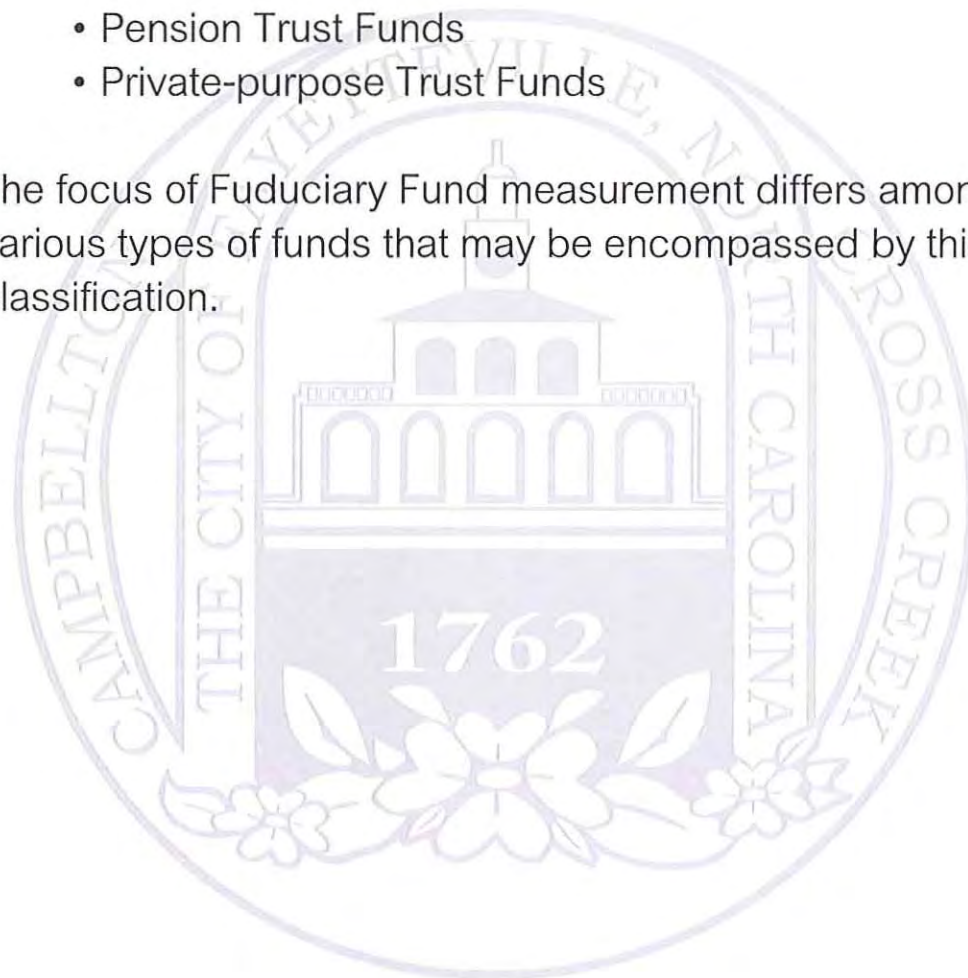
	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Revenues				
Operating revenues				
City services	\$ 4,506,600	\$ 113,597	\$ 4,620,197	\$ 4,156,253
PWC services	2,098,300	(10,093)	2,088,207	2,119,670
Other revenue	10,900	(9,615)	1,285	2,295
Total operating revenues	<u>6,615,800</u>	<u>93,889</u>	<u>6,709,689</u>	<u>6,278,218</u>
Expenditures				
Operating expenditures				
Fleet maintenance	6,604,900	54,949	6,549,951	6,114,650
Total operating expenditures	<u>6,604,900</u>	<u>54,949</u>	<u>6,549,951</u>	<u>6,114,650</u>
Operating income (loss)	<u>10,900</u>	<u>148,838</u>	<u>159,738</u>	<u>163,568</u>
Nonoperating revenues (expenditures)				
Capital outlay	(10,900)	7	(10,893)	(126,629)
Total nonoperating revenues (expenditures)	<u>(10,900)</u>	<u>7</u>	<u>(10,893)</u>	<u>(126,629)</u>
Revenues over (under) expenditures	<u>-</u>	<u>148,845</u>	<u>148,845</u>	<u>36,939</u>
Other financing sources (uses)				
Gain (loss) on asset disposal	-	1,652	1,652	17,256
Total other financing sources (uses)	<u>-</u>	<u>1,652</u>	<u>1,652</u>	<u>17,256</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 150,497</u>	<u>\$ 150,497</u>	<u>\$ 54,195</u>
Reconciliation of changes in net assets				
Total revenues			\$ 6,711,341	\$ 6,295,474
Total expenditures			6,560,844	6,241,279
Subtotal			<u>150,497</u>	<u>54,195</u>
Reconciling items:				
Capital outlay			10,893	126,629
Depreciation			(114,128)	(113,888)
OPEB expense			(47,262)	(66,936)
Total reconciling items			<u>(150,497)</u>	<u>(54,195)</u>
Change in net assets			<u>\$ -</u>	<u>\$ -</u>



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.





Trust Funds

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

The following comprise the City's Trust Funds:

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2010

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total
Assets			
Cash and investments			
Cash and cash equivalents	\$ 2,214,841	\$ -	\$ 2,214,841
Total cash and investments	<u>2,214,841</u>	<u>-</u>	<u>2,214,841</u>
Accounts receivable	4,548	-	4,548
Total assets	<u>2,219,389</u>	<u>-</u>	<u>2,219,389</u>
Liabilities			
Accounts payable	19,953	-	19,953
Total liabilities	<u>19,953</u>	<u>-</u>	<u>19,953</u>
Net assets			
Held in Trust for:			
Pension benefits	2,199,436	-	2,199,436
Total net assets	<u>\$ 2,199,436</u>	<u>\$ -</u>	<u>\$ 2,199,436</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended June 30, 2010

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total
Additions			
Employer contributions	\$ 511,937	\$ -	\$ 511,937
Investment earnings	25,308	3,409	28,717
Total additions	<u>537,245</u>	<u>3,409</u>	<u>540,654</u>
Deductions			
Benefit payments and premiums	472,047	62,554	534,601
Annuity purchase	-	2,880,000	2,880,000
Other	-	984,900	984,900
Total deductions	<u>472,047</u>	<u>3,927,454</u>	<u>4,399,501</u>
Change in net assets	65,198	(3,924,045)	(3,858,847)
Total net assets - beginning	<u>2,134,238</u>	<u>3,924,045</u>	<u>6,058,283</u>
Total net assets ending	<u>\$ 2,199,436</u>	<u>\$ -</u>	<u>\$ 2,199,436</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Assets
Private-purpose Trust Funds
June 30, 2010

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 1,403	\$ 1,379,325	\$ 1,380,728
Accounts receivable	2	2,807	2,809
Total assets	<u>1,405</u>	<u>1,382,132</u>	<u>1,383,537</u>
Liabilities			
Net assets			
Held in Trust for benefits and other purposes	1,405	1,382,132	1,383,537
Total net assets	<u>\$ 1,405</u>	<u>\$ 1,382,132</u>	<u>\$ 1,383,537</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

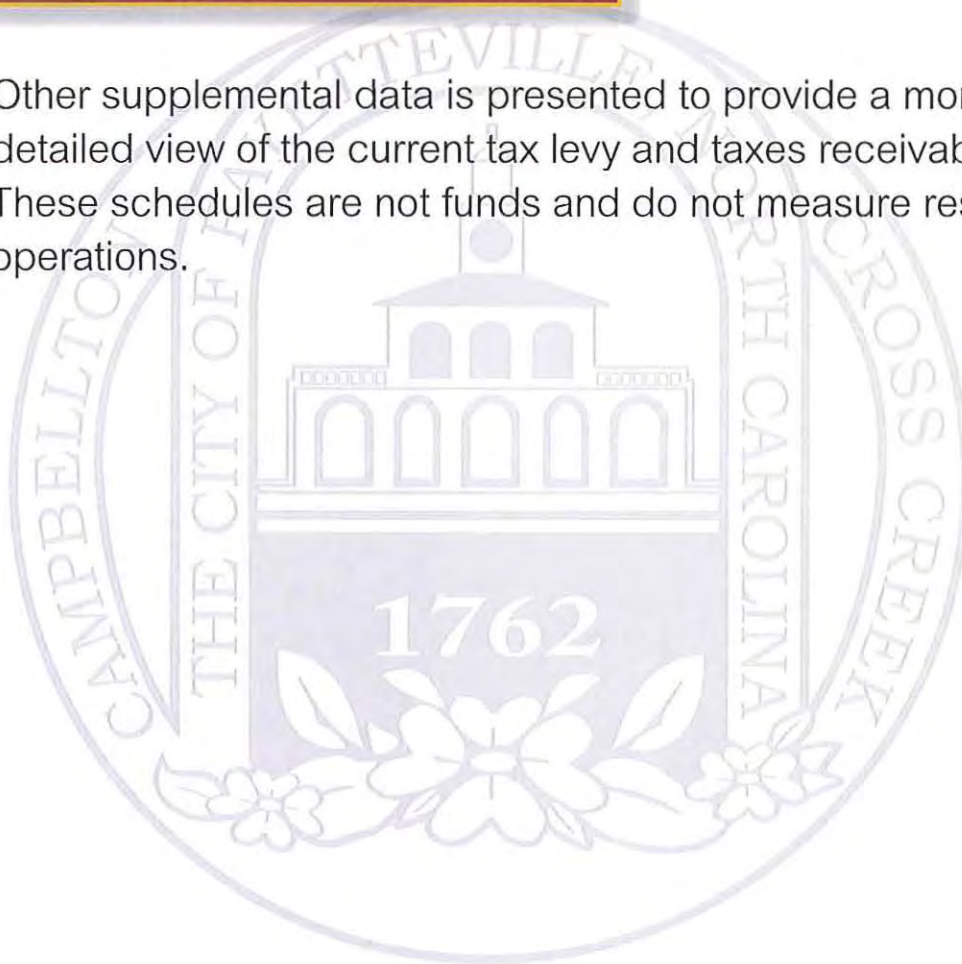
Combining Statement of Changes in Fiduciary Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2010

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Additions			
Other revenue from operations	\$ -	\$ 40,994	\$ 40,994
Contributions	1,025	108,379	109,404
Investment earnings	12	14,185	14,197
Total additions	<u>1,037</u>	<u>163,558</u>	<u>164,595</u>
Deductions			
Benefit payments and premiums	-	147,268	147,268
Total deductions	<u>-</u>	<u>147,268</u>	<u>147,268</u>
Change in net assets	1,037	16,290	17,327
Total net assets - beginning	<u>368</u>	<u>1,365,842</u>	<u>1,366,210</u>
Total net assets - ending	<u>\$ 1,405</u>	<u>\$ 1,382,132</u>	<u>\$ 1,383,537</u>



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, 2010

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
General Fund	\$ 12,462,656,398	\$ 0.456	\$ 56,829,713	\$ 53,409,771	\$ 3,419,942
General Fund ^(a)	446,172,043	0.530	2,364,712	-	2,364,712
General Fund Deferred Property Taxes ^(b)	578,090	0.000	-	-	-
Late Listing Penalties:					
General Fund			47,600	47,600	-
Subtotal			59,242,025	53,457,371	5,784,654
Discoveries:					
General Fund	36,736,842	0.456	167,520	161,890	5,630
General Fund ^(a)	640,532	0.530	3,395	-	3,395
Late Listing Penalties:					
General Fund			40,142	40,142	-
Subtotal			211,057	202,032	9,025
Releases					
General Fund	(165,793,421)	0.456	(756,018)	(463,549)	(292,469)
General Fund ^(a)	(49,998,366)	0.530	(264,991)	-	(264,991)
Late Listing Penalties:					
General Fund			(13,667)	(13,667)	-
Subtotal			(1,034,676)	(477,216)	(557,460)
Adjusted Tax Levy			58,418,406	53,182,187	5,236,219
Uncollected Current Year Taxes at 6/30/2010			(1,291,629)	(340,157)	(951,472)
City-wide Current Year's Taxes Collected			57,126,777	52,842,030	4,284,747
City-wide Current Levy Collection Percentage			97.79%	99.36%	81.83%

(a) Vehicles registered March 2009 through June 2009 (cycles 3 through 6) were subject to levies at the prior tax rate of \$0.53 per \$100.

(b) 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, 2010

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2009</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2010</u>
2010	\$ -	\$ 58,418,406	\$ 57,126,777	\$ 1,291,629
2009	1,448,778	(140,031)	965,300	343,447
2008	354,910	(18,624)	64,519	271,767
All Prior	1,738,797	(157,126)	89,570	1,492,101
	<u>3,542,485</u>	<u>\$ 58,102,625</u>	<u>\$ 58,246,166</u>	<u>3,398,944</u>
Less: Allowance for Uncollectible Taxes				
General Fund	(803,140)			(836,560)
	<u>\$ 2,739,345</u>			<u>\$ 2,562,384</u>
General Fund Taxes Receivable				2,968,369
Less: CBTD Taxes Receivable				(2,402)
Less: Vehicle License Fee Receivable				(403,583)
General Fund Ad Valorem Taxes Receivable				<u>2,562,384</u>

Reconciliations of collections and credit
with revenues

Ad Valorem Taxes per the fund financial statements	\$ 58,699,957
Less Penalties & Interest	(326,156)
Less Taxes - CBTD	(127,635)
General Fund Ad Valorem Taxes	<u>\$ 58,246,166</u>



Statistical Section



City of Fayetteville, North Carolina
STATISTICAL SECTION
(Unaudited)

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

CONTENTS

Financial Trends

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

Revenue Capacity

These schedules contain trend information to help the reader assess the City's most significant local revenue 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. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities									
Invested in capital assets, net of related debt	\$ 248,607,997	\$ 256,858,830	\$ 252,737,261	\$ 263,057,769	\$ 351,170,168	\$ 353,407,779	\$ 354,482,766	\$ 351,059,848	\$ 349,628,675
Restricted for:									
Capital projects	-	-	-	-	-	-	1,047,622	-	-
Other purposes	283,297	-	2,369,817	2,446,529	2,702,713	3,525,148	-	-	-
Grant Compliance	-	-	-	-	-	-	1,883,445	1,885,171	3,225,781
Unrestricted	52,692,952	53,401,259	60,110,564	63,005,016	69,369,779	73,912,222	70,335,914	72,912,216	69,873,837
Total governmental activities net assets	\$ 301,584,246	\$ 310,260,089	\$ 315,217,642	\$ 328,509,314	\$ 423,242,660	\$ 430,845,149	\$ 427,749,747	\$ 425,857,235	\$ 422,728,293
Business-type activities									
Invested in capital assets, net of related debt	\$ 379,321,259	\$ 384,181,318	\$ 384,136,802	\$ 426,048,564	\$ 432,390,389	\$ 459,237,550	\$ 505,941,437	\$ 524,262,726	\$ 572,740,121
Restricted for:									
Capital projects	4,572,922	-	10,953,452	512,536	527,965	420,040	2,075,219	943,364	806,982
Debt service	3,294,937	25,695	8,998,444	817,633	808,520	816,070	11,462	2,743	41,258
Other purposes	-	10,501,859	-	-	-	-	-	-	-
Grant Compliance	-	-	-	-	-	-	-	-	-
Unrestricted	72,534,455	69,785,451	71,918,803	73,155,311	97,657,374	121,366,653	122,199,894	148,697,773	162,197,819
Total business-type activities net assets	\$ 459,723,573	\$ 464,494,323	\$ 476,007,501	\$ 500,534,044	\$ 531,384,248	\$ 581,840,313	\$ 630,228,012	\$ 673,906,606	\$ 735,786,180
Primary Government									
Invested in capital assets, net of related debt	\$ 627,929,256	\$ 641,040,148	\$ 636,874,063	\$ 689,106,333	\$ 783,560,557	\$ 812,645,329	\$ 860,424,203	\$ 875,322,574	\$ 922,368,796
Restricted for:									
Capital projects	4,572,922	-	10,953,452	512,536	527,965	420,040	3,122,841	943,364	806,982
Debt service	3,294,937	25,695	8,998,444	817,633	808,520	816,070	11,462	2,743	41,258
Other purposes	283,297	10,501,859	2,369,817	2,446,529	2,702,713	3,525,148	-	-	-
Grant Compliance	-	-	-	-	-	-	1,883,445	1,885,171	3,225,781
Unrestricted	125,227,407	123,186,710	132,029,367	136,160,327	167,027,153	195,278,875	192,535,808	221,609,989	232,071,656
Total primary government net assets	\$ 761,307,819	\$ 774,754,412	\$ 791,225,143	\$ 829,043,358	\$ 954,626,908	\$ 1,012,685,462	\$ 1,057,977,759	\$ 1,099,763,841	\$ 1,158,514,473

Note: The City of Fayetteville, North Carolina implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the City's financial performance over time.

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

Schedule 2

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental Activities									
Administration	\$ 8,501,997	\$ 12,384,637	\$ 10,560,827	\$ 11,641,665	\$ 13,268,585	\$ 19,032,872	\$ 19,090,722	\$ 17,815,439	\$ 19,932,088
Public safety	39,896,830	40,577,161	43,682,505	47,285,832	52,752,676	56,609,521	63,458,091	64,355,111	72,106,589
Environmental protection	6,450,217	7,957,261	8,871,462	7,514,882	9,940,477	11,000,841	12,126,391	12,048,837	11,098,182
Transportation	12,091,432	12,123,658	13,846,642	14,018,733	17,115,971	18,702,014	20,386,537	18,965,600	20,291,431
Economic and physical development	7,407,147	5,459,943	4,416,477	5,827,998	5,132,048	1,229,375	4,558,635	4,532,166	5,371,176
Recreation and community facilities	6,371,366	6,525,688	6,134,504	9,305,228	10,501,677	14,020,434	12,113,646	12,880,611	13,117,175
Debt Service:									
Interest and fees	2,999,151	2,783,912	2,542,194	2,541,380	2,786,700	2,621,502	2,061,409	1,981,641	1,693,633
Total governmental activities	83,718,140	87,812,260	90,054,611	98,135,718	111,498,134	123,216,559	133,795,431	132,579,405	143,610,274
Business type activities									
Electric	123,644,452	142,761,403	132,677,111	131,305,788	137,856,324	130,839,305	137,561,749	144,714,714	142,995,626
Water and wastewater	43,949,463	45,973,455	44,147,344	45,275,518	45,859,650	49,623,073	52,767,113	65,163,237	69,063,071
Transit	5,223,850	5,073,264	5,021,030	4,910,142	4,864,135	4,864,526	5,584,011	5,975,160	6,230,449
Airport	3,435,908	3,570,780	3,450,196	3,806,671	3,769,259	4,091,032	3,986,357	4,329,383	4,589,767
Solid Waste Recycling	-	-	-	-	-	-	1,945,629	1,919,318	1,944,210
Total business-type activities	176,253,673	197,378,902	185,295,681	185,298,119	192,349,368	189,417,936	201,844,859	222,101,812	224,823,123
Total primary government	\$ 259,971,813	\$ 285,191,162	\$ 275,350,292	\$ 283,433,837	\$ 303,847,502	\$ 312,634,495	\$ 335,640,290	\$ 354,681,217	\$ 368,433,397
Program Revenues									
Governmental Activities									
<i>Administration</i>									
Charges for services	\$ 652,799	\$ 670,144	\$ 719,892	\$ 728,451	\$ 702,004	\$ 800,275	\$ 755,883	\$ 868,572	\$ 830,793
Operating grants and contributions	1,720	5,325	5,215	7,501	5,632	32,298	63,268	7,264	30,000
Capital grants and contributions	-	-	-	-	-	-	-	-	-
<i>Public Safety</i>									
Charges for services	1,541,852	1,883,207	2,138,108	2,661,753	4,446,932	3,708,443	3,213,741	3,512,402	3,648,358
Operating grants and contributions	822,450	1,113,043	1,345,821	2,489,423	480,476	673,108	309,869	1,111,218	2,764,654
Capital grants and contributions	183,122	133,554	5,750	514,389	367,540	95,867	45,154	33,802	5,408
<i>Environmental Protection</i>									
Charges for services	38,943	52,591	66,150	23,956	80,998	40,785	3,416,607	3,494,076	5,321,692
Operating grants and contributions	61,000	-	-	-	-	2,259,339	2,303,890	2,330,984	75,000
Capital grants and contributions	-	-	-	-	-	-	-	-	520,597
<i>Transportation</i>									
Charges for services	1,206,998	1,146,925	1,454,034	1,466,881	537,081	1,224,243	882,698	1,048,358	924,384
Operating grants and contributions	4,191,727	3,919,568	3,920,822	4,254,601	3,833,510	5,710,433	5,954,823	5,545,029	5,509,654
Capital grants and contributions	-	-	-	-	98,785	13,446	155,409	85,372	96,757

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

Schedule 2

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<i>Economic and physical development</i>									
Charges for services	\$ 1,208,072	\$ 79,387	\$ 1,073,627	\$ 715,099	\$ 57,172	\$ -	\$ -	\$ -	\$ 70,995
Operating grants and contributions	2,739,278	3,262,985	1,792,478	2,743,690	1,742,466	1,778,840	2,364,282	1,826,540	2,396,648
Capital grants and contributions	-	-	1,526,900	2,060,539	2,423,512	1,163,385	338,684	30,913	383,277
<i>Recreation and community facilities</i>									
Charges for services	376,497	394,012	436,338	756,482	4,151,275	3,751,071	3,873,021	4,012,612	4,428,944
Operating grants and contributions	70,118	309,789	107,587	3,572,557	60,386	45,213	56,292	35,844	105,460
Capital grants and contributions	-	-	1,162,746	992,963	2,161,508	2,622,609	781,410	1,312,932	2,642,557
Total governmental activities programs	13,094,576	12,970,530	15,755,468	22,988,285	21,149,277	23,919,355	24,515,031	25,255,918	29,755,178
<i>Business-type activities:</i>									
<i>Electric</i>									
Charges for services	139,814,919	145,617,727	141,981,920	146,069,329	155,773,020	159,647,302	166,899,655	169,451,426	173,192,801
Operating grants and contributions	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,596,355	3,632,702	116,186	951,384	178,965	977,641	405,586	1,044,143	1,407,440
<i>Water and wastewater</i>									
Charges for services	43,703,832	43,008,035	45,282,126	47,044,634	51,508,272	54,520,183	57,080,057	64,945,746	75,419,483
Operating grants and contributions	-	-	-	-	-	-	-	-	-
Capital grants and contributions	7,184,899	8,605,351	8,029,173	13,900,547	14,125,818	16,730,748	14,452,981	11,598,860	22,835,906
<i>Transit</i>									
Charges for services	1,058,298	1,128,706	842,658	836,084	828,623	801,186	774,345	801,967	839,490
Operating grants and contributions	1,541,766	1,553,753	1,888,267	1,900,622	2,097,336	1,922,181	2,149,594	2,681,466	2,337,806
Capital grants and contributions	280,513	234,884	269,732	417,242	63,915	157,361	2,101,418	681,884	1,733,733
<i>Airport</i>									
Charges for services	1,977,915	2,353,279	2,119,754	2,406,129	2,849,936	3,035,265	3,224,170	3,942,522	3,735,652
Operating grants and contributions	-	118,315	14,799	-	-	114,380	146,092	-	1,040,076
Capital grants and contributions	2,193,558	1,991,289	2,002,812	2,418,216	1,145,829	3,565,784	822,403	6,293,746	3,752,977
<i>Solid Waste Recycling</i>									
Charges for services	-	-	-	-	-	-	-	2,521,038	2,258,683
Operating grants and contributions	-	-	-	-	-	-	-	263,070	296,121
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business-type activities program	199,352,055	208,244,041	202,547,427	215,944,187	228,571,714	241,472,031	248,056,301	264,225,868	288,850,168
Total primary government program	\$ 212,446,631	\$ 221,214,571	\$ 218,302,895	\$ 238,932,472	\$ 249,720,991	\$ 265,391,386	\$ 272,571,332	\$ 289,481,786	\$ 318,605,346
<i>Net (expense)/revenue</i>									
Governmental activities	\$ (70,623,564)	\$ (74,841,730)	\$ (74,299,143)	\$ (75,147,433)	\$ (90,348,857)	\$ (99,297,204)	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,096)
Business-type activities	23,098,382	10,865,139	17,251,746	30,646,088	36,222,346	52,054,095	46,211,442	42,124,056	64,027,045
Total primary government net expense	\$ (47,525,182)	\$ (63,976,591)	\$ (57,047,397)	\$ (44,501,365)	\$ (54,126,511)	\$ (47,243,109)	\$ (63,068,958)	\$ (65,199,431)	\$ (49,828,051)

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

Schedule 2

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets									
Governmental activities									
Ad valorem taxes	\$ 33,613,509	\$ 34,094,378	\$ 38,495,985	\$ 39,344,522	\$ 47,823,150	\$ 52,929,323	\$ 54,295,319	\$ 55,406,617	\$ 58,518,101
Other taxes	24,432,855	28,116,817	31,127,455	34,023,971	35,863,026	41,307,138	43,193,017	42,524,787	44,482,890
Unrestricted grants and contributions	370,032	547,091	569,087	571,232	578,491	788,290	801,099	814,901	295,870
Interest earned on investments	1,637,590	1,197,764	507,806	1,752,579	2,327,165	4,050,088	3,704,974	2,212,641	1,157,788
Miscellaneous	577,662	878,760	385,105	908,208	169,866	474,945	627,860	865,351	652,055
Gain on sale of capital assets	-	-	-	-	162,992	199,853	254,875	240,465	210,072
Transfers	7,142,178	7,902,191	8,171,258	8,418,200	8,601,682	7,150,056	3,307,854	3,366,213	5,409,378
Special Item	-	-	-	-	89,555,831	-	-	-	-
Total governmental activities	67,773,826	72,737,001	79,256,696	85,018,712	185,082,203	106,899,693	106,184,998	105,430,975	110,726,154
Business-type activities:									
Interest earned on investments	2,011,865	1,723,505	1,493,186	2,018,035	3,137,307	5,173,628	5,392,197	4,810,234	3,133,521
Miscellaneous	84,297	84,297	237,004	280,640	84,297	366,079	90,271	88,058	87,444
Transfers	(7,142,178)	(7,902,191)	(8,171,258)	(8,418,200)	7,936	12,319	(3,307,854)	(3,366,213)	(5,409,378)
Gain on sale of capital assets	-	-	-	-	-	-	1,643	22,459	40,942
Extraordinary item	-	-	702,500	-	(8,601,682)	(7,150,056)	-	-	-
Total business-type activities	(5,046,016)	(6,094,389)	(5,738,568)	(6,119,525)	(5,372,142)	(1,598,030)	2,176,257	1,554,538	(2,147,471)
Total primary government	\$ 62,727,810	\$ 66,642,612	\$ 73,518,128	\$ 78,899,187	\$ 179,710,061	\$ 105,301,663	\$ 108,361,255	\$ 106,985,513	\$ 108,578,683
Change in Net Assets									
Governmental activities	\$ (2,849,738)	\$ (2,104,729)	\$ 4,957,553	\$ 9,871,279	\$ 94,733,346	\$ 7,602,489	\$ (3,095,402)	\$ (1,892,512)	\$ (3,128,942)
Business-type activities	18,052,366	4,770,750	11,513,178	24,526,543	30,850,204	50,456,065	48,387,699	43,678,594	61,879,574
Total primary government	\$ 15,202,628	\$ 2,666,021	\$ 16,470,731	\$ 34,397,822	\$ 125,583,550	\$ 58,058,554	\$ 45,292,297	\$ 41,786,082	\$ 58,750,632

Note: The City of Fayetteville, North Carolina implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the City's financial performance over time.

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

Schedule 3

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund									
Reserved	\$ 10,953,223	\$ 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	19,237,973	22,078,476	28,495,129	31,396,476	29,273,909	29,962,047	35,781,835	27,934,081	28,616,050
Total General Fund	<u>\$ 30,191,196</u>	<u>\$ 29,255,778</u>	<u>\$ 41,804,256</u>	<u>\$ 43,964,048</u>	<u>\$ 43,496,760</u>	<u>\$ 49,650,296</u>	<u>\$ 53,008,741</u>	<u>\$ 45,919,015</u>	<u>\$ 46,588,578</u>
 Recreational and Cultural Fund									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,328,058	\$ 633,469
Unreserved:									
Capital Projects	-	-	-	-	-	-	-	87,800	702,865
Total Recreational and Cultural Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415,858</u>	<u>\$ 1,336,334</u>
 All other governmental funds									
Reserved	\$ 5,852,530	\$ 6,493,914	\$ 6,991,081	\$ 10,827,524	\$ 8,445,918	\$ 5,285,867	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054
Unreserved, reported in nonmajor:									
Special Revenue	3,664,707	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	5,372,153	6,246,683	4,213,485	12,668,139	8,842,547	8,024,751	5,148,775	4,691,155	2,510,568
Total all other governmental funds	<u>\$ 14,889,390</u>	<u>\$ 15,656,534</u>	<u>\$ 13,422,137</u>	<u>\$ 25,828,226</u>	<u>\$ 19,691,109</u>	<u>\$ 16,879,842</u>	<u>\$ 12,683,843</u>	<u>\$ 17,685,642</u>	<u>\$ 23,743,874</u>

Note: The City of Fayetteville, North Carolina implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the City's financial performance over time.

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

Schedule 4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Ad valorem taxes	\$ 32,172,931	\$ 33,134,815	\$ 33,720,313	\$ 38,431,862	\$ 39,622,100	\$ 41,590,985	\$ 58,574,670	\$ 54,765,677	\$ 55,553,012	\$ 58,699,957
Other taxes ²	27,642,970	24,850,324	27,850,682	32,436,194	34,038,280	35,870,262	43,544,220	48,774,154	9,317,809	8,637,309
Intergovernmental	8,687,256	7,743,589	8,516,675	9,037,443	14,751,881	12,418,414	13,824,511	13,009,887	-	-
Unrestricted intergovernmental ²	-	-	-	-	-	-	-	-	40,367,061	41,927,788
Restricted intergovernmental ²	-	-	-	-	-	-	-	-	11,828,229	16,964,952
Other functional	3,256,015	3,124,847	3,494,800	3,925,901	5,003,604	6,015,649	5,475,181	4,693,419	-	-
Permits and fees ²	-	-	-	-	-	-	-	-	1,889,966	1,880,274
Sales and services ²	-	-	-	-	-	-	-	-	3,263,932	3,182,815
Miscellaneous	1,759,276	2,107,275	2,153,238	2,386,356	3,903,274	5,117,571	4,543,675	2,820,264	3,108,912	2,837,133
Interest earned on investments	3,158,392	1,596,673	1,067,942	422,368	1,558,697	1,892,615	3,695,228	3,030,672	1,748,164	929,799
Total revenues	76,676,840	72,557,523	76,803,650	86,640,124	98,877,836	102,905,496	129,657,485	127,094,073	127,077,085	135,060,027
Expenditures										
Administration	9,176,326	8,469,918	8,025,614	10,685,384	11,600,043	13,235,511	18,261,328	17,796,870	17,473,782	19,865,248
Public safety	37,731,170	37,257,328	38,812,855	41,790,686	44,146,545	50,841,673	56,216,348	57,479,621	60,041,364	65,840,294
Environmental protection	6,828,421	5,889,085	7,591,417	8,605,600	6,500,062	8,970,319	10,075,527	10,439,749	10,328,809	9,493,404
Transportation	8,627,325	3,191,279	3,191,898	4,563,545	4,581,644	4,532,369	7,559,579	7,697,136	6,111,323	7,437,390
Economic and physical development	8,777,075	7,373,482	6,481,655	3,957,976	6,792,621	5,676,733	1,079,198	4,568,228	4,362,581	4,685,441
Recreation and community facilities	6,990,847	5,914,160	5,981,710	5,509,353	8,776,825	9,868,885	13,491,872	10,918,848	11,858,912	12,025,817
Capital outlay ¹	-	8,730,230	7,178,066	12,201,995	20,236,090	17,185,840	19,409,969	14,848,256	13,030,239	12,383,988
Debt Service										
Principal	4,500,741	4,969,074	4,747,232	5,240,181	6,997,440	8,478,146	9,159,387	8,681,196	8,521,585	9,255,316
Interest and fees	3,909,097	2,959,845	2,811,461	2,506,413	2,262,103	2,956,522	2,724,064	2,081,737	1,955,844	1,528,589
Issuance costs	-	-	103,985	58,084	368,693	-	-	-	-	131,014
Total expenditures	86,541,002	84,754,401	84,925,893	95,119,217	112,262,066	121,745,998	137,977,272	134,511,641	133,684,439	142,646,501
Excess of revenues over (under) expenditures	(9,864,162)	(12,196,878)	(8,122,243)	(8,479,093)	(13,384,230)	(18,840,502)	(8,319,787)	(7,417,568)	(6,607,354)	(7,586,474)
Other financing sources (uses)										
Refunding bonds issued	-	-	9,188,034	3,815,605	21,261,589	-	-	-	-	7,896,115
Proceeds from capital leases	8,016,688	785,283	1,162,548	8,070,428	3,104,407	3,834,415	4,537,000	3,303,940	-	6,550,809
Transfers in	15,257,175	11,937,097	14,479,685	13,972,839	15,334,209	16,783,410	15,283,819	20,000,451	22,695,465	23,323,681
Transfers out	(6,853,081)	(4,801,624)	(6,907,096)	(5,801,581)	(5,916,009)	(8,391,728)	(8,158,763)	(16,724,377)	(17,007,152)	(17,259,353)
Sale of Capital Assets ²	-	-	-	-	-	-	-	-	246,972	210,072
Payment to refunded bond escrow agent	-	-	(5,469,212)	(3,788,439)	(6,265,297)	-	-	-	-	(8,600,308)
Proceeds from loans	-	-	-	-	-	-	-	-	-	1,250,598
Premium on bonds	-	-	-	-	431,212	-	-	-	-	863,131
Total other financing sources (uses)	16,420,782	7,920,756	12,453,969	16,268,852	27,950,111	12,236,097	11,662,056	6,580,014	5,935,285	14,234,745
Net change in fund balances	\$ 6,556,620	\$ (4,276,122)	\$ 4,331,726	\$ 7,789,759	\$ 14,565,881	\$ (6,604,405)	\$ 3,342,269	\$ (837,554)	\$ (672,069)	\$ 6,648,271
Debt service as a percentage of noncapital expenditures	9.72%	10.43%	9.86%	9.41%	10.46%	10.94%	10.02%	8.99%	8.68%	9.15%

¹ Pre-GASB 34 capital outlay is not reflected.

² 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	Intangible Tax Reimbursement	Homestead Exemption	Tax Reimbursements	Vehicle License Tax	Privilege License	Cablevision and Other Franchise Tax ^{1&2}	Rental Property Gross Receipts	Consolidated 911 Tax ³	Total
2010	\$ 58,699,957	\$ 30,789,881	\$ 10,035,192	\$ -	\$ -	\$ -	\$ 630,853	\$ 983,146	\$ 372,226	\$ 477,886	\$ 1,060,306	103,049,447
2009	55,553,012	29,628,044	9,196,488	-	-	-	630,065	1,013,929	380,944	441,381	1,138,897	97,982,760
2008	54,765,677	31,659,262	8,072,068	-	-	-	635,993	984,727	491,902	416,176	922,024	97,947,829
2007	58,574,670	30,488,647	6,554,283	-	-	-	623,019	920,196	1,243,013	391,124	1,064,599	99,859,551
2006	41,590,985	23,457,449	5,602,548	-	-	-	533,750	815,156	1,918,758	373,114	950,499	75,242,259
2005	39,622,100	22,543,521	5,245,207	-	-	-	469,488	731,719	1,547,289	344,913	996,840	71,501,077
2004	38,431,862	20,698,993	5,121,788	-	-	-	444,521	684,806	2,016,045	305,860	1,041,170	68,745,045
2003	33,720,313	16,876,147	5,239,363	-	-	-	408,016	691,861	1,249,399	302,685	1,055,952	59,543,736
2002	33,134,815	15,273,911	3,033,407	580,752	-	441,392	401,327	691,231	1,103,721	299,598	1,042,770	56,002,924
2001	32,172,931	16,160,376	4,771,319	598,325	40,584	691,865	396,590	637,682	1,217,802	269,824	1,017,601	57,974,899

¹ In fiscal year 2001 and 2003 telecommunications franchise tax were included in totals.

² 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.

³ Effective January 1, 2008, separate local and state 911 taxes on wireline and wireless phone services were replaced by a consolidated state 911 tax. 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							Total Direct Rate		
							Electric		
	Residential	Commercial	Industrial	Lighting	Other	Total	Base Rate ^a	Usage Rate ^b	
								first 500 kWh	ea kWh > 500
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
2002	800,907,102	717,171,311	410,832,605	15,061,079	68,714,828	2,012,686,925	8.00	0.0710	0.0670
2001	838,894,493	715,848,858	422,770,504	14,654,000	70,149,589	2,062,317,444	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
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%
2002	5,043,337,806	1,203,550,936	135,768,309	-	6,382,657,051	0.530	6,779,226,273	92.71%
2001	4,874,168,452	1,146,688,353	134,301,127	-	6,155,157,932	0.530	6,367,786,028	95.82%

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 2000 through 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	Overlapping Rates ¹
			Cumberland County
			County wide
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
2002	0.530	0.100	0.925
2001	0.530	0.100	0.900

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.

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

Schedule 9

Taxpayer	2010 ¹			2001 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cumberland Associates				\$ 68,500,000	1	1.11%
Carolina Telephone & Telegraph	\$ 60,278,482	2	0.47%	56,908,113	2	0.92%
Fayetteville Publishing Company	22,942,342	8	0.18%	30,300,000	3	0.49%
UDRT of North Carolina				26,900,000	4	0.44%
NC Natural Gas Corporation				17,876,792	5	0.29%
Edward Rose Bldg Company				15,500,000	6	0.25%
Atlantic Southeast Airlines				12,763,396	7	0.21%
Thomas & Hollinshed				11,906,981	8	0.19%
Chason Ridge Partners LLC				11,780,377	9	0.19%
Heart of Fayetteville Motel Inc.				11,515,660	10	0.19%
Cross Creek Mall LLC	113,194,500	1	0.89%			
Centurion Aviation Services	48,350,000	3	0.38%			
Piedmont Natural Gas Co. Inc.	45,012,673	4	0.35%			
Wal-Mart	40,915,217	5	0.32%			
Hidden Creek Village	24,803,500	6	0.19%			
DDRM Fayetteville Pavilion LLC	23,680,399	7	0.19%			
Eagle Point Village Apartments	22,919,500	9	0.18%			
Cross Creek Phase 1 LLC	21,519,399	10	0.17%			
	<u>\$ 423,616,012</u>		<u>3.32%</u>	<u>\$ 263,951,319</u>		<u>4.28%</u>

¹ Assessed valuations are as of January 1, 2009 and the associated tax levies were due in the fiscal year ended June 30, 2010.

² Assessed valuations are as of January 1, 2000 and the associated tax levies were due in the fiscal year ended June 30, 2001.

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
2010	\$ 58,418,406	\$ 57,126,777	97.79%	\$ -	\$ 57,126,777	97.79%
2009	55,349,877	53,901,099	97.38%	965,299	54,866,398	99.13%
2008	54,216,530	52,738,807	97.27%	1,043,095	53,781,902	99.20%
2007	52,534,182	50,964,492	97.01%	1,165,135	52,129,627	99.23%
2006 ²	41,311,088	39,855,571	96.48%	1,096,417	40,951,988	99.13%
2005	39,252,202	37,879,950	96.50%	1,076,690	38,956,640	99.25%
2004	38,404,079	36,806,753	95.84%	1,285,511	38,092,264	99.19%
2003	34,059,814	32,457,441	95.30%	1,296,700	33,754,141	99.10%
2002	33,878,837	32,405,548	95.65%	1,183,118	33,588,666	99.14%
2001	32,664,323	31,510,275	96.47%	933,142	32,443,417	99.32%

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 will be 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			
2010	\$ 22,216,115	\$ 13,863,293	\$ 1,250,598	\$ 6,453,885	\$ 169,120,000	\$ 17,951,198	\$ 98,191	\$ 230,953,280	N/A	1,112
2009	28,937,825	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	N/A	1,217
2008	33,383,061	14,343,916	-	9,041,939	167,735,000	20,486,896	-	244,990,812	0.017%	1,350
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136	-	290,487,079	0.013%	1,670
2006	52,240,000	14,203,330	65,000	2,705,000	172,565,000	136,357,559	-	378,135,889	0.009%	2,894
2005	57,485,000	13,551,475	125,000	3,640,000	184,320,000	18,303,144	-	277,424,619	0.012%	2,120
2004	46,470,000	13,341,744	185,000	4,585,000	194,630,000	11,867,713	-	271,079,457	0.011%	2,074
2003	50,265,000	6,479,845	245,000	15,560,000	178,910,000	6,835,614	-	258,295,459	0.011%	2,086
2002	49,735,000	6,424,530	305,000	18,335,000	170,915,000	7,215,371	-	252,929,901	0.011%	2,036
2001	53,145,000	7,059,976	365,000	21,155,000	177,000,000	7,573,603	-	266,298,579	0.010%	2,195

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
2010	\$ 28,670,000	\$ 169,120,000	\$ 197,790,000	1.55%	952
2009	36,350,000	155,045,000	191,395,000	1.83%	1,055
2008	42,425,000	167,735,000	210,160,000	2.06%	1,158
2007	48,735,000	162,360,000	211,095,000	2.13%	1,214
2006	54,945,000	172,565,000	227,510,000	2.92%	1,741
2005	61,125,000	184,320,000	245,445,000	3.32%	1,876
2004	51,055,000	194,630,000	245,685,000	3.39%	1,880
2003	65,825,000	178,910,000	244,735,000	3.81%	1,976
2002	68,070,000	170,915,000	238,985,000	3.74%	1,923
2001	74,300,000	177,000,000	251,300,000	4.08%	2,072

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, 2010
(Unaudited)

Schedule 13

<u>Governmental Unit</u>	<u>Debt Outstanding ¹</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cumberland County	\$ 243,149,653	61.64%	\$ 149,881,146
Subtotal, overlapping debt			149,881,146
City of Fayetteville direct debt			37,330,006
Total direct and overlapping debt			\$ 187,211,152

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 492,412,635	\$ 510,612,564	\$ 513,525,375	\$ 579,100,044	\$ 591,780,743	\$ 622,431,031	\$ 791,920,091	\$ 817,369,335	\$ 834,516,516	\$ 1,018,479,369
Total net debt applicable to limit	\$ 89,298,579	\$ 82,014,901	\$ 79,385,459	\$ 76,449,457	\$ 93,104,619	\$ 91,755,888	\$ 85,462,079	\$ 77,255,812	\$ 65,836,614	\$ 61,833,280
Legal debt margin	\$ 403,114,056	\$ 428,597,663	\$ 434,139,916	\$ 502,650,587	\$ 498,676,124	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523	\$ 768,679,902	\$ 956,646,089
Total net debt applicable to the limit as a percentage of debt limit	18.13%	16.06%	15.46%	13.20%	15.73%	14.74%	10.79%	9.45%	7.89%	6.07%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	\$ 12,730,992,118
Debt Limit (8% of total assessed value)	1,018,479,369
Debt applicable to limit:	
Bonded debt	28,670,000
Notes payable	19,201,796
Capitalized leases	13,961,484
Subtotal	61,833,280
Authorized and unissued debt	-
Total Gross Debt	61,833,280
Less: Statutory deductions	
Bonds issued and outstanding for water and sewer purposes	-
Authorized and unissued debt	-
Total amount of debt applicable to debt limit	61,833,280
Legal debt margin	\$ 956,646,089

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	
2010	\$ 237,548,315	\$ 162,270,074	\$ -	\$ 75,278,241	\$ 12,267,849	\$ 7,284,857	\$ 19,552,706	\$ 3.85
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,347,770	22,305,619	2.89
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,821,608	62,380,849	1.73
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,600,871	93,247,327	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,263,069	48,762,425	1.97
2005	193,113,963	141,516,235	-	51,597,728	10,689,756	7,067,748	17,757,504	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
2002	183,518,751	131,502,090	-	52,016,661	6,464,756	8,945,847	15,410,603	3.38
2001	179,513,061	144,724,023	-	34,789,038	5,070,000	8,344,041	13,414,041	2.59

Notes:

¹ Operating expenses include operating expenses and prepaid power supply amortization 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
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Schedule 16

Year	Population ¹	Personal Income	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2010	207,779	N/A	N/A	52,187	N/A	N/A (a)	\$3.077
2009	181,481	N/A	N/A	53,162	7.3%	\$2.348	2.844
2008	181,453	\$ 7,401,649,323	\$40,791	52,912	5.1%	2.301	2.752
2007	173,898	6,614,558,226	38,037	53,912	4.3%	2.253	2.747
2006	130,646	4,614,155,428	35,318	53,403	4.3%	2.062 (b)	2.505 (b)
2005	130,850	4,385,568,600	33,516	53,399	5.0%	2.987	3.684
2004	130,692	3,911,480,868	29,929	53,092	5.9%	2.680	3.352
2003	123,844	3,493,020,020	28,205	52,223	6.9%	2.421	3.018
2002	124,247	3,341,001,830	26,890	51,725	7.5%	2.420 (c)	2.974 (c)
2001	121,306	3,085,418,110	25,435	51,243	6.1%	2.499	3.023

Sources:

1. Office of State Budget and Management, Official Municipal Population Estimates for July 1, 2000 through July 1, 2009
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2009 and 2010 data not yet available.
3. Cumberland County Schools, District Profile.
4. NC Employment Security Commission. Calendar year unemployment statistics for Fayetteville, NC for 2002 through 2009, and for Cumberland County, NC for 2001. 2010 data not 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 17

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Cumberland County Board of Education	6,782	1	5.37%	8,220	2	6.83%
U.S. Dept. of Defense (Civil Service, Nonappropriated and Contracts)	5,958	2	4.71%	8,750	1	7.27%
Cape Fear Valley Health System	4,850	3	3.84%	3,900	3	3.24%
Wal-Mart Associates Inc	3,448	4	2.73%			
Goodyear Tire & Rubber Company	2,650	5	2.10%	3,700	4	3.08%
Cumberland County Government	2,486	6	1.97%	2,620	5	2.18%
City of Fayetteville	1,967	7	1.56%	1,710	6	1.42%
Fayetteville Technical Community College	1,400	8	1.11%			
State of North Carolina	1,193	9	0.94%			
Veterans Administration	1,013	10	0.80%			
Black & Decker Manufacturing Company				1,500	7	1.25%
Purolator, Inc.				1,300	8	1.08%
U.S. Postal Service				1,260	9	1.05%
Fayetteville Technical Community College				1,250	10	1.04%
Total Employment (Ten Largest Civilian Employers)	<u>31,747</u>		<u>25.13%</u>	<u>34,210</u>		<u>28.44%</u>

Source: Fayetteville-Cumberland County Chamber of Commerce, Fayetteville Economic Development Corporation, Ft. Bragg Public Affairs Office (Most recent data available)

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

Schedule 18

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration	89	92	85	84	85	76	92	97	91	91
Public Safety	650	662	674	751	800	806	834	827	827	829
Environmental Protection	90	85	101	101	108	91	123	145	118	136
Transportation	68	64	54	53	60	57	77	52	79	79
Economic and physical development	11	11	10	11	10	14	18	15	15	19
Recreation and community facilities	104	98	78	120	127	115	126	125	125	133
Electric	236	241	246	244	244	254	254	237	244	255
Internal Service	31	28	30	32	45	45	30	44	44	52
Water	158	155	154	154	153	145	139	193	194	194
Wastewater	132	131	133	134	135	133	142	90	96	100
Transit	63	63	59	48	53	52	50	54	54	61
Airport	14	13	13	13	15	14	21	18	18	18
Solid Waste Recycling	-	-	-	-	-	-	-	-	-	-
Total	1,646	1,643	1,637	1,745	1,835	1,802	1,906	1,897	1,905	1,967

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

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

Schedule 19

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Fire ⁽¹⁾										
Emergency responses	14,993	14,345	13,991	14,424	15,397	18,882	20,215	22,608	23,197	18,805 ⁽²⁾
Fires extinguished	1,225	1,133	818	867	985	1,065	1,495	1,092	930	910 ⁽²⁾
Fire inspections	4,633	3,286	4,860	3,358	3,369	4,584	4,824	6,052	4,159	3,647 ⁽²⁾
Police ⁽¹⁾										
Number of law violations:										
Physical arrests	7,445	8,282	7,912	7,668	7,864	7,807	8,522	9,372	7,968	6,663 ⁽³⁾
Traffic citations	26,639	37,440	28,653	26,944	22,171	19,225	28,339	39,240	35,484	32,570 ⁽³⁾
Warning citations	12,915	13,386	9,669	9,026	11,528	11,114	12,493	12,572	13,481	9,653 ⁽³⁾
Calls for service	186,305	189,468	174,353	185,200	191,331	199,314	204,549	215,797	215,127	172,313 ⁽³⁾
Development Services										
Number of permits issued:										
Residential:										
New single family	189	188	277	335	388	691	586	362	317	401
New multi-family (apts/condominiums)										
Number of units	244	681	355	514	713	1,111	1,154	459	712	619
Renovations	715	623	672	735	750	1,095	1,222	1,303	1,364	1,297
Commercial:										
New	66	49	50	63	61	93	88	60	52	60
Renovations	357	302	305	300	307	281	301	299	259	294
Other:										
Miscellaneous	11,709	11,117	11,789	11,653	12,716	16,695	16,057	14,824	16,731	13,518
Yard sale	1,012	995	945	1,173	1,075	1,202	1,227	1,229	1,175	1,186

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

Schedule 19

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cultural and Recreational ⁽⁴⁾										
Youth Sports participants	3,705	5,078	4,689	7,905	11,953	12,718	10,921	9,580	11,543	9,871
Adult Sports participants	825	1,720	1,795	1,797	2,267	1,768	1,676	1,648	2,100	5,348
Senior participants	N/A	N/A	N/A	39,189	53,136	54,172	68,718	85,564	89,461	62,818
Therapeutic participants	N/A	N/A	N/A	N/A	N/A	26,926	30,993	34,169	38,996	2,348
Park programs	N/A	N/A	N/A	N/A	N/A	25,209	29,161	29,359	27,584	16,810
Special events	N/A	N/A	N/A	N/A	N/A	5,415	3,698	2,745	2,841	2,979
Permitted events	N/A	N/A	N/A	N/A	N/A	44	35	61	66	82
Mobile stage/bleacher rentals	N/A	N/A	N/A	N/A	N/A	48	36	50	44	49
Recreation centers	N/A	N/A	N/A	N/A	N/A	N/A	419,041	514,943	673,934	430,654
Historical properties	N/A	N/A	N/A	N/A	N/A	N/A	14,499	15,713	22,354	15,401
Picnic shelter rentals	N/A	N/A	N/A	N/A	N/A	N/A	28,597	30,041	29,211	31,772
Festival Park	N/A	N/A	N/A	N/A	N/A	N/A	107,148	323,028	267,794	N/A
Tier 1 Events (0 - 500 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6
Tier 2 Events (501 - 2,500 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12
Tier 3 Events (2,501+ Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15
Transportation										
Street Maintenance										
Streets maintained (miles)	496.21	496.07	523.52	529.53	532.22	688.65	704.48	721.19	722.38	724.39
Street resurfacing and cape sealing (miles)	15.05	14.54	9.58	6.89	12.15	8.82	13.29	14.68	20.42	31.77
Number of traffic signals maintained ⁽⁵⁾	162	162	166	170	169	175	178	178	205	225
Engineering										
Driveway permits (residential)	N/A	N/A	255	217	345	433	581	323	310	378
Driveway permits (commercial)	N/A	N/A	52	40	66	33	75	43	40	23
Public Utilities										
Water System:										
Water main breaks	217	157	155	126	152	119	128	146	130	180
Average daily consumption (Mgals) ⁽⁶⁾	22,677	22,046	20,933	20,524	20,635	21,850	21,675	22,879	22,450	22,423
Peaks (MGD) ^{(7) (8)}	38.9	33.5	33.3	30.8	33.4	32.6	37.0	38.4	34.9	37.2
Total sold (Mgals) ⁽⁹⁾	7,867,876	7,843,308	7,303,494	7,039,476	7,136,082	7,561,199	7,555,333	7,894,590	7,707,256	7,749,106

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

Schedule 19

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sewer System:										
Main breaks	61	89	175	122	149	208	150	156	291	342
Average daily consumption (Mgals) ⁽⁶⁾	15,015	15,221	14,955	14,941	15,337	15,810	16,026	16,509	16,338	16,436
Peaks (MGD) ^{(7) (8)}	24.1	23.1	27.0	32.0	28.1	26.6	27.9	27.7	915.0	861.8
Total sold (Mgals) ⁽⁶⁾	5,463,296	5,541,613	5,458,456	5,453,295	5,583,643	5,754,784	5,837,838	6,014,627	5,953,806	5,999,105
Electric System:										
Electric outages (minutes)	2,952,259	4,925,916	10,376,012	7,279,107	3,449,900	3,450,039	2,079,483	3,016,526	2,210,508	2,296,534
Peaks (MW) ^{(7) (9)}	437.0	441.4	443.4	440.1	439.3	474.5	462.5	476.6	459.5	462.4
Total Kwh sold ⁽¹⁰⁾	1,986,525,100	1,937,714,341	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
Average daily consumption (Kwh) ⁽¹⁰⁾	5,650,185	5,514,211	5,748,623	5,717,142	5,664,179	5,764,771	5,585,720	5,811,055	5,810,633	5,878,920
Airport ⁽¹¹⁾										
Number of enplaned passengers	131,286	129,705	120,651	158,782	153,524	153,164	175,432	199,438	229,480	168,879 ⁽¹¹⁾
Number of deplaned passengers	133,018	134,070	120,720	156,626	150,675	154,877	174,967	197,092	229,993	165,996 ⁽¹¹⁾

- (1) Statistics for the fire, police and airport functions are based on calendar years
(2) Statistics for the Fire Department for 2010 are reflected through September 30, 2010
(3) Statistics for the Police Department for 2010 are reflected through October 6, 2010.
(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 2010 are reflected through August 31, 2010.

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 20

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Fire										
Number of stations	10	10	11	13	13	15	15	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	N/A	N/A	13	12	12	12	12
Neighborhood parks (7 - 15 acres)	N/A	N/A	N/A	N/A	N/A	13	14	14	14	14
Community parks (30 - 50 acres)	N/A	N/A	N/A	N/A	N/A	7	6	6	6	6
Sports complexes (40 - 80 acres)	N/A	N/A	N/A	N/A	N/A	2	2	2	2	2
Green spaces	N/A	N/A	N/A	N/A	N/A	7	8	8	8	8
Neighborhood school-parks	N/A	N/A	N/A	N/A	N/A	32	34	34	34	34
Community school-parks	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1
Linear parks	N/A	N/A	N/A	N/A	N/A	3	3	3	3	3
Special use parks	N/A	N/A	N/A	N/A	N/A	12	6	7	7	7
Program sites	N/A	N/A	N/A	N/A	N/A	8	8	8	8	8
Regional parks (100 - 250 acres)	N/A	N/A	N/A	N/A	N/A	4	3	3	3	3
Community center with gym	N/A	N/A	N/A	N/A	N/A	N/A	16	16	16	16

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

Schedule 20

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Utilities										
Water System:										
Miles of water main	1,123.4	1,146.9	1,162.1	1,179.3	1,198.2	1,229.0	1,245.0	1,278.5	1,296.3	1,316.4
Number of new service connections	1,650	2,027	3,284	2,300	2,360	2,962	3,154	2,285	1,220	616
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	50.0	50.0	50.0	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	2,214	2,363	2,253	2,408	2,299	3,142	3,006	2,260	1,752	317
Miles of sanitary/storm sewer	967.9	1,005.4	1,021.3	1,039.8	1,051.0	1,092.0	1,103.0	1,132.5	1,149.7	1,231.9
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	36.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0	46.0	46.0
Electric System:										
Number of new service connections	451	966	1,051	1,251	1,426	2,245	1,744	1,151	471	650
Distribution line circuit miles	2,321.00	2,401.00	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⁾
Transportation										
Street Maintenance										
Streets maintained (miles)	496.21	496.07	523.52	529.53	532.22	688.65	704.48	721.19	722.38	724.39
Number of traffic signals ⁽³⁾	27	27	27	27	27	29	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



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

- Report on Internal Control Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Year Audit Findings
- Schedule of Expenditures of Federal and State Awards



**REPORT ON 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 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 15, 2010. 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

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 organization, members of the City Council, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry Bekaert + Holland LLP

Fayetteville, North Carolina
November 15, 2010



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

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

Compliance

We have audited the compliance of the City of Fayetteville, North Carolina, (the "City") 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 its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, 2010.

Internal Control Over Compliance

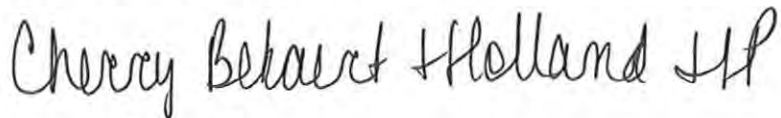
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 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, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink that reads "Cherry Bekaert Holland LLP". The script is cursive and fluid, with the letters "C", "B", and "H" being particularly large and prominent.

Fayetteville, North Carolina
November 15, 2010



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

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

Compliance

We have audited the compliance of the City of Fayetteville, North Carolina, (the "City") 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, 2010. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, 2010.

Internal Control Over Compliance

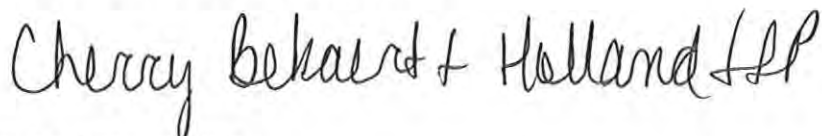
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance 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 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, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in cursive script that reads "Cherry Bekaert & Holland LLP". The signature is written in dark ink and is positioned above the typed name and date.

Fayetteville, North Carolina
November 15, 2010

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified ☐ Yes ☒ No
- 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 auditor's report issued on compliance for major federal programs: Unqualified

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
20.106	Airport Improvement Program
66.458	ARRA—Capitalization Grants for Clean Water State Revolving Funds
97.044	Assistance to Firefighters Grant
14.218, 14.253	ARRA—Community Development Block Grants/Entitlement Grants Cluster
14.248	Community Development Block Grants Section 108 Loan Guarantees
16.710	ARRA—Public Safety Partnership and Community Policing Grants
16.738	ARRA—Edward Byrne Memorial Justice Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 392,728

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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 auditor's report issued on compliance for major State programs: Unqualified

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

☐ Yes ☒ No

Identification of major State programs:

Program Name

Powell Bill

State Aid to Airports Program – West GA Ramp Rehabilitation

NC Veterans Park

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, 2010

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

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					
Community Development Block Grant Cluster					
CDBG Entitlement Grant FY2007-2008	14.218	B-07-MC-37-0005	\$ 447,533	\$ -	\$ 447,533
CDBG Entitlement Grant FY2008-2009	14.218	B-08-MC-37-0005	1,163,875	-	1,163,875
	14.218		1,611,408	-	1,611,408
ARRA - CDBG Entitlement Grant (CDBG-R)	14.253	B-09-MY-37-0005	63,713	-	63,713
			63,713	-	63,713
HOME Investment Partnership Program					
FY2001-2002	14.239	M-03-MC-37-0203	76,752	-	76,752
FY2004-2005	14.239	M-04-MC-37-0203	53,058	-	53,058
FY2005-2006	14.239	M-05-MC-37-0203	216,722	-	216,722
FY2006-2007	14.239	M-06-MC-37-0203	100,014	-	100,014
FY2007-2008	14.239	M-07-MC-37-0203	41,005	-	41,005
FY2008-2009	14.239	M-08-MC-37-0203	134,058	-	134,058
	14.239		621,609	-	621,609
Community Development Block Grant Section 108 Loan Guarantee	14.248	B-07-MC-37-0005	750,000	-	750,000
			750,000	-	750,000
Homeless Prevention and Rapid Re-housing Program Grant					
ARRA - 2009 HPRP	14.257	S-09-MY-37-0008	96,194	-	96,194
			96,194	-	96,194
Economic Development Initiative - Special Project Neighborhood Initiative and Miscellaneous Grants					
Military Business Park	14.251	B-06-SP-NC-0607	152,337	-	152,337
			152,337	-	152,337
US DEPARTMENT OF THE INTERIOR					
National Park Service Wayfinding Signage	N/A	37-08-PA-4030	63,458	-	63,458
			63,458	-	63,458
Pass through from NC Department of Cultural Resources Office Fayetteville Modern Architecture Survey	15.904	N/A	5,500	-	5,500
			5,500	-	5,500
US DEPARTMENT OF JUSTICE					
Pass through from Cumberland County, NC					
Justice Assistance Grant	16.738	2007-DJ-BX-0379	1,685	-	1,685
Justice Assistance Grant	16.738	2008-DJ-BX-0492	15,698	-	15,698
ARRA - Justice Assistance Grant	16.738	2009-SB-B9-0936	456,822	-	456,822
Justice Assistance Grant	16.738	2009-DJ-BX-0396	117,706	-	117,706
			591,911	-	591,911
Office of Justice Programs					
ARRA - COPS Hiring Grant	16.710	2009RJWX0050	201,354	-	201,354
COPS Technology Grant	16.710	2009CKWX0081	99,591	-	99,591
			300,945	-	300,945
Bulletproof Vest Partnership	16.607		6,814	-	6,814
FBI Overtime Reimbursements	16.000		13,527	-	13,527
Alcohol, Tobacco, and Firearms Overtime Reimbursements	16.000		9,521	-	9,521
Organized Crime and Drug Enforcement Task Force	16.000		4,137	-	4,137
US Marshall Service	16.000		24,115	-	24,115
Drug Enforcement Administration	16.000		15,601	-	15,601
Federal Forfeiture Fund - ICE	16.000		75,219	-	75,219
Federal Forfeiture Fund - DEA	16.000		37,827	-	37,827
			113,046	-	113,046
Pass through from NC Governors Crime Commission Department of Crime Control and Public Safety					
Gangs Across the Carolinas Training Conference '09	16.738	026-1-09-006-BH-205	66,339	-	66,339
PSN Anti-Gang: Operation Ceasefire FY08	16.609	026-1-07-001-BI-226	1,925	-	1,925
PSN Anti-Gang: Operation Ceasefire FY09	16.609	026-1-08-001-AZ-076	2,676	-	2,676
PSN Anti-Gang: Operation Ceasefire FY10	16.609	026-1-07-001-AZ-725	9,734	-	9,734
			80,674	-	80,674

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION					
Pass through from Cal Ripken, Sr. Foundation					
2010 Badges for Baseball Program	16.541	2010-WAL-B4B-NC1	\$ 7,823	\$ -	\$ 7,823
			7,823	-	7,823
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	28,554	-	28,554
			28,554	-	28,554
US DEPARTMENT OF ENERGY					
Office of Energy Efficiency & Renewable Energy					
ARRA - Energy Efficiency Conservation Block Grant	81.128	DE-SC0002635	75,000	-	75,000
			75,000	-	75,000
US DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration					
Airport Improvement Program					
Airport Fire Training Facility	20.106	FAA-3-37-0021-31	103,045	-	103,045
Airport Improvement Projects	20.106	FAA-3-37-0021-32	9,690	-	9,690
Airport Airfield Lighting Vault Improvements Phase II - Construction	20.106	FAA-3-37-0021-33	345,800	-	345,800
Airport Runway 4/22 Rehabilitation Phase II - Construction	20.106	FAA-3-37-0021-34	1,871,704	-	1,871,704
Airport Rehabilitate Aircraft Rescue and Fire Fighting Building, Phase I	20.106	FAA-3-37-0021-35	246,535	-	246,535
Airport Rehabilitate Aircraft Rescue and Fire Fighting Building, Phase II	20.106	FAA-3-37-0021-36	571,697	-	571,697
			3,148,471	-	3,148,471
Passed through NC Dept of Transportation					
Federal Highway Administration					
Enhancement Agreement - Depot	20.205	E-4118C	215,509	-	215,509
Reilly/Cliffdale/Ramsey Sidewalks	20.205	EL-5102	29,023	-	29,023
			244,532	-	244,532
Federal Transportation Administration					
Preventative Maintenance & American with Disabilities Act	20.507	NC 90.X464	841,382	-	841,382
Preventative Maintenance & American with Disabilities Act	20.507	NC 90.X444	214,103	-	214,103
Capital Grants:					
Capital	20.507	NC 90.0313	25,492	-	25,492
Capital	20.507	NC 90.0327	43,430	-	43,430
Capital	20.507	NC 90.0357	17,913	-	17,913
Capital	20.507	NC 90.0378	16,000	-	16,000
Capital	20.507	NC 90.0406	17,820	-	17,820
Capital	20.507	NC 90.0425	1,444	-	1,444
Capital	20.507	NC 90.0444	5,706	-	5,706
Capital	20.507	NC 04.0027	1,315,038	-	1,315,038
Capital	20.507	NC90.0457	130,898	-	130,898
Planning Grants:					
Planning	20.507	NC 90.2406	37,462	-	37,462
Planning	20.507	NC 90.2425	17,813	-	17,813
Planning	20.507	NC 90.2453	19,723	-	19,723
Planning	20.507	NC 90.2464	13,147	-	13,147
			2,717,371	-	2,717,371
US Department of Homeland Security					
Hazmat (Equipment Grant) 2006	97.067	2006-GE-T6-0010	37	-	37
Hazmat (Equipment Grant) 2007	97.073	2007-GE-T7-0048	152,112	-	152,112
Hazmat (Equipment Grant) 2008	97.067	2008-GE-T8-0033	40,149	-	40,149
Hazmat (Equipment Grant) 2009	97.067	2009-SS-T9-0046	1,715	-	1,715
AFG (Wellness Grant) 2008	97.044	EMW-2008-FO-11460	196,168	-	196,168
AFG (Prevention Grant) 2008	97.044	EMW-2008-FP-01042	30,396	-	30,396
Staffing for Adequate Fire and Emergency Response (SAFER) FY2008	97.044	EMW-2008-FF-01043	777,318	-	777,318
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR141	145,595	-	145,595
			1,343,490	-	1,343,490
US DEPARTMENT OF ENVIRONMENTAL PROTECTION					
Pass through from the NC Department of Environmental and Natural Resources					
Clean Water State Revolving Fund					
ARRA - Stormwater Improvements (Kornbow Neighborhood - Swainey Ave) (note 6)	66.458	2W370434-09	464,503	-	464,503
ARRA - Skye Dr Underground Detention Basins (note 6)	66.458	2W370434-10	536,692	-	536,692
			1,001,195	-	1,001,195
NC DEPARTMENT OF TRANSPORTATION					
Aviation Division					
West GA Ramp Rehabilitation	N/A	36244.27.8.1	-	478,179	478,179
Rehabilitate Visual Navigational Aids	N/A	36244.27.9.2	-	10,440	10,440
Vegetation Management	N/A	36244.27.9.1	-	25,200	25,200
			-	513,819	513,819
Public Transportation Division					
Maintenance Assistance	N/A		-	533,998	533,998
Capital	N/A	36223.7.5.3	-	5,429	5,429
Capital	N/A	36231.3.1.2	-	1,726	1,726
Capital	N/A	36231.3.2.2/3	-	1,852	1,852
Capital	N/A	36232.22.1.3/4	-	134,622	134,622
Capital	N/A	36231.3.4.3	-	16,362	16,362
Planning	N/A	36231.3.5.6	-	1,643	1,643
Planning	N/A	36231.3.2.6	-	4,683	4,683
Planning	N/A	36231.3.3.6	-	2,227	2,227
Planning	N/A	36231.3.4.6	-	2,465	2,465
			-	705,007	705,007

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
Powell Bill	N/A		\$ -	\$ 4,010,334	\$ 4,010,334
Division of Highways					
Cliffdale Sidewalk WBS 3606.3.05	N/A	ER-2971 F	-	58,236	58,236
Murchison Rd at Cumberland St Pipe Replacement/Upgrade	N/A	WBS: 6.102611	-	20,000	20,000
			-	78,236	78,236
Rail Division					
Southgate Rd Crossing Signal Installation	N/A	Z-4506G	-	4,512	4,512
Bronwyn St Crossing Signal Installation	N/A	Z-4406AF	-	6,575	6,575
			-	11,087	11,087
NC DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES					
Division of Waste Management					
Community Waste Reduction and Recycling Grant	N/A	2786	-	20,714	20,714
			-	20,714	20,714
NC DEPARTMENT OF CRIME CONTROL & PUBLIC SAFETY					
Hazmat (RRT Grant)	N/A	RRT 3 2009	-	62,660	62,660
Pass through Fayetteville State University					
Fire Training Facility	N/A	N/A	-	5,408	5,408
			-	68,068	68,068
NC DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION					
Pass through from Cumberland County					
Juvenile Restitution FYE 2010	N/A		-	38,019	38,019
			-	38,019	38,019
NC OFFICE OF THE STATE CONTROLLER					
NC Unauthorized Substance Tax	N/A		-	160,259	160,259
			-	160,259	160,259
NC Rural Economic Development Center					
Rural Economic Development Center Inc	N/A	2008-103-80315-102	-	23,660	23,660
			-	23,660	23,660
NC VETERANS AFFAIRS DIVISION					
NC Veterans Parks Phase #2	N/A	NCGA Senate Bill 1611*	-	1,867,906	1,867,906
NC Veterans Parks	N/A	1301-536980-17717711	-	108,262	108,262
			-	1,976,168	1,976,168
NC DEPARTMENT OF INSURANCE					
Permanent Checking Station	N/A		-	2,500	2,500
			\$ 13,090,946	\$ 7,607,871	\$ 20,698,817

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

1. The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Fayetteville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. The total local match requirements for the Federal and State Transit operating assistance grants was \$852,276. The actual local match which the City of Fayetteville expended for the operations of the transit system was \$852,276.

3. The total local contributions for the State Powell Bill assistance amounted to \$131,043 (this represents assessments received and interest earned through 06/30/10).

4. The amount of HOME Investment Partnerships provided to CHDO's is \$278,550 as of June 30, 2010.

5. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2010. 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, 2010 is \$2,425,237.

6. Loans Outstanding

City of Fayetteville had the following loan balances outstanding as June 30, 2010. These loan balances are also included in the federal expenditures presented in the schedule.

Program Title	CFDA Numbers	Pass-through Grantor's Number	Amount Outstanding
ARRA - Stormwater Improvements (Kornbow Neighborhood - Swainey Ave)	68.458	2W370434-09	\$ 232,252
ARRA - Skye Dr Underground Detention Basins	68.458	2W370434-10	\$ 268,348
Community Development Block Grant Section 108 Loan Guarantee	14.248	B-07-MC-37-0005	\$ 750,000



Passenger Facility Charge Compliance Section

- 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 Year Audit Findings
- Schedule of Expenditures of Passenger Facility Charges



**INDEPENDENT AUDITOR'S 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 compliance of the City of Fayetteville, North Carolina, ("the City") 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 its passenger facility charge program for the year ended June 30, 2010. 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 that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2010.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 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, the Federal Aviation Administration, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

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

Fayetteville, North Carolina
November 15, 2010

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted ☐ Yes ☒ No

Passenger Facility Charge Program

Internal control over passenger facility charge program:

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

Noncompliance material to passenger
facility charge program ☐ Yes ☒ No

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

Any audit findings disclosed ☐ Yes ☒ No

Section II. Financial Statement Findings

None reported.

Section III. Passenger Facility Charge Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

No findings in the prior year.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2010

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	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	\$ -	\$ 1,061,391
APPLICATION 2 (#05-03-C-01-FAY)								
Terminal Loop Roadway (Design/Constr.)	10/1/2005	10/1/2005	\$ 590,077	\$ 614,800	\$ 30,740	\$ 28,004	\$ -	\$ 28,004
Obstruction Removal	10/1/2005	10/1/2005	1,477,695	1,531,500	76,575	73,885	-	73,885
Update Airport Master Plan	10/1/2005	10/1/2005	305,587	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	984	-	984
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 Paint	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	96,110	100,000	5,000	4,806	-	4,806
Airport Beacon Replacement	10/1/2005	10/1/2005	173,095	250,000	12,500	8,655	-	8,655
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	274,663	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	5,682	27	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	7,560	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	\$ 324,204	\$ 27	\$ 324,231
APPLICATION 3 (#09-04-C-00-FAY)								
AIP 26 - Terminal Phase II	7/1/2009	7/1/2009	\$ 2,050,851	\$ 1,674,340	\$ 83,717	\$ -	\$ 83,717	\$ 83,717
Employee Parking (non revenue)	7/1/2009	7/1/2009	-	60,000	60,000	-	-	-
West GA Ramp Rehabilitation	7/1/2009	7/1/2009	583,497	615,000	61,500	-	58,350	58,350
AIP 28 - Land Acquisition	7/1/2009	7/1/2009	1,605,424	60,823	60,823	-	60,823	60,823
Handicap Access to Narrow Body Jets	7/1/2009	7/1/2009	33,475	35,818	35,818	-	33,475	33,475
AIP 31 - Fire Training Facility Rehab.	7/1/2009	7/1/2009	757,990	1,186,740	59,337	-	37,900	37,900
AIP 32 - Runway 4/22 Rehab. Design	7/1/2009	7/1/2009	-	293,340	14,667	-	-	-
AIP 32 - ARFF Rehab. Design	7/1/2009	7/1/2009	-	136,260	6,813	-	-	-
AIP 32 - Snow Removal Equip Bldg Design and Construction	7/1/2009	7/1/2009	15,544	165,400	8,270	-	777	777
AIP 32 - Elec Vault Upgrades Design and Generator Install	7/1/2009	7/1/2009	-	113,920	5,696	-	-	-
State Grant Stormwater Improvement	7/1/2009	7/1/2009	227,920	330,000	33,000	-	22,792	22,792
ARFF Rehab (2/3 of amount allowed per FAA) (AIP35-36)	7/1/2009	7/1/2009	861,256	1,340,000	67,000	-	43,065	43,065
Vault Construction (AIP 33) (Airfield Lights)	7/1/2009	7/1/2009	2,090,066	5,003,800	250,190	-	104,503	104,503
Runway 4/22 Construction (AIP 34)	7/1/2009	7/1/2009	6,060,806	7,171,540	358,577	-	303,040	303,040
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, 2010

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	-	700,000	700,000	-	-	-
Air Carrier Asphalt Rehab Apron Design	7/1/2009	7/1/2009	-	70,000	3,500	-	-	-
Taxiway A Design, Shoulder, Overlay, Lights	7/1/2009	7/1/2009	202,996	195,000	9,750	-	9,750	9,750
Extend Taxiway A Design	7/1/2009	7/1/2009	-	85,000	4,250	-	-	-
Construction Taxiway A Shoulders, Overlay, Lights	7/1/2009	7/1/2009	-	3,000,000	150,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 3			\$ 14,543,321	\$ 22,436,981	\$ 1,992,908	\$ -	\$ 763,538	\$ 763,538
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	-	1,684,220	-	-	-	-
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			\$ 14,543,321	\$ 30,330,421	\$ 1,992,908	\$ -	\$ 763,538	\$ 763,538
GRAND TOTAL			\$ 41,068,520	\$ 59,817,126	\$ 3,668,985	\$ 1,385,595	\$ 763,565	\$ 2,149,160

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.



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City of
Fayetteville
North Carolina