

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022



 **FY**
2022



City of Fayetteville, North Carolina

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Annual Comprehensive Financial Report * FY2022



Prepared by the City of Fayetteville Finance Department

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With Special Thanks
Budget and Evaluation
Internal Audit

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

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August 2, 2023

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

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Fayetteville, North Carolina for the fiscal year ended June 30, 2022. 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 ACFR 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.

PB Mares, LLP, has issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2022. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE CITY

The City is the county seat of Cumberland County and covers an area of approximately 150 square miles. The City is situated approximately 60 miles south of Raleigh, the State capital, and 140 miles east of Charlotte, a significant commercial center in the State. The

City is located adjacent to Interstate Highway 95, a major north-south corridor that links the City to Washington, D.C., Baltimore and New York to the north, and to Charleston, Orlando and Miami to the south. State highways also link the City to the beaches along the southeast coast of the State and to the mountains in the west.

Fayetteville has been recognized four times as an "All-American 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 Marquis de Lafayette, the French nobleman who served as a Major General in the Continental Army during the Revolutionary War.

Fort Liberty, located approximately ten miles from the City's downtown area, is one of the largest and most advanced military complexes in the world, covering nearly 163,000 acres. Fort Liberty has traditionally been known as the home of the Army's XVIII Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command and 3rd Special Forces Group. In 2011, Fort Liberty became the headquarters for the Army's combat-ready conventional forces and Army Reserve following the move of U.S. Army Forces Command and U.S. Army Reserve Command to the base. Fort Liberty also encompasses Pope Army Air Field, which provides fixed wing aviation assets, and Simmons Army Airfield, which provides rotary wing aviation assets required to support Fort Liberty's missions.

The City is the sixth largest municipality in North Carolina based on population. According to the North Carolina Office of State Budget and Management, the City's population has grown from approximately 75,850 in 1990 to approximately 214,255 in 2022. Encompassing approximately 150 square miles, the City is the second largest by land mass in North Carolina.

The City serves as the cultural and arts center for the region east of Fort Liberty. The City's cultural and arts venues include the Cape Fear Regional Theatre, Cape Fear Botanical Gardens, Festival Park, as well as seven museums including the Museum of the Cape Fear Historical Complex and the Airborne and Special Operations Museum.

In April 2019 the City completed construction and opened a new 4,800-seat baseball stadium in the downtown area. The stadium serves as the home of a minor league franchise affiliated with the Houston Astros. The stadium has facilitated more than \$100 million in public and private investment toward downtown development in the City.

The City has a council-manager form of municipal 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 concurrent two-year terms. The City Council has policy making and legislative authority. The Council is responsible for the approval of the budget and appointment of the City Manager, City Attorney, Public Works Commission (PWC) and members of other City boards, committees and commissions. The City Manager is responsible for implementing Council policies and City ordinances, managing daily operations and appointing department directors.

The City provides its citizens with a full range of services, including police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, stormwater drainage systems and other infrastructure, recreation and cultural activities, fixed-route and demand-response transit service and airport service.

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

COMMERCE AND INDUSTRY

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 City serves as the trade, service, health care, learning and transportation center of the Fayetteville Metropolitan Statistical Area.

The economy of Fayetteville is greatly stabilized by the presence of Fort Liberty Army Base. Approximately 47,499 active duty soldiers, 10,999 civilian employees and 62,962 active duty family members are located at Fort Liberty. The military's impact on the local economy varies depending on the number of deployed military personnel, capital projects and appropriation levels. Commercial contracts awarded to local businesses for equipment, material and supplies also influence the local economy. Fort Liberty is a significant source of construction spending in the region.

In addition to Fort Liberty and the City, substantial employment is also offered in the government sector through Cumberland County Schools, Fayetteville State University, Fayetteville Technical Community College, County of Cumberland and the Veterans Administration. Other major employers in the area include Cape Fear Valley Health Systems, Goodyear Tire & Rubber Inc., Walmart stores, retail outlets and Food Lion.

The City is a major regional trade center in the eastern part of the State, with a significant number and variety of shopping plazas, centers and independent retailers being located throughout the City. Evidence of the strong retail sector is reflected by one of the largest shopping areas in the Carolinas, a two square mile area located within the City where shoppers can visit Cross Creek Mall, a more than one million square foot regional shopping mall, five shopping centers, a variety of department stores and specialty, antique and gift shops.

The City's retail sector includes Freedom Town Center, a 450,000-square-foot shopping center including retailers such as Dick's Sporting Goods, Field and Stream, Hobby Lobby and a number of clothing outlets and restaurants.

Fayetteville's annual unemployment rate decreased from 9.0% at June 30, 2021 to 6.4% at June 30, 2022. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the following table.

UNEMPLOYMENT RATES*			
Fiscal Year	Fayetteville	North Carolina	United States
2022	5.9	4.1	3.8
2021	9.0	6	6.9
2020	10.0	7.9	11.2
2019	5.7	4.1	3.7
2018	5.9	3.8	3.7

* NC Department of Commerce, Labor and Economic Analysis Division

Median household income in Cumberland County in 2022 was \$50,746, as compared to nation-wide at \$69,021 and state-wide at \$60,516 for the same period. Growth in compensation for military workers has helped to fuel local per capita income growth over the past decade.

The economy of Cumberland County employed 129,292 people in June 2022. The largest industries in Cumberland County are health care, retail trade, and accommodation and food services and the highest paying industries are utilities, public administration and professional, and information. This diverse economy has provided economic stability during the COVID-19 pandemic, as growth in some industries has offset contractions in other industries more directly impacted by the COVID-19 pandemic. Fayetteville and Cumberland County is a business community that shows hospitality to new residents and businesses.

Fayetteville and Cumberland County has a well-educated workforce with skills to handle the technological advances and business complexity of new and expanding businesses. This highly educated, trained and motivated workforce has potential employers taking notice as they look to start, expand or invest in business operations or new facilities.

During fiscal year 2022, the City issued building permits for 392 new single-family residential units valued at \$76.3 million and 43 new commercial building permits valued at \$153.5 million. For comparison, during fiscal year 2021, the City issued 302 new single-family residential units valued at \$71.3 million and 60 new commercial building permits valued at \$78.1 million.

Taxable sales in Cumberland County for fiscal year 2022 totaled approximately \$5.7 billion, which represents a 9.65% increase over fiscal year 2021. While economic growth remained restrained, tax revenues continued to increase in fiscal year 2022. As the table below indicates taxable sales increased throughout the pandemic and surged in fiscal year 2022. Improved economic conditions can also be attributed to federal and state funding awarded to the City and individuals. The additional funds increased incomes and provided an incentive to spend. Historical sales for Cumberland County are provided in the following table.

TAXABLE SALES*		
Fiscal Year	Cumberland County	Change
2022	5,743,623,701	9.65%
2021	5,238,219,221	20.96%
2020	4,330,602,890	2.75%
2019	4,318,734,008	6.65%
2018	4,049,332,515	0.22%

* NC Department of Revenue, Sales and Use Tax Division

The annual operating budget for fiscal year 2022 was \$240,304,955, excluding internal service funds, \$6,187,760 more than the annual operating budget for fiscal year 2021, an increase of 2.6%. For the General Fund, the adopted budget for fiscal year 2023 increased \$0.7 million over the adopted budget for fiscal year 2022. The fiscal year 2022 budget anticipated total property tax values to grow by 1.53% over the values projected for the adopted fiscal year 2021 budget. The fiscal year 2022 budget included sales tax revenues of \$50.62 million, \$7.4 million or 17.2% above the fiscal year 2021 budget. Fayetteville's strong strategic planning process and conservative fiscal management continue to allow the City to maintain a high priority on both the delivery of quality services and financial stability.

LONG-TERM FINANCIAL PLANNING and MAJOR INITIATIVES

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

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

The fund balance policy adopted by City Council establishes a minimum General Fund unassigned fund balance of at least 10 percent of the succeeding year's General Fund expenditure budget, excluding the budget for the County recreation program. The purpose of this policy is to maintain sufficient resources in the General Fund to cover unexpected expenditures and revenue shortfalls. In addition, the City's practice has been to appropriate unassigned fund balance for one-time expenditures or significant capital needs.

Annually, the City adopts a five-year Capital Improvement Plan for functions such as public safety, parks, transportation, stormwater system, airport and transit. The City also prepares a five-year financial forecast for its General Fund. The purpose of the forecast is to enhance the City's financial planning process. The forecast incorporates the Council-adopted strategic plan, five-year capital improvement plan, capital funding plan and adopted budget.

The City has dedicated an amount equivalent to 5.07 cents of the 49.95 cent ad valorem tax rate for the capital funding plan. In addition, 1.42 cents was dedicated to fund parks and recreation projects and bond debt service. Also, certain revenues are specifically earmarked for the repayment of principal and interest on installment financing agreements for facilities and equipment, general obligation debt and future cash funding of major capital improvements.

The City, in fiscal year 2022 was awarded more than \$40 million in American Rescue and Recovery Act funding that the City Council worked diligently to prioritize. That funding joins the more than \$14 million also awarded to the City by the State of North Carolina to address, among other things, parks and recreation projects, historic sites preservation and stormwater infrastructure projects.

During fiscal year 2022 the City accomplished or continued work on significant capital projects, financial and economic development goals including the following:

- \$6.7 million in Transportation funds were used to resurface streets, construct sidewalks, construct and repair bridges and improve traffic systems throughout the City.
- The City issued \$19 million in Parks and Recreation bonds during the year. \$10.1 million was spent to construct a new senior center, renovate parks and upgrade recreation facilities.
- The City of Fayetteville Airport spent \$14.1 million for terminal improvements and other upgrades. Projects were funded by federal grants, state grants and other revenue sources.
- \$5.1 million in Transit funds were used for acquisition of vehicles and equipment for the purpose of providing essential City transport services. In addition, funds were used to build 11 new transit stops, construct concrete bus pads, concrete access pads, concrete sidewalks and Americans with Disability Act accessible wheelchair ramps with truncated domes.
- \$6.4 million was spent for stormwater drainage system improvement projects throughout the City.

AWARDS AND ACKNOWLEDGEMENTS

The City was awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending June 30, 2021. The certificate was awarded by the Government Finance Officers Association of the United States and Canada (GFOA) based upon a review of the City's annual comprehensive financial report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive financial report also meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a Certificate of Achievement.

The City received the Distinguished Budget Presentation Award which is awarded by the GFOA based upon a review of the City's annual budget for fiscal year 2022. In order to receive this award, a governmental unit must publish a budget document that meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device. The fiscal year 2023 budget has been submitted to the GFOA to determine its eligibility for an award.

The City of Fayetteville received a top honor at the North Carolina Chapter of the Public Relations Society of America Annual Inspire Awards. The City received a Silver Award for the category of Events and Observances for the 2021 Veterans Day Virtual program. The City also received an Honorable Mention for the Category of Reputation/Brand Management for the Can Do Carolina City rebrand.

In 2018, Governing, the nation's leading media platform covering politics, policy and management for state and local government leaders, recognized the City of Fayetteville as the most innovative city in the country. The City was among the top six cities in all but one of the report's seven criteria. The City's use of data and analytics to guide City management and long-term planning along with the City's TRACStat system were key factors in the selection.

In 2021, Policom Corporation ranked the Fayetteville Metropolitan Statistical Area as having the 252nd strongest economy of the 384 Metropolitan Statistical Areas nationwide. Policom addresses the condition of an economy from the viewpoint of its impact upon the "standard of living" of the people who live and work in an area.

The City of Fayetteville earned recognition at the North Carolina City and County Communicators' (NC3C) 2022 Excellence in Communications Awards Ceremony. Two first-place and two second-place awards signify the team's exceptional work at the top of their field. The City team won first place awards in the General Use on a Multi-Platform Marketing Campaign and General Use on a Single Social Media Platform categories. The City received second-place awards in the Branding/Logo and Single Social Media Post categories.


The City received the 2020 Certificate of Excellence in Performance Management awarded by the International City/County Management Association (ICMA). ICMA awards certificates each year to recognize programs that instill a culture of performance management, pursue comparative analysis and data-informed decision-making, and promote transparency. The certificates are awarded on the basis of criteria that include data collection and verification, training and support, public reporting, accountability and process improvement, networking, and leadership.

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

Respectfully submitted,



Douglas J. Hewett, ICMA-CM
City Manager



Jody Picarella, CPA, MBA
Chief Financial Officer



Government Finance Officers Association

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

Presented to

City of Fayetteville
North Carolina

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO



FAYETTEVILLE:
AMERICA'S CAN DO CITY

Annual Comprehensive
Financial Report * FY2022



City Council Members



Derrick Thompson, District 6

Shakeyla Ingram, District 2

D.J. Haire, District 4

Johnny Dawkins, Mayor Pro Tem, District 5

Mitch Colvin, Mayor (Center)

Kathy Jensen, District 1

Brenda McNair, District 7

Courtney Banks-McLaughlin, District 8

Mario Benavente, District 3

Deno Hondros, District 9

City Administrative, Legal and Financial Staff

Doug Hewett, *City Manager*

Kelly Olivera, *Assistant City Manager*

Adam Lindsay, *Assistant City Manager*

Jeffrey Yates, *Assistant City Manager*

Jodi Phelps, *Chief of Staff*

Pamela Megill, *City Clerk*

Karen McDonald, *City Attorney*

City of Fayetteville, North Carolina

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Organizational Chart



City of Fayetteville, North Carolina

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Report of Independent Auditor



Independent Auditor's Report

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

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Fayetteville, North Carolina (City of Fayetteville) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fayetteville's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly after.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page C-1, the Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability, the Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll, the Other Postemployment Benefits Retiree Health Plan Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the city's Proportionate Share of Net Pension Liability (Asset) and the City of Fayetteville's Contributions on pages G-1 through G-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville's basic financial statements. We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Fayetteville as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 22, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the respective budgetary schedules. The combining and individual fund financial statements and schedules, budgetary schedules and other supplementary data listed in the table of contents as "Supplemental Information", the Schedule of Expenditures of Federal and State Awards, and Passenger Facility Charges, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State Single Audit Implementation Act and the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The "Supplementary Information" is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended June 30, 2022 and June 30, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical tables of the Annual Comprehensive Financial Report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2023 on our consideration of the City of Fayetteville'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayetteville's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina

August 2, 2023



Management's Discussion & Analysis

City of Fayetteville, North Carolina

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report, and the City's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$597.1 million (*net position*). Of this amount, unrestricted net position of \$33.9 million is used to meet the government's ongoing obligations to residents and creditors. The government's total net position increased by \$23.7 million.

- Net position in the Governmental activities increased \$13.8 million to \$411.3 million in fiscal year 2022, up from \$397.5 million in fiscal year 2021. By far the largest portion of net position, \$350.2 million or 85.1%, reflects the net investment in capital assets less any related debt still outstanding.
- Net position in the Business type activities increased \$9.9 million to \$185.8 million in fiscal year 2022, up from \$175.9 million in 2021. The largest portion of net position, \$149.6 million or 80.5%, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire assets in the Stormwater Management, Transit, Airport and Solid Waste activities.
- As of the close of fiscal year 2022, the City's governmental funds reported an ending fund balance of \$160.8 million, an increase of \$24.7 million in comparison to the prior year. Approximately 59.0% of total fund balance, or \$94.9 million, is non-spendable or restricted.
- At the end of fiscal year 2022, unassigned fund balance for the General Fund was \$22.6 million or 12.0% of the fiscal year 2023 General Fund original adopted budget of \$189.2 million.
- The City's total debt at fiscal year-end 2022 increased by \$8.0 million. General obligation debt, limited obligation debt, revenue bond debt, installment agreements, lease and subscription liabilities and notes payable increased \$35.8 million due to issuing the final \$19 million tranche of Parks and Recreation Bonds, implementing GASB 87 leases and GASB 96 subscription-based information technology arrangements. Compensated absences, net pension liabilities and other postemployment benefits decreased by \$28.2 million. The decrease was in part due to a change in policy which set limitations on accrued paid time off allowed to be carried over to the following year, changes in actuarial assumptions and the Local Governmental Employees' Retirement System realizing higher than expected gains on investments.

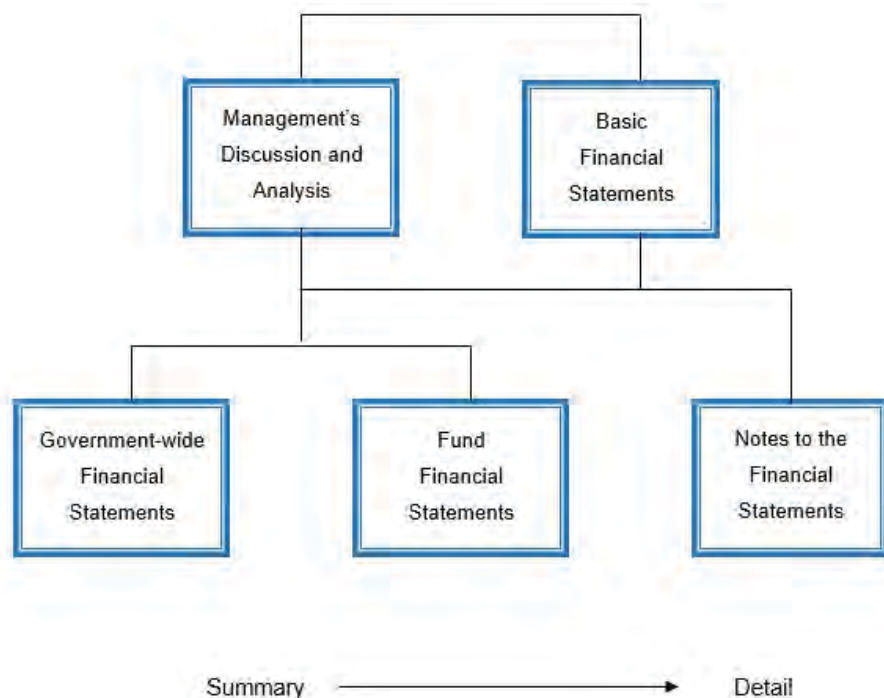
- The City has recorded Right to Use Assets for various software, buildings, vehicles and equipment in the amount of \$15.0 million net of amortization as a result of the implementation of GASB 87 Leases and early implementation of GASB 96 Subscription-Based Information Technology Arrangements. The liabilities related to these assets totaled \$15.2 million. The lease receivable balance for corporate hangars, concession space, antenna space and other commercial leases as of June 30, 2022, was \$10.7 million.
- During fiscal year 2022, the City maintained its Aa1 and AA+ credit rating for its outstanding general obligation bonds from Moody's and Standard & Poor's, respectively.

Overview of the Financial Statements

This discussion and analysis is 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 fund 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, required supplementary information include reports concerning the City's progress in funding its obligations to provide Pension Benefits, the Law Enforcement Officers' Special Separation Allowance, and Other Post-Employment Benefits.

Additional supplementary information is provided to show details about the City's major and non-major governmental funds, proprietary funds and non-major internal service funds. The governmental and internal service funds are added together in one column on the basic financial statements. Budgetary information required by General Statute can also 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 for a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The government-wide statements include activities for the primary government and its component unit. The primary government function is divided into two categories: 1) governmental activities and 2) business-type activities. 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. Business-type activities are those that the City charges customers to provide. These include stormwater, airport, transit, and solid waste services offered by the City of Fayetteville.

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



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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City of Fayetteville's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in North Carolina, use 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 them determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Fayetteville adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the residents of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement on page E-5 of this report uses the budgetary basis of accounting, and except for debt service, is presented using the same format as the legally adopted budget. Note A on the bottom of page E-5 provides a reconciliation of differences between expenditure classifications on the budget basis (page E-5) and the modified accrual basis (E-3). The budgetary statement shows four columns: 1) the original budget as adopted by the City Council, 2) the final budget as amended by the City Council, 3) the actual revenues, expenditures and changes in fund balance, and 4) the difference, or variance, in revenues and expenditures between final budget and actual amounts.

Proprietary Funds – The City of Fayetteville has two kinds of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its stormwater, transit, airport and solid waste operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for its insurance and risk management and fleet maintenance activities. These services benefit both governmental functions and business-type activities. These



services have been included within their respective predominant activities in the government-wide financial statements.

Fiduciary Funds – Private Purpose Trust funds are used to account for the activities of funds the City holds in trust for others. The City has two private-purpose trust funds. Custodial funds are used to account for assets the City holds on behalf of others. The City maintains two custodial funds. One accounts for collections of Red Light Camera fines and distribution of amounts collected to Cumberland County Schools, the other is the Police Evidence Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages F-1 through F- 66 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages G-1 through G-5 of this report.

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Government-wide Financial Analysis

Net Position. The following is a summary of net position for the City of Fayetteville at June 30, 2022 with comparative data for June 30, 2021. The City's combined net position increased \$23.7 million, or 4.1%, from fiscal year 2021. Net position may serve over time as one useful indicator of a government's financial condition. The information below provides a more detailed view of the City's net position.

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

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 225,559	\$ 256,148	\$ 57,318	\$ 62,506	\$ 282,877	\$ 318,654
Capital assets	407,538	434,162	143,499	156,378	551,037	590,540
Total net assets	633,097	690,310	200,817	218,884	833,914	909,194
Deferred outflows of resources	34,530	37,426	5,690	5,874	40,220	43,300
Total net assets and deferred outflows of resources	667,627	727,736	206,507	224,758	874,134	952,494
Current and other liabilities	53,204	53,543	6,457	9,900	59,661	63,443
Long-term liabilities outstanding	210,984	223,364	23,466	19,162	234,450	242,526
Total liabilities	264,188	276,907	29,923	29,062	294,111	305,969
Deferred inflows of resources	5,914	39,523	665	9,867	6,579	49,390
Total liabilities and deferred inflows of resources	270,102	316,430	30,588	38,929	300,690	355,359
Net position:						
Net investment in capital assets	335,817	350,198	138,353	149,577	474,170	499,775
Restricted	34,354	59,723	3,219	3,715	37,573	63,438
Unrestricted	27,353	1,386	34,347	32,537	61,700	33,923
Total net position	\$ 397,524	\$ 411,307	\$ 175,919	\$ 185,829	\$ 573,443	\$ 597,136

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$597.1 million as of June 30, 2022. Net position is reported in three categories: net investment in capital assets of \$499.8 million, restricted net position of \$63.4 million, and unrestricted net position of \$33.9 million.

The net investment in capital assets category is defined as the City's investment in City owned capital assets (e.g. infrastructure, land, buildings, automobiles, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide



services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to residents and creditors. At June 30, 2022, \$33.9 million or 5.7%, of the reported total net position of \$597.1 million, is unrestricted.

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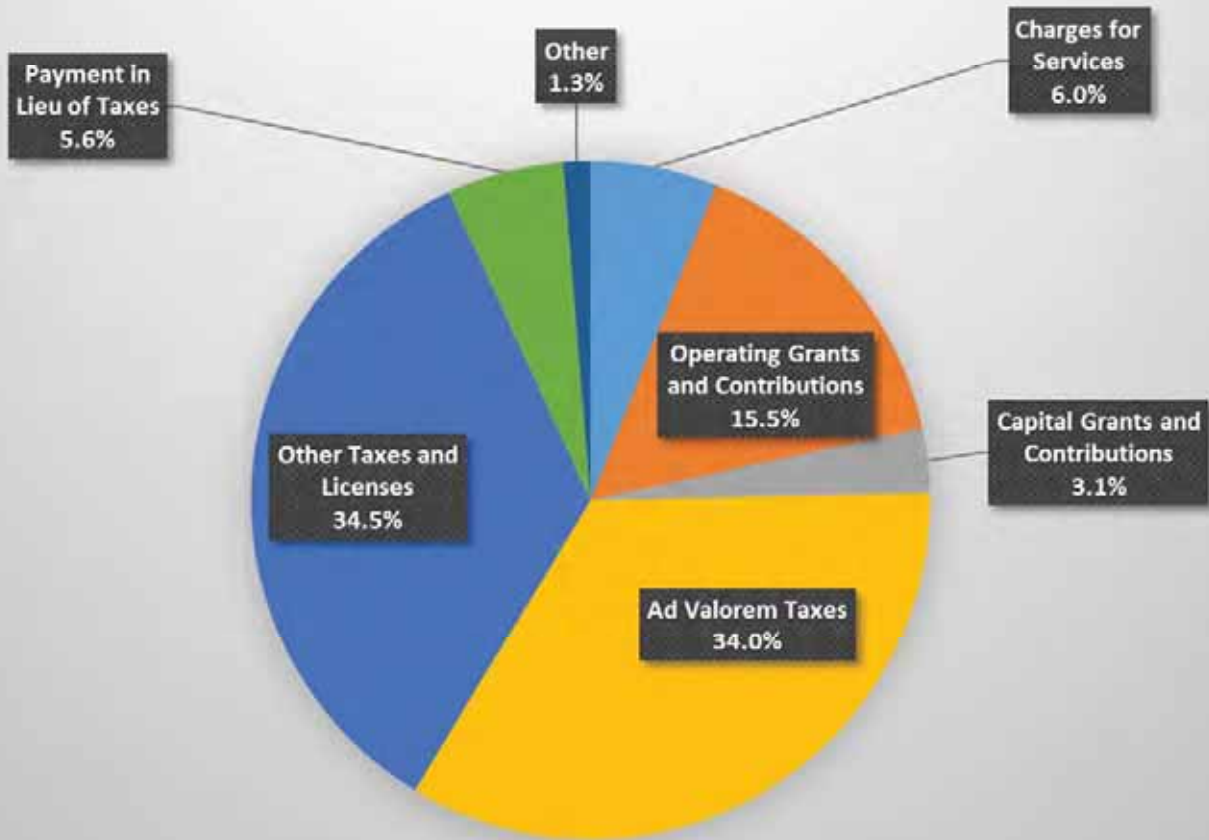


City of Fayetteville's Changes in Net Position (*dollars in thousands*)
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program revenues:						
Charges for services	\$ 12,864	\$ 12,884	\$ 29,184	\$ 29,927	\$ 42,048	\$ 42,811
Operating grants and contributions	23,155	33,131	11,462	12,114	34,617	45,245
Capital grants and contributions	5,867	6,538	11,853	13,257	17,720	19,795
General revenues:						
Ad valorem taxes	72,172	72,478	-	-	72,172	72,478
Other taxes and licenses	66,557	73,501	670	639	67,227	74,140
Payment in lieu of taxes	11,451	11,853	-	-	11,451	11,853
Other	5,669	2,773	787	631	6,456	3,404
Total revenues	197,735	213,158	53,956	56,568	251,691	269,726
Expenses:						
Administration	35,374	34,232	-	-	35,374	34,232
Public safety	95,161	93,856	-	-	95,161	93,856
Environmental protection	9,445	2,443	-	-	9,445	2,443
Transportation	20,395	22,722	-	-	20,395	22,722
Economic and physical development	6,170	21,739	-	-	6,170	21,739
Recreation and community facilities	18,294	18,264	-	-	18,294	18,264
Interest on long-term debt	3,045	3,260	-	-	3,045	3,260
Stormwater management	-	-	9,292	11,467	9,292	11,467
Transit	-	-	12,375	12,434	12,375	12,434
Airport	-	-	8,694	9,303	8,694	9,303
Solid Waste	-	-	13,695	16,313	13,695	16,313
Total expenses	187,884	196,516	44,056	49,517	231,940	246,033
Increase (decrease) in net position						
before transfers	9,851	16,642	9,900	7,051	19,751	23,693
Transfers	(5,995)	(2,859)	5,995	2,859	-	-
Change in net position	3,856	13,783	15,895	9,910	19,751	23,693
Net position, beginning	393,668	397,524	160,024	175,919	553,692	573,443
Net position, ending	\$ 397,524	\$ 411,307	\$ 175,919	\$ 185,829	\$ 573,443	\$ 597,136

Governmental activities: Revenues for the City's governmental activities were \$213.2 million, while total expenses were \$196.5 million in fiscal year 2022.

Revenue By Source - Governmental Activities



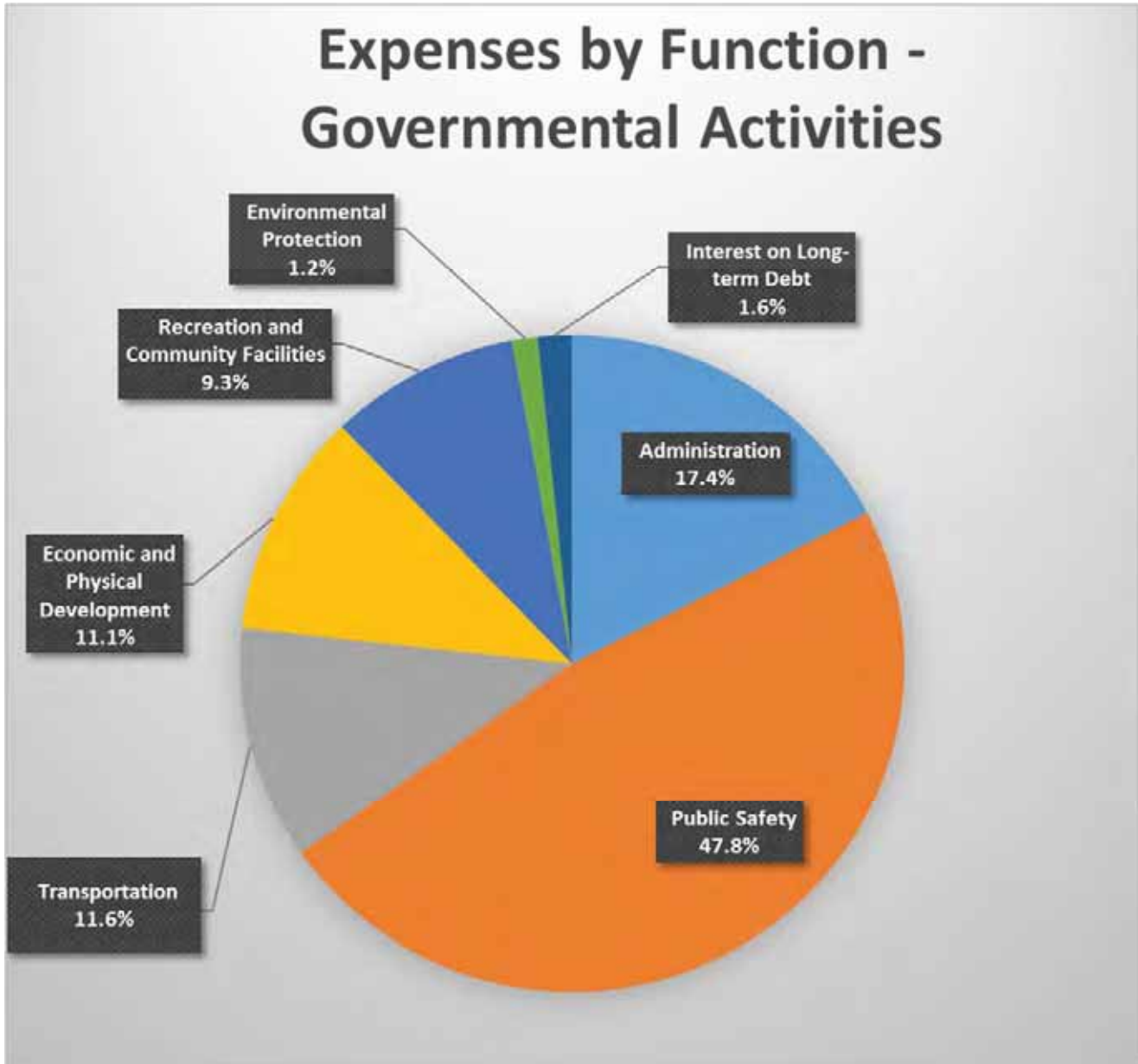
Net position for governmental activities, after transfers out, increased by \$13.8 million. Key elements of this change are as follows:

- Other taxes and licenses including sales tax, local sales tax, utilities sales tax, video franchise tax and vehicle license taxes represent 34.5%, which was a 0.8% increase from fiscal year 2021 and is the largest revenue item. The City is benefiting from the current growth in economic activity from increases in sales tax collections, due in part to sales tax collection on internet sales. Additionally, after the pandemic sales tax revenues have exceeded expectations.
- Property taxes represent 34.0% of total governmental revenues and is the second largest revenue item. This item decreased 2.5% from fiscal year 2021. The ad valorem tax rate is 49.95 cents of

which 1.42 cents is dedicated to supporting Parks and Recreation bond projects approved in a March 2016 bond referendum. The City's fiscal year 2022 tax collection rate was 99.4%.

- Operating grants and contributions increased to \$33.1 million during fiscal year 2022, an increase of \$10.0 million from 2021. Most of the increase related to federal and state funding for Economic and Physical Development and Environmental Protection measures.
- Capital grants and contributions increased to \$6.5 million during fiscal year 2022, an increase of \$0.6 million from 2021. Most of the increase was related to a federal and state grants for transportation infrastructure including streets, sidewalks and drainage improvements and environmental protection measures.
- Another large revenue source supporting the governmental activities include \$11.9 million for payments in lieu of taxes from PWC.

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- The cost of all governmental activities this year was \$196.5 million as compared to \$187.9 million reported in fiscal year 2021. These costs were incurred in order to provide municipal services to the residents of Fayetteville. These services include, but are not limited to: public safety (police, fire, etc.), administrative (city manager, city attorney, finance, human resources, information technology), transportation (street maintenance), and recreation and community facilities.



- The City's four largest governmental programs – public safety (47.7%), administration (17.4%), transportation (11.6%), and economic and physical development (11.1% percent), represent 87.8% of the total governmental activities.

Business-type activities: Revenues for the City's business-type activities were \$56.6 million, while total expenses were \$49.5 million in fiscal year 2022. Fiscal year 2021 revenues for the City's business-type activities were \$54.0 million, while total expenses were \$44.1 million. Net position increased to \$185.8 million in 2022, compared to \$175.9 million in 2021.

Change in Net Position (in thousands)								
	Stormwater Management		Transit	Airport	Solid Waste			
2022	\$	51,382	\$	25,398	\$	101,649	\$	7,400
2021		51,325		22,985		92,689		8,920
Change	\$	57	\$	2,413	\$	8,960	\$	(1,520)

Transit - The City, federal, and state agencies continue to subsidize transit operations. Net position is \$25.4 million in fiscal year 2022 which represents a 10.5% increase from 2021. Nearly all of transit's net position was its \$27.7 million net investment in transit assets. Operating revenues decreased \$.02 million in fiscal year 2022 due to continued fee reductions put in place during the Covid-19 pandemic.

Airport - Net position of the airport fund at the end of the year amounted to \$101.6 million, an increase of \$9.0 million. The increase is primarily due to federal and state contributions for airport enhancements. Net investment in capital assets was \$80.8 million.

Stormwater Management - Net position in stormwater management activities was virtually unchanged at \$51.4 million in fiscal year 2022. Net investment in storm water capital assets increased \$0.7 million to \$34.7 million.

Solid Waste - Net position for the solid waste function in fiscal year 2022 was \$7.4 million which represents a 17.0% decrease from 2021. Net investment in capital assets used to provide solid waste services was \$6.3 million.

Financial Analysis of the City's Funds

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

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



The General Fund is the chief operating fund of the City. At the end of fiscal year 2022, unassigned fund balance of the General Fund was \$22.6 million, while total fund balance was \$95.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 11.2% of total General Fund expenditures and transfers out, while total fund balance represents 47.2% percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an available fund balance of at least 8 percent of annual General Fund expenditures. The City of Fayetteville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for the County Recreation Program. The City's target for unassigned fund balance, however, is at least 12 percent. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level within two years.

The fund balance of the City's General Fund increased by \$2.1 million during the current fiscal year. This increase can be primarily attributed to:

- Overall General Fund revenues increased \$6.3 million in fiscal year 2022. Ad valorem tax remained about the same from the previous year, sales tax increased \$6.9 million, unrestricted grants and contributions decreased by \$3.0, payments in lieu of taxes increased by \$0.4 million and local other taxes increased \$0.6 million.
- At \$183.0 million, General Fund expenditures increased \$29.9 million in 2022. Debt service principal payments increased \$1.6 million and Public Safety expenditures for police and fire increased by \$5.9 million. Transportation expenditures for municipal agreement projects for bridge construction, Hurricane Matthew repairs, Sykes Pond road improvements, road upgrades and other transportation improvements increased by \$3.5 million and Economic and Physical Development community investment expenditures increased by \$0.6 million.
- Net other financing sources and uses during the year:
 - o Transfers out increased by \$0.6 million.
 - o Transfers in increased by \$0.8 million.
 - o Installment financing decreased by \$0.7 million.
 - o Lease and subscription liabilities issued increased by \$16.0 million.

At June 30, 2022, the governmental funds of the City reported a combined fund balance of \$160.8 million, reflecting an increase in fund balance of \$24.7 million. The Recreational and Cultural Bond ending fund balance is \$22.6 million, an increase of \$12.2 million reflecting the issuance of the final tranche of the \$19 million bond and capital projects not yet complete. The Federal and State Financial Assistance ending fund balance is \$7.9 million, a decrease of \$1.9 million due to project expenditures that are expected be reimbursed in the next fiscal year. The non-major governmental fund balance increased \$12.3 million during the year primarily due to \$10.4 million of financing proceeds for construction of a new fire station.



General Fund Budgetary Highlights

The City Council approved a \$188.5 million General Fund budget for fiscal year 2022 which represented an \$8.8 million or 4.9% increase from the original budget for fiscal year 2021. The general ad valorem tax rate remained unchanged at 49.95 cents per \$100 of assessed valuation.

For the last two years, sales tax revenues have exceeded expectations at rates that no one would have imagined. We are fortunate that the anticipated declines in sales tax revenues initially associated with the pandemic did not materialize. Fayetteville ended fiscal year 2021 with sales tax revenues 21.2% above budget and has continued to see year-over-year growth, in excess of 13% during fiscal year 2022.

In fiscal year 2022 the City maintained progress on our strategic plan as well as addressed pandemic-related community wellness. Key initiatives included a comprehensive community crime-reduction strategy, Choice Neighborhood Initiative Grant Planning for the Murchison Road Corridor, continuation of a city-wide stormwater master plan, and groundbreaking on a Homeless Day Resource Center. Other projects included the City's distribution of \$14 million in CARES Act funding to assist local businesses and more than \$11 million in Emergency Rental Assistance Program funding.

The City, in fiscal year 2022 was awarded more than \$40 million in American Rescue and Recovery Act funding that the City Council worked diligently to prioritize. That funding joins the more than \$14 million also awarded to the City by the State of North Carolina to address, among other things, parks and recreation projects, historic sites preservation and stormwater infrastructure projects. As we move through the process of identifying and completing projects to be funded by these federal and state resources, we will also focus on our proposed General Obligation Bond issuance referendum. Based on needs identified by Council and staff, the City placed a \$97 million measure on the ballot in November 2022 that was approved by the voters. The City will issue \$97 million in general obligation bonds and spend \$60 million in support of projects related to public safety, \$25 million for infrastructure needs and \$12 million for housing.

During the past year the City provided funds to implement a new fire records management system, to continue progress on the construction project to relocate Fire Station 4, to continue the Corridor Revitalization program, to support the Fayetteville Cumberland Economic Development Corporation and the Center for Economic Empowerment and Development, to subsidize the management cost of the downtown Arts and Entertainment District and to continue the partnership with Cumberland County to fund strategies to assist homeless residents.

Finally, the City commissioned a compensation study for all City positions. The recently completed study identified that many of our more than 1,600 positions are compensated below the market rate for the job tasks. The study also recommended increases in compensation for most positions along with a strategy to address pay compression for longer-tenured employees whose salaries are close to those of newly hired employees. All told, the implementation of the study, approximately \$6.6 million, is the most significant addition to the fiscal year 2022 budget. While implementation of the study will help with recruitment and retention issues, more will be needed in upcoming fiscal years in order for the City to remain an Employer of Choice.



Actual Revenues Compared to Final Budget - General Fund actual revenue was \$182.7 million and final budgeted revenue was \$171.2 million for fiscal year 2022.

Actual Expenditures Compared to Budgeted Appropriations – The City budgets General Fund appropriations by portfolio. As shown on the General Fund Budget and Actual Statement on page E-5, expenditures in each portfolio are compared to final budgeted appropriations, with overall actuals being \$17.3 less than budget. The following is an analysis of actual expenditures compared to budget by portfolio:

- Community investment portfolio expenditures were \$0.9 million less than budget.
- Operations portfolio expenditures were \$12.8 million less than budget.
- Support services portfolio expenditures were \$1.8 million less than budget.
- Law enforcement officer's separation allowance expenditures were \$0.5 million less than budget.
- Other appropriations, excluding debt service, were \$0.03 million less than budget.
- Debt service expenditures were \$.9 million less than budget.

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Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of June 30, 2022 total \$590.5 million net of accumulated depreciation and amortization. These assets include land, construction in progress, infrastructure, buildings and improvements, equipment, furniture, fixtures, computer software, vehicles, and right to use leased assets.

City of Fayetteville's Capital Assets (dollars in thousands)
(Net of Accumulated Depreciation and Amortization)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land and land rights	\$ 43,351	\$ 44,045	\$ 6,141	\$ 6,141	\$ 49,492	\$ 50,186
Construction in progress	18,505	35,442	19,314	33,071	37,819	68,513
Infrastructure	216,065	208,524	35,346	35,241	251,411	243,765
Buildings and improvements	110,074	109,849	66,275	60,529	176,349	170,378
Equipment, furniture and fixtures	5,584	5,845	2,282	2,158	7,866	8,003
Computer software	(49)	824	84	100	35	924
Vehicles	14,008	14,982	14,057	18,799	28,065	33,781
Right to use leased assets	-	14,651	-	339	-	14,990
Total	\$ 407,538	\$ 434,162	\$ 143,499	\$ 156,378	\$ 551,037	\$ 590,540

Major capital asset transactions during the year include the following:

- \$6.7 million in Transportation funds were used to resurface streets, construct sidewalks, construct and repair bridges and improve traffic systems throughout the City.
- The City issued \$19 million in Parks and Recreation bonds during the year. \$10.1 million was spent to construct a new senior center, renovate parks, and upgrade recreation facilities.
- The City of Fayetteville Airport spent \$14.1 million on terminal improvements and other upgrades. Projects were funded by federal grants, state grants and other revenue sources.
- \$5.1 million in Transit funds were used for acquisition of vehicles and equipment for the purpose of providing essential City transportation services. In addition, funds were used to build 11 new transit stops, construct concrete bus pads, concrete access pads, concrete sidewalks and Americans with Disability Act accessible wheelchair ramps with truncated domes.
- \$6.4 million was spent for stormwater drainage system improvement projects throughout the City.

Additional information on the City's capital assets can be found in Note 3 of this report.

Long-term Debt. The City issues debt to finance the acquisition and construction of many of its capital assets. As of June 30, 2022, the City had total outstanding debt of \$130.9 consisting of general obligation debt, limited obligation debt, leases and subscription debt, revenue bonded debt, installment agreements and notes payable. Long-term debt increased \$35.8 million over 2021 due to issuing \$19.0 million general obligation bonds and \$15.2 as a result of implementing GASB 87, leases and GASB 96, subscription-based technology arrangements. The City entered into two installment agreements during the year totaling \$14.4 million to purchase vehicles, equipment and to construct a new fire station. A summary of total long-term debt is shown in Figure 5.

Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
General obligation debt	\$ 15,905,000	\$ 33,720,000	\$ -	\$ -	\$ 15,905,000	\$ 33,720,000
Direct Placement:						
Limited obligation debt	47,740,000	44,930,000	-	-	47,740,000	44,930,000
Leases and Subscription Liability	-	14,853,818	-	340,918	-	15,194,736
Revenue Bonds	-	-	4,475,000	3,720,000	4,475,000	3,720,000
Direct Borrowing:						
Installment agreements	23,001,510	29,682,277	3,738,446	3,422,299	26,739,956	33,104,576
Notes payable	-	-	225,269	200,239	225,269	200,239
Total long-term debt	\$ 86,646,510	\$ 123,186,095	\$ 8,438,715	\$ 7,683,456	\$ 95,085,225	\$ 130,869,551

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

- \$16.7 million representing the City's portion of the N.C. Local Government Employers' Retirement System net pension liability, which is managed by the N.C. Department of State Treasurer.
- \$55.0 million net Other Postemployment Benefits (OPEB) liability, which is retiree healthcare benefits for employees hired before July 1, 2014.
- \$21.7 million net Law Enforcement Officers' Special Separation Allowance.
- \$9.1 million compensated absences, a liability for the estimated amount of vacation, compensatory time and banked holiday leave to ultimately be paid.
- \$5.6 million PWC Assessments Payable, which is offset by amounts owed to the City.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property. The legal debt margin for the City is approximately \$1.0 billion.



Additional information regarding the City's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget and Rates

The City Council approved a \$189.2 million general fund budget for fiscal year 2023, which represented a \$0.7 million increase from the original budget for fiscal year 2022. The general ad valorem tax rate remained unchanged at 49.95 cents per \$100 of assessed valuation.

For fiscal year 2023, total property tax values supporting general fund operating budgets are expected to grow by 1.25% over the values projected for the adopted fiscal year 2022 budget. On this basis, general ad valorem tax revenues of \$72.2 million are projected for the general fund, an increase of 1.3 percent. This year-over-year growth projection, while modest, serves as an indicator that the local economy continues to grow.

The City's other major unrestricted revenue is sales tax. The fiscal year 2023 budget includes sales tax revenues of \$59.67 million, which is \$9.0 million or 17.9% above the fiscal year 2022 budget. For fiscal year 2023, the budget anticipates utility tax revenues of \$12.56 million, a nominal decline of \$5,000 from the original budget for fiscal year 2022.

This budget provides for continuation of all municipal services at the same service levels as fiscal year 2022. The budget does make modifications to several areas, largely through improvements in service delivery and improvements using technology. All of the modifications are designed to support the service demands and needs of a growing city. The budget supports \$2.7 million for fire vehicle and apparatus equipment including \$1.1 million for a replacement heavy rescue truck and \$1.4 million for two replacement pumper trucks. The budget includes \$1.6 million for police vehicle replacements, \$0.4 million for purchase, licensing and data storage for replacement body-worn camera equipment with advance capabilities, and \$0.2 million for replacement of conducted electrical weapons. The City will invest \$4.5 million in stormwater watershed studies, \$3.5 million for the design of projects resulting from the watershed studies, and \$0.5 million for spot repairs, easement acquisition and project management. The budget funds \$6.6 million for a 4% of mid-point merit pay increases for employees not on step plans, increases to public safety employee step-plans, and market and compression issues identified in the compensation study, and \$1.3 million for required increases for employer contributions for pension and medical benefits. Included in the budget is \$5.8 million for vehicle and equipment fleet replacements, including \$3.1 million in the general fund. The fiscal year 2023 budget includes \$1.2 million in loan proceeds in the General Fund to purchase vehicles and equipment.

The general property tax rate of 49.95 cents per \$100 value includes 1.42 cents dedicated for parks and recreation projects and bond debt service and 5.07 cents dedicated to the general capital funding plan and debt service. Property tax rate for the Central Business Tax District will remain at 10.0 cents per \$100 of assessed valuation. The stormwater fee will remain at \$6 per month, residential solid waste fee will remain at \$225 per year and bus fares will continue at fiscal year 2022 levels.

The budget is balanced with a \$4.2 million General Fund appropriation, including \$1.9 million from fund balance assigned for the general capital funding plan, \$1.1 million from fund balance assigned for the Parks and Recreation Bond funding plan, and \$0.2 million from fund balance reserved for the County Recreation District, and \$125,000 from unassigned fund balance. This represents a 68.7% decrease, or



\$9.2 million, in the use of unassigned fund balance as compared to the \$13.4 million original fund balance appropriation for fiscal year 2022. This marked decrease is primarily due to the decreased transfers to capital projects, resulting from ARPA funds and other grant funds for infrastructure.

The fiscal year 2023 budget enhances our services as a major metropolitan area – the 6th largest city in the 9th largest state in the most powerful country in history – while also addressing our need to take care of our most valuable resource, our employees.

Requests for Information

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



 **FAYETTEVILLE** ^{NC}
AMERICA'S CAN DO CITY

**Annual Comprehensive
Financial Report** *FY2022



Basic Financial Statements

City of Fayetteville, North Carolina

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Statement of Net Position
June 30, 2022

	Primary Government			Public Works Commission
	Governmental Activities	Business Type Activities	Total Primary Government	
Assets				
Cash and investments	\$ 98,028,415	\$ 42,800,570	\$ 140,828,985	\$ 127,031,217
Taxes receivable	1,428,174	-	1,428,174	-
Accounts receivable	7,648,640	4,465,020	12,113,660	47,882,421
Leases receivable	244,022	458,882	702,904	-
Assessments receivable	6,340,698	-	6,340,698	-
Due from other governments	35,564,402	-	35,564,402	-
Internal balances	8,835,378	(8,835,378)	-	-
Notes Receivable	312,005	-	312,005	-
Inventories	105,670	617,858	723,528	18,731,039
Prepaid expenses	2,580,531	4,500	2,585,031	-
Other current assets	-	-	-	5,400,859
Noncurrent portion of notes receivable	8,369,848	-	8,369,848	-
Restricted asset - cash and investments	77,352,734	5,138,292	82,491,026	223,793,891
Restricted asset - accounts receivable	3,737,751	13,252,433	16,990,184	15,665,512
Collateral pledged in lieu of deposits	-	-	-	726,308
Property held for resale	27,871	-	27,871	-
Leases receivable, noncurrent	5,572,009	4,603,765	10,175,774	4,648,132
Other assets	-	-	-	5,235
Capital assets:				
Right to use leased assets, net of amortization	14,651,097	339,561	14,990,658	5,361,412
Land and construction in progress	79,487,299	39,212,223	118,699,522	146,973,089
Other capital assets, net of depreciation	340,024,245	116,826,492	456,850,737	1,023,588,927
Total assets	<u>690,310,789</u>	<u>218,884,218</u>	<u>909,195,007</u>	<u>1,619,808,042</u>
Deferred Outflows of Resources				
Charge on refunding	-	-	-	862,117
OPEB deferrals	9,950,488	2,756,306	12,706,794	7,542,682
Pension deferrals	27,475,633	3,118,207	30,593,840	21,276,536
Total deferred outflow of resources	<u>37,426,121</u>	<u>5,874,513</u>	<u>43,300,634</u>	<u>29,681,335</u>
Liabilities				
Accounts payable and accrued expenses	21,740,266	5,240,954	26,981,220	26,137,034
Restricted liabilities - accounts payable	1,456,735	1,736,861	3,193,596	26,434,397
Restricted unearned deposits	623,348	1,103,799	1,727,147	-
Unearned deposits	-	-	-	958,567
Unearned revenues	29,723,517	1,818,340	31,541,857	-
Long-term liabilities:				
Due within one year	19,730,501	2,867,587	22,598,088	22,604,834
Due in more than one year	203,632,862	16,294,576	219,927,438	433,722,642
Total liabilities	<u>276,907,229</u>	<u>29,062,117</u>	<u>305,969,346</u>	<u>509,857,474</u>
Deferred Inflows of Resources				
Prepaid taxes	40,885	-	40,885	-
OPEB deferrals	10,090,558	1,683,027	11,773,585	6,464,019
Pension deferrals	23,708,152	3,181,198	26,889,350	13,503,211
Lease deferrals	5,683,340	5,002,979	10,686,319	5,509,595
Total deferred inflow of resources	<u>39,522,935</u>	<u>9,867,204</u>	<u>49,390,139</u>	<u>25,476,825</u>
Net position				
Net investment in capital assets	350,198,457	149,577,261	499,775,718	797,810,238
Restricted for:				
Capital projects	-	3,715,377	3,715,377	12,163,496
Stabilization by State Statute	29,693,198	-	29,693,198	-
Downtown	130,198	-	130,198	-
Recreational and cultural	3,259,025	-	3,259,025	-
Donations	25,355	-	25,355	-
Administration	2,053,219	-	2,053,219	-
Public safety	11,393,266	-	11,393,266	-
Transportation	6,563,965	-	6,563,965	-
Economic and physical development	2,203,487	-	2,203,487	-
Environmental protection	2,500,215	-	2,500,215	-
Streets	1,900,409	-	1,900,409	-
Renewable energy	-	-	-	7,413,145
Other internal restrictions	-	-	-	158,860,491
Unrestricted	1,385,952	32,536,772	33,922,724	137,907,708
Total net position	<u>\$ 411,306,746</u>	<u>\$ 185,829,410</u>	<u>\$ 597,136,156</u>	<u>\$ 1,114,155,078</u>

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

**Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs Primary government:	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Primary Government Business-type Activities	Total	Public Works Commission
Governmental activities:									
Administration	\$ 34,232,321	\$ 5,107,219	\$ 2,000	\$ -	\$ -	\$ (29,123,102)	\$ -	\$ (29,123,102)	\$ -
Public safety	93,856,122	5,283,717	4,159,422	455		(84,412,528)		(84,412,528)	
Environmental protection	2,443,253	75,660	1,694,340	1,592,213		918,960		918,960	
Transportation	22,722,662	901,265	6,024,613	3,388,774		(12,408,010)		(12,408,010)	
Economic and physical development	21,738,956	-	17,181,397	1,482,226		(3,075,333)		(3,075,333)	
Recreation and community facilities	18,264,188	1,516,462	4,069,511	74,100		(12,604,115)		(12,604,115)	
Interest and other debt service	3,260,018	-	-	-		(3,260,018)		(3,260,018)	
Total governmental activities	196,517,520	12,884,323	33,131,283	6,537,768		(143,964,146)		(143,964,146)	
Business-type activities:									
Stormwater management	11,466,611	11,477,216	1,051	-		-	11,656	11,656	-
Transit	12,434,235	89,663	6,938,851	4,159,431		-	(1,246,290)	(1,246,290)	-
Airport	9,302,780	4,110,448	4,701,090	9,097,519		-	8,606,277	8,606,277	-
Solid waste	16,313,584	14,249,274	473,256	-		-	(1,591,054)	(1,591,054)	-
Total business-type activities	49,517,210	29,926,601	12,114,248	13,256,950		-	5,780,589	5,780,589	-
Total primary government	\$ 246,034,730	\$ 42,810,924	\$ 45,245,531	\$ 19,794,718		(143,964,146)	5,780,589	(138,183,557)	
Component Unit									
Public Works Commission	\$ 337,919,752	\$ 347,188,674	\$ 1,358,022	\$ 10,297,489		\$ -	\$ -	\$ -	\$ 20,924,433
Total component unit	\$ 337,919,752	\$ 347,188,674	\$ 1,358,022	\$ 10,297,489		\$ -	\$ -	\$ -	\$ 20,924,433
General revenues:									
Ad valorem taxes						72,478,217		72,478,217	
Other taxes									
Sales tax						59,244,980		59,244,980	
Utilities sales tax						9,656,331		9,656,331	
Telecommunications sales tax						658,676		658,676	
Piped natural gas sales tax						500,727		500,727	
Video franchise tax						1,870,127		1,870,127	
Vehicle license tax						621,322	639,490	1,260,812	
Vehicle gross receipts tax						949,329		949,329	
Payment in lieu of taxes						11,853,127		11,853,127	
Unrestricted grants and contributions						844,186		844,186	
Interest earned on investments						726,704	105,983	832,687	2,123,336
Miscellaneous						888,903	496,056	1,384,959	
Gain on sale of capital assets						312,704	29,356	342,060	
Total general revenues not including transfers						160,605,333	1,270,885	161,876,218	2,123,336
Transfers						(2,858,671)	2,858,671	-	
Total general revenues and transfers						157,746,662	4,129,556	161,876,218	2,123,336
Change in net position						13,782,517	9,910,145	23,692,662	23,047,769
Net position - beginning						397,524,229	175,919,265	573,443,494	1,091,107,309
Net position - ending						\$ 411,306,746	\$ 185,829,410	\$ 597,136,156	\$ 1,114,155,078

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

Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds				Total Governmental Funds
	General	Federal and State Financial Assistance	Recreational and Cultural Bond	Nonmajor Governmental Funds	
Assets					
Cash and investments	\$ 67,137,291	\$ -	\$ -	\$ 5,506,578	\$ 72,643,869
Taxes receivable	1,256,443	-	-	-	1,256,443
Accounts receivable	4,018,860	1,932,923	36,900	712,478	6,701,161
Due from other governments	21,603,512	2,791,492	242,923	10,886,964	35,524,891
Interfund receivable	10,988,409	-	-	10,384,316	21,372,725
Assessments receivable	698,901	-	-	6,085,177	6,784,078
Prepaid items	2,291,866	-	-	-	2,291,866
Lease receivable	5,816,031	-	-	-	5,816,031
Inventories	105,670	-	-	-	105,670
Restricted cash and investments	3,673,134	17,790,809	29,693,866	26,194,925	77,352,734
Restricted accounts receivable	3,737,751	-	-	-	3,737,751
Notes receivable	-	5,602,581	-	-	5,602,581
Property held for resale	-	27,871	-	-	27,871
Total assets	\$ 121,327,868	\$ 28,145,676	\$ 29,973,689	\$ 59,770,438	\$ 239,217,671
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 14,061,541	\$ 344,094	\$ 1,419,608	\$ 951,231	\$ 16,776,474
Interfund payables	-	2,151,936	3,903,921	6,481,490	12,537,347
Restricted unearned deposits	623,348	-	-	-	623,348
Unearned revenue	464,807	17,753,130	2,021,673	9,709,975	29,949,585
Restricted accounts payable and accrued expenses	-	-	-	1,456,735	1,456,735
Total liabilities	15,149,696	20,249,160	7,345,202	18,599,431	61,343,489
Deferred inflows of resources:					
Taxes receivable	1,256,443	-	-	-	1,256,443
Accounts receivable	3,149,508	-	-	-	3,149,508
Assessments receivable	882,104	-	-	6,085,177	6,967,281
Lease receivable	5,683,340	-	-	-	5,683,340
Prepaid taxes	40,885	-	-	-	40,885
Total deferred inflows of resources	11,012,280	-	-	6,085,177	17,097,457
Fund balances:					
Nonspendable					
Inventories	105,670	-	-	-	105,670
Prepays	2,291,866	-	-	-	2,291,866
Leases	132,691	-	-	-	132,691
Restricted					
Stabilization by State Statute	42,146,935	-	-	83,610	42,230,545
For streets	-	-	-	1,900,409	1,900,409
For downtown	130,198	-	-	-	130,198
For county recreation	213,394	-	-	-	213,394
For donations	25,355	-	-	-	25,355
Administration	-	-	-	2,053,219	2,053,219
Public safety	-	922,624	-	10,470,642	11,393,266
Transportation	-	-	-	6,563,965	6,563,965
Economic and physical development	8	1,166,847	-	1,036,632	2,203,487
Recreation and community facilities	-	283,616	22,628,487	205,225	23,117,328
Environmental protection	-	1,819,168	-	681,047	2,500,215
Committed					
Administration	-	18,638	-	5,043,785	5,062,423
Public safety	-	672,294	-	939,621	1,611,915
Transportation	-	-	-	2,170,099	2,170,099
Economic and physical development	-	6,444,467	-	1,200,385	7,644,852
Recreation and community facilities	-	18,000	-	2,918,438	2,936,438
Environmental protection	-	3,201,467	-	-	3,201,467
Law Enforcement Officers' Special Separation Allowance	8,530,243	-	-	-	8,530,243
Assigned					
For subsequent year's expenditures	3,969,112	-	-	-	3,969,112
For special purpose	7,107,310	-	-	-	7,107,310
For capital projects	7,935,797	-	-	-	7,935,797
Unassigned (deficit)	22,577,314	(6,650,605)	-	(181,247)	15,745,462
Total fund balances	95,165,893	7,896,516	22,628,487	35,085,830	160,776,726
Total liabilities, deferred inflows of resources and fund balances	\$ 121,327,868	\$ 28,145,676	\$ 29,973,689	\$ 59,770,438	\$ 239,217,671

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2022**

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

Ending fund balance - governmental funds	\$	160,776,726
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and Construction in Process	\$ 79,487,299	
Capital Assets being depreciated, net	<u>340,024,245</u>	
	<u>\$ 419,511,544</u>	419,511,544
Right to use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Right to use leased assets being amortized, net		14,651,097
Deferred inflows of resources for taxes and receivables.		
		11,161,563
Deferred inflows of resources for notes receivable.		
		2,008
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		
		171,731
Internal service funds are used by management to charge insurance expenses and fleet maintenance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		
		24,825,707
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		
		(306,173)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		
		13,170
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General obligation bonds	\$ (33,720,000)	
Unamortized premium	(3,533,462)	
Limited obligation bonds	(44,930,000)	
Installment agreements	(29,682,277)	
Lease and subscription liabilities	(14,853,818)	
Assessments due PWC	(5,597,897)	
Compensated absences liability	(8,158,960)	
Net pension liability (LGERS)	(14,794,113)	
Net pension liability (LEOSSA)	(21,729,345)	
Total OPEB liability	<u>(46,343,316)</u>	
	<u>\$ (223,343,188)</u>	(223,343,188)
Contributions to various benefit plans in the current fiscal year that are deferred outflows of resources on the statement of net position. Those plans are:		
LGERS pension plan	\$ 8,310,233	
LEOSSA pension plan	661,733	
OPEB plan	<u>1,113,131</u>	
	<u>\$ 10,085,097</u>	10,085,097
Pension (LGERS) related deferrals		
		(8,571,552)
Pension (LEOSSA) related deferrals		
		3,554,896
OPEB related deferrals		
		<u>(1,225,880)</u>
Net position of governmental activities	<u>\$</u>	<u>411,306,746</u>

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022**

	Major Funds				Total Governmental Funds
	General	Federal and State Financial Assistance	Recreational and Cultural Bond	Nonmajor Governmental Funds	
Revenues					
Ad valorem taxes	\$ 72,856,395	\$ -	\$ -	\$ -	\$ 72,856,395
Other taxes and fees	1,605,850	-	-	-	1,605,850
Unrestricted intergovernmental	85,207,809	-	-	-	85,207,809
Restricted intergovernmental	11,082,832	20,238,044	-	4,462,955	35,783,831
Permits and fees	3,063,489	-	-	-	3,063,489
Sales and services	5,294,274	-	-	-	5,294,274
Miscellaneous	3,443,487	249,654	-	2,607,144	6,300,285
Interest earned on investments	174,921	(31,590)	39,673	345,329	528,333
Total revenues	<u>182,729,057</u>	<u>20,456,108</u>	<u>39,673</u>	<u>7,415,428</u>	<u>210,640,266</u>
Expenditures					
Current:					
Administration	33,673,710	-	-	2,279,882	35,953,592
Public safety	90,454,008	2,210,599	-	458,272	93,122,879
Environmental protection	480,085	1,761,303	-	-	2,241,388
Transportation	11,649,233	-	-	-	11,649,233
Economic and physical development	2,587,096	18,484,861	-	-	21,071,957
Recreation and community facilities	14,345,770	-	-	6,540	14,352,310
Debt service:					
Principal	10,882,006	-	-	-	10,882,006
Interest	2,930,123	-	-	-	2,930,123
Capital outlay	16,035,910	-	9,037,617	17,369,391	42,442,918
Total expenditures	<u>183,037,941</u>	<u>22,456,763</u>	<u>9,037,617</u>	<u>20,114,085</u>	<u>234,646,406</u>
Revenues over (under) expenditures	<u>(308,884)</u>	<u>(2,000,655)</u>	<u>(8,997,944)</u>	<u>(12,698,657)</u>	<u>(24,006,140)</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	316,985	-	-	-	316,985
Transfers in	1,515,000	82,153	713,000	14,613,220	16,923,373
Transfers out	(18,618,864)	-	-	-	(18,618,864)
General obligation bonds issued	-	-	19,000,000	-	19,000,000
Installment purchase obligations issued	3,136,876	-	-	10,430,000	13,566,876
Lease and subscription liabilities issued	16,035,910	-	-	-	16,035,910
Premium on bonds issued	-	-	1,487,054	-	1,487,054
Total other financing sources (uses)	<u>2,385,907</u>	<u>82,153</u>	<u>21,200,054</u>	<u>25,043,220</u>	<u>48,711,334</u>
Net change in fund balance	2,077,023	(1,918,502)	12,202,110	12,344,563	24,705,194
Fund balance					
Beginning	<u>93,088,870</u>	<u>9,815,018</u>	<u>10,426,377</u>	<u>22,741,267</u>	<u>136,071,532</u>
Ending	<u>\$ 95,165,893</u>	<u>\$ 7,896,516</u>	<u>\$ 22,628,487</u>	<u>\$ 35,085,830</u>	<u>\$ 160,776,726</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022**

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

Net change in fund balances - total governmental funds	\$	24,705,194
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital outlay expenditures which were capitalized	31,469,450	
Depreciation expense for governmental assets	<u>(22,712,774)</u>	8,756,676
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.</p>		
		(27,838)
<p>Right to use leased asset capital outlay expenditures which were capitalized, net accumulated amortization expense</p>		
		14,619,166
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Amount of donated assets	3,218,141	
Decrease in deferred taxes	1,243,652	
Increase in accrued interest receivable	(53,568)	
Decrease in accrued tax penalties	(12,325)	
Other miscellaneous	<u>(1,090,801)</u>	3,305,099
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Proceeds from installment purchase agreements		(13,566,876)
New issuance - general obligation debt		(19,000,000)
Bond premium		(1,487,054)
Lease and subscription liabilities issued		(16,035,910)
Principal repayments		10,882,006
Change in assessments due PWC		(886,499)
Change in compensated absences		(791,214)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		8,236,462
<p>Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities.</p>		
		1,226,096
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.</p>		
		1,113,132
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
OPEB expense		(2,440,326)
LGERS pension expense		(3,966,730)
LEOSSA pension expense		(2,440,095)
Change in accrued interest payable		62,210
Amortization of bond premium		129,426
<p>Internal service funds are used by management to charge the costs of risk management and fleet maintenance to individual funds. The net revenue of certain activities of the internal service funds are reported with governmental activities.</p>		
		<u>1,389,592</u>
Change in net position of governmental activities	\$	<u>13,782,517</u>

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

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive(Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 72,172,441	\$ 72,172,441	\$ 72,856,395	\$ 683,954
Other taxes	1,434,100	1,434,100	1,605,850	171,750
Unrestricted intergovernmental	76,802,352	76,802,352	85,207,809	8,405,457
Restricted intergovernmental	9,972,479	10,101,309	11,082,832	981,523
Permits and fees	2,228,496	2,228,496	3,063,489	834,993
Sales and services	5,258,107	5,258,107	5,294,274	36,167
Miscellaneous	3,117,036	3,117,036	3,443,487	326,451
Interest earned on investments	110,195	110,195	174,921	64,726
Total revenues	<u>171,095,206</u>	<u>171,224,036</u>	<u>182,729,057</u>	<u>11,505,021</u>
Expenditures				
Current:				
Community investment	6,537,253	7,198,777	6,278,807	919,970
Operations	116,434,599	126,440,729	113,617,700	12,823,029
Support services and administration	17,802,891	18,898,835	17,114,800	1,784,035
Other appropriations	12,817,924	13,810,121	13,783,161	26,960
Parking	948,661	1,061,977	829,949	232,028
Central business tax district	246,110	246,110	245,770	340
Law enforcement officers' special separation allowance	1,867,736	1,867,736	1,319,715	548,021
Debt Service:				
Principal	11,685,340	11,685,340	10,882,006	803,334
Interest	3,021,418	3,016,830	2,930,123	86,707
Bond issuance costs	26,000	26,000	-	26,000
Total expenditures	<u>171,387,932</u>	<u>184,252,455</u>	<u>167,002,031</u>	<u>17,250,424</u>
Revenues over (under) expenditures	<u>(292,726)</u>	<u>(13,028,419)</u>	<u>15,727,026</u>	<u>28,755,445</u>
Other financing sources (uses)				
Sale of capital assets	150,000	150,000	316,985	166,985
Transfers in from other funds	1,515,000	1,515,000	1,515,000	-
Transfers out to other funds	(17,833,012)	(19,088,083)	(18,618,864)	469,219
Installment purchase obligations issued	3,087,996	3,087,996	3,136,876	48,880
Appropriated fund balance	13,372,742	27,363,506	-	(27,363,506)
Total other financing sources (uses)	<u>292,726</u>	<u>13,028,419</u>	<u>(13,650,003)</u>	<u>(26,678,422)</u>
Revenues and other financing sources (uses) over (under) financing (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>2,077,023</u>	<u>\$ 2,077,023</u>
Fund balance				
Beginning			93,088,870	
Ending			<u>95,165,893</u>	
Adjustments to Modified Accrual GAAP				
Capital outlay - leases and subscriptions			(16,035,910)	
Lease and subscription liabilities issued			<u>16,035,910</u>	
Fund balance			<u>\$ 95,165,893</u>	

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

Portfolio:	Function:						Total
	Administration	Public Safety	Environmental Protection	Transportation	Economic and Physical Development	Recreation and Community Facilities	
Community investment	\$ 260,633	\$ 3,676,848	\$ -	\$ -	\$ 2,341,326	\$ -	\$ 6,278,807
Operations	2,515,116	85,457,445	480,085	10,819,284	-	14,345,770	113,617,700
Support services	17,114,800	-	-	-	-	-	17,114,800
Other appropriations	13,783,161	-	-	-	-	-	13,783,161
Parking	-	-	-	829,949	-	-	829,949
Central business tax district	-	-	-	-	245,770	-	245,770
Law enforcement officer's special separation allowance	-	1,319,715	-	-	-	-	1,319,715
Totals by function	<u>\$ 33,673,710</u>	<u>\$ 90,454,008</u>	<u>\$ 480,085</u>	<u>\$ 11,649,233</u>	<u>\$ 2,587,096</u>	<u>\$ 14,345,770</u>	<u>\$ 153,189,902</u>

Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds					Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Total	
Assets						
Current assets						
Cash and investments	\$ 20,545,363	\$ 1,500	\$ 17,265,591	\$ 4,988,116	\$ 42,800,570	\$ 25,383,649
Accounts receivable	369,032	483,643	3,300,744	311,601	4,465,020	4,051,084
Leases receivable	-	58,130	400,752	-	458,882	-
Inventories	-	571,088	2,350	44,420	617,858	-
Prepaid expenses	-	-	-	4,500	4,500	288,667
Total unrestricted current assets	<u>20,914,395</u>	<u>1,114,361</u>	<u>20,969,437</u>	<u>5,348,637</u>	<u>48,346,830</u>	<u>29,723,400</u>
Restricted current assets						
Restricted cash and investments	1	-	4,255,850	882,441	5,138,292	-
Restricted accounts receivable	65,558	10,158,700	3,015,412	12,763	13,252,433	-
Total restricted current assets	<u>65,559</u>	<u>10,158,700</u>	<u>7,271,262</u>	<u>895,204</u>	<u>18,390,725</u>	<u>-</u>
Total current assets	<u>20,979,954</u>	<u>11,273,061</u>	<u>28,240,699</u>	<u>6,243,841</u>	<u>66,737,555</u>	<u>29,723,400</u>
Noncurrent assets						
Leases receivable	-	279,496	4,324,269	-	4,603,765	-
Capital assets	38,663,474	27,703,812	80,847,789	8,823,640	156,038,715	113,356
Right to use assets	7,958	99,759	212,920	18,924	339,561	2,723,760
Total noncurrent assets	<u>38,671,432</u>	<u>28,083,067</u>	<u>85,384,978</u>	<u>8,842,564</u>	<u>160,982,041</u>	<u>2,837,116</u>
Total assets	<u>59,651,386</u>	<u>39,356,128</u>	<u>113,625,677</u>	<u>15,086,405</u>	<u>227,719,596</u>	<u>32,560,516</u>
Deferred outflows of resources						
OPEB deferrals	324,229	796,079	224,858	1,411,140	2,756,306	27,972
Pension deferrals	507,025	1,394,321	380,268	836,593	3,118,207	143,408
Total deferred outflows of resources	<u>831,254</u>	<u>2,190,400</u>	<u>605,126</u>	<u>2,247,733</u>	<u>5,874,513</u>	<u>171,380</u>
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	1,601,527	598,531	2,301,951	738,945	5,240,954	4,657,619
Current portion of long term debt	933,142	342,601	160,823	1,431,021	2,867,587	145,800
Interfund payables	-	8,835,378	-	-	8,835,378	-
Total current liabilities	<u>2,534,669</u>	<u>9,776,510</u>	<u>2,462,774</u>	<u>2,169,966</u>	<u>16,943,919</u>	<u>4,803,419</u>
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	-	-	1,736,861	-	1,736,861	-
Unearned deposits	1,102,818	-	981	-	1,103,799	-
Total current liabilities to be paid from restricted assets	<u>1,102,818</u>	<u>-</u>	<u>1,737,842</u>	<u>-</u>	<u>2,840,660</u>	<u>-</u>
Total current liabilities	<u>3,637,487</u>	<u>9,776,510</u>	<u>4,200,616</u>	<u>2,169,966</u>	<u>19,784,579</u>	<u>4,803,419</u>
Noncurrent liabilities						
OPEB obligation	1,237,656	3,047,382	902,114	3,349,921	8,537,073	126,516
Net pension liability	334,171	918,969	250,628	551,381	2,055,149	(140,734)
Unearned revenues	72	-	1,818,043	225	1,818,340	4,746
Lease liabilities	4,088	12,290	2,720	9,725	28,823	2,658,190
Subscription lease liabilities	-	40,750	168,134	-	208,884	-
Long-term debt	3,125,787	-	-	2,338,860	5,464,647	-
Total noncurrent liabilities	<u>4,701,774</u>	<u>4,019,391</u>	<u>3,141,639</u>	<u>6,250,112</u>	<u>18,112,916</u>	<u>2,648,718</u>
Total liabilities	<u>8,339,261</u>	<u>13,795,901</u>	<u>7,342,255</u>	<u>8,420,078</u>	<u>37,897,495</u>	<u>7,452,137</u>
Deferred inflows of resources						
OPEB deferrals	243,995	600,771	177,845	660,416	1,683,027	55,295
Pension deferrals	517,268	1,422,487	387,951	853,492	3,181,198	331,237
Lease deferrals	-	329,372	4,673,607	-	5,002,979	-
Total deferred inflows of resources	<u>761,263</u>	<u>2,352,630</u>	<u>5,239,403</u>	<u>1,513,908</u>	<u>9,867,204</u>	<u>386,532</u>
Net position						
Net investment in capital assets	34,712,292	27,704,005	80,846,572	6,314,392	149,577,261	67,520
Restricted net position						
Capital projects	-	-	3,715,377	-	3,715,377	-
Unrestricted (deficit)	16,669,824	(2,306,008)	17,087,196	1,085,760	32,536,772	24,825,707
Total net position	<u>\$ 51,382,116</u>	<u>\$ 25,397,997</u>	<u>\$ 101,649,145</u>	<u>\$ 7,400,152</u>	<u>\$ 185,829,410</u>	<u>\$ 24,893,227</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds				Total	Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund		
Operating revenues						
Charges for services	\$ 11,351,225	\$ 1,151	\$ 4,011,929	\$ 14,013,974	\$ 29,378,279	\$ -
Other revenue from operations	125,991	88,512	98,519	235,300	548,322	546,936
Interfund charges and employee contributions	-	-	-	-	-	29,659,891
Total operating revenues	<u>11,477,216</u>	<u>89,663</u>	<u>4,110,448</u>	<u>14,249,274</u>	<u>29,926,601</u>	<u>30,206,827</u>
Operating expenses						
Salaries and employee benefits	3,036,224	6,884,821	1,892,856	4,915,162	16,729,063	1,916,484
Other operating expenses	6,649,374	3,963,859	1,558,706	10,231,997	22,403,936	25,816,466
Depreciation and amortization	1,399,348	1,579,780	5,371,955	1,140,849	9,491,932	180,308
Total operating expenses	<u>11,084,946</u>	<u>12,428,460</u>	<u>8,823,517</u>	<u>16,288,008</u>	<u>48,624,931</u>	<u>27,913,258</u>
Operating income (loss)	<u>392,270</u>	<u>(12,338,797)</u>	<u>(4,713,069)</u>	<u>(2,038,734)</u>	<u>(18,698,330)</u>	<u>2,293,569</u>
Nonoperating revenues (expenses)						
Interest earned on investments	43,786	-	45,709	16,488	105,983	144,802
Interest on lease receivables	-	10,853	131,946	-	142,799	-
Federal and State grants	1,051	6,938,851	3,174,418	9,184	10,123,504	(104)
Passenger Facility Charges	-	-	755,169	-	755,169	-
Customer Facility Charge	-	-	771,503	-	771,503	-
Miscellaneous revenue	2,000	150,176	175,981	25,100	353,257	30,705
Gain (loss) on disposal of capital assets	(255,775)	(3,823)	-	29,356	(230,242)	168,169
County revenue	-	-	-	464,072	464,072	-
Vehicle fee revenue	-	639,490	-	-	639,490	-
Lease revenues	-	62,738	430,005	-	492,743	-
Interest expense	(125,890)	(1,952)	(3,245)	(22,568)	(153,655)	(84,369)
Miscellaneous expense	-	-	(476,018)	(3,008)	(479,026)	-
Total nonoperating revenues (expenses)	<u>(334,828)</u>	<u>7,796,333</u>	<u>5,005,468</u>	<u>518,624</u>	<u>12,985,597</u>	<u>259,203</u>
Income (loss) before contributions and transfers	<u>57,442</u>	<u>(4,542,464)</u>	<u>292,399</u>	<u>(1,520,110)</u>	<u>(5,712,733)</u>	<u>2,552,772</u>
Capital contributions	-	4,096,693	8,667,514	-	12,764,207	-
Transfers in	-	2,858,671	-	-	2,858,671	351,820
Transfers out	-	-	-	-	-	(1,515,000)
Change in net position	<u>57,442</u>	<u>2,412,900</u>	<u>8,959,913</u>	<u>(1,520,110)</u>	<u>9,910,145</u>	<u>1,389,592</u>
Total net position, beginning	<u>51,324,674</u>	<u>22,985,097</u>	<u>92,689,232</u>	<u>8,920,262</u>	<u>175,919,265</u>	<u>23,503,635</u>
Total net position, ending	<u>\$ 51,382,116</u>	<u>\$ 25,397,997</u>	<u>\$ 101,649,145</u>	<u>\$ 7,400,152</u>	<u>\$ 185,829,410</u>	<u>\$ 24,893,227</u>

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Enterprise Funds					Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Total	
Operating activities						
Cash received from customers	\$ 11,461,261	\$ 1,016,597	\$ 5,321,624	\$ 15,711,703	\$ 33,511,185	\$ 25,930,136
Cash received for insurance reimbursements	-	-	-	-	-	546,936
Cash paid to or on behalf of employees for services	(3,041,826)	(6,833,678)	(1,872,525)	(4,514,783)	(16,262,812)	(1,955,970)
Cash paid for goods and services	(5,985,541)	(4,182,028)	(1,574,361)	(9,793,539)	(21,535,469)	(27,065,242)
Net cash provided by (used in) operating activities	<u>2,433,894</u>	<u>(9,999,109)</u>	<u>1,874,738</u>	<u>1,403,381</u>	<u>(4,287,096)</u>	<u>(2,544,140)</u>
Noncapital financing activities						
Transfers in	-	2,858,671	-	-	2,858,671	351,820
Intergovernmental contributions	1,051	6,938,851	3,174,418	9,184	10,123,504	(104)
Transfers out	-	-	-	-	-	(1,515,000)
Vehicle revenue fees	-	639,490	-	-	639,490	-
Net cash provided (used) by noncapital financing activities	<u>1,051</u>	<u>10,437,012</u>	<u>3,174,418</u>	<u>9,184</u>	<u>13,621,665</u>	<u>(1,163,284)</u>
Capital and related financing activities						
Proceeds from sale of capital assets	-	19,183	-	29,356	48,539	168,169
Proceeds from debt issuance	-	-	-	878,124	878,124	-
Contributed capital received	-	4,096,693	8,655,000	-	12,751,693	-
Acquisition and construction of capital assets	(1,519,694)	(4,572,482)	(14,184,670)	(1,926,620)	(22,203,466)	(54,149)
Lease proceeds (payments)	(3,861)	20,203	464,577	(9,181)	471,738	(192,982)
Principal paid on debt maturities	(795,065)	-	-	(1,178,337)	(1,973,402)	-
Interest paid on debt maturities	(125,890)	-	-	(22,568)	(148,458)	-
Net cash provided (used) by capital and related financing activities	<u>(2,444,510)</u>	<u>(436,403)</u>	<u>(5,065,093)</u>	<u>(2,229,226)</u>	<u>(10,175,232)</u>	<u>(78,962)</u>
Investing activities						
Interest and dividends	43,786	-	45,709	16,488	105,983	144,802
Net cash provided by investing activities	<u>43,786</u>	<u>-</u>	<u>45,709</u>	<u>16,488</u>	<u>105,983</u>	<u>144,802</u>
Net increase (decrease) in cash and cash equivalents	<u>34,221</u>	<u>1,500</u>	<u>29,772</u>	<u>(800,173)</u>	<u>(734,680)</u>	<u>(3,641,584)</u>
Cash and cash equivalents						
Beginning of year	20,511,143	-	21,491,669	6,670,730	48,673,542	29,025,233
End of year	<u>\$ 20,545,364</u>	<u>\$ 1,500</u>	<u>\$ 21,521,441</u>	<u>\$ 5,870,557</u>	<u>\$ 47,938,862</u>	<u>\$ 25,383,649</u>
Unrestricted cash and cash equivalents	\$ 20,545,363	\$ 1,500	\$ 17,265,591	\$ 4,988,116	\$ 42,800,570	\$ 25,383,649
Restricted cash and cash equivalents	1	-	4,255,850	882,441	5,138,292	-
Total cash and cash equivalents	<u>\$ 20,545,364</u>	<u>\$ 1,500</u>	<u>\$ 21,521,441</u>	<u>\$ 5,870,557</u>	<u>\$ 47,938,862</u>	<u>\$ 25,383,649</u>

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2022

	Enterprise Funds					Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 392,270	\$ (12,338,797)	\$ (4,713,069)	\$ (2,038,734)	\$ (18,698,330)	\$ 2,293,569
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,399,348	1,579,780	5,371,955	1,140,849	9,491,932	180,308
Nonoperating payments for goods and services	-	-	(476,018)	(3,008)	(479,026)	-
Nonoperating receipts from customers	2,000	150,176	1,702,653	489,172	2,344,001	30,705
Change in assets, liabilities and deferrals:						
(Increase) decrease in accounts receivable	(80,288)	(8,058,591)	(2,182,667)	978,235	(9,343,311)	(3,759,255)
(Increase) decrease in inventory	-	(108,441)	3,770	(25,453)	(130,124)	317,598
(Increase) decrease in prepaid expenses	-	-	-	(4,500)	(4,500)	83,393
Increase (decrease) in unearned revenues	62,333	(29)	1,691,190	(4,978)	1,748,516	(1,205)
Increase (decrease) in accounts payable and accrued liabilities	663,833	8,725,650	456,593	471,419	10,317,495	(1,649,767)
Increase (decrease) in accrued compensated absences	(15,301)	47,827	20,421	35,970	88,917	15,975
Increase (decrease) LGERS expense	(67,551)	(185,766)	(50,663)	(111,460)	(415,440)	(45,597)
Increase (decrease) Net OPEB expense	77,250	189,082	50,573	475,869	792,774	(9,864)
Total adjustments	<u>2,041,624</u>	<u>2,339,688</u>	<u>6,587,807</u>	<u>3,442,115</u>	<u>14,411,234</u>	<u>(4,837,709)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,433,894</u>	<u>\$ (9,999,109)</u>	<u>\$ 1,874,738</u>	<u>\$ 1,403,381</u>	<u>\$ (4,287,096)</u>	<u>\$ (2,544,140)</u>
Noncash investing, capital, and financing activities						
Contributed capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,514</u>	<u>\$ -</u>	<u>\$ 12,514</u>	<u>\$ -</u>

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Private-purpose Trusts	Custodial Funds
Assets		
Cash and cash equivalents	\$ 1,379,729	\$ 227,402
Restricted cash	-	274,292
Total assets	1,379,729	\$ 501,694
Liabilities		
Intergovernmental payable	\$ -	\$ 227,402
Total liabilities	-	\$ 227,402
Net position		
Restricted for pension benefits and other purposes	1,379,729	-
Restricted by court order	-	274,292
Total net position	\$ 1,379,729	\$ 274,292

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Private-purpose Trusts	Custodial Funds
Additions		
Other contributions	\$ 146,879	\$ -
Red Light Camera Program	-	2,973,466
Police Evidence fund deposits	-	308,696
Investment earnings	35,151	-
Total additions	182,030	3,282,162
Deductions		
Benefit payments and premiums	189,127	-
Payments to schools	-	2,973,466
Police Evidence fund releases	-	34,404
Total deductions	189,127	3,007,870
Change in net position	(7,097)	274,292
Total net position - beginning	1,386,826	-
Total net position - ending	\$ 1,379,729	\$ 274,292

City of Fayetteville, North Carolina

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 **FAYETTEVILLE** ^{NC}
AMERICA'S CAN DO CITY

**Annual Comprehensive
Financial Report** *FY2022



Notes to Financial Statements

City of Fayetteville, North Carolina

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

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

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

A - Reporting Entity

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

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

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

Fayetteville Public Works Commission

The Fayetteville Public Works Commission (PWC) was chartered by the North Carolina General Assembly in 1905. The charter has been amended by the General Assembly since then, most recently on June 30, 2016. As a result of these actions, PWC is presented as a discretely presented component unit because it is a legally separate authority, but it would be misleading to exclude it from the City's financial statements; the City owns the PWC capital assets, approves certain contracts, issues debt for PWC and appoints the Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 non-major special revenue fund.

B - Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities, however, interfund services provided and used are not eliminated during the consolidation process. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented, even though the fiduciary is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

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

Federal and State Financial Assistance Fund. This special revenue fund accounts for the proceeds of special revenue sources as required by the grants.

Recreational and Cultural Bond Fund. This capital project fund accounts for financial resources used for the acquisition and construction of facilities such as parks, recreation centers and sports complexes.

The City reports the following non-major governmental funds:

Special Revenue Funds. Special Revenue Funds account for specific revenue sources that are legally restricted or committed by City Council to expenditures for specific purposes. The Emergency Telephone System Fund accounts for the City's share of the State tax charged to telephone customers to fund the 911 system. The PWC Assessment Fund accounts for the fees assessed by the City for PWC since PWC does not have the power to assess the citizens. The Linear Park Fund accounts for projects associated with development of the Linear Park downtown.

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

The City reports the following major enterprise funds:

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

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

Stormwater Management Fund. This fund accounts for the operation and maintenance of stormwater facilities for the customers within the City of Fayetteville.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Solid Waste Fund. This fund accounts for residential solid waste collection and recycling services operations and capital asset acquisition.

The City reports the following fund types:

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

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

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are custodial in nature and do not involve the measurement of operating results. Custodial funds are used to account for assets the City holds on behalf of others. The City maintains the Red Light Camera custodial fund which accounts for collections of "red light camera" fines in excess of City expenses for the program by agreement with Cumberland County School Board on a monthly basis. The City maintains the Police Evidence custodial fund which accounts for police evidence funds until they are authorized for release by court order.

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. Non-exchange 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on all registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles in North Carolina on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D – Budgetary Data

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, selected special revenue, and enterprise funds, including the PWC Assessment fund. All annual appropriations lapse at fiscal year-end. Project and grant ordinances are adopted for the Federal

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

and State Financial Assistance special revenue fund, Linear Park special revenue fund and capital project funds. Enterprise capital project funds are consolidated with the operating funds for reporting purposes.

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

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

Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The City's investments with maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. The NCCMT Government Portfolio security is measured at fair value with Level 1 inputs. 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 fair market hierarchy.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-136(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2021.

Receivables

The receivables in the general fund consist primarily of sales taxes and utility taxes due from the State, which total \$16,051,404 and \$2,793,276, respectively. In addition, motor vehicle ad valorem taxes totaling \$780,282 were also due from the State.

The receivables in the enterprise funds consist primarily of customer receivables for services.

Allowance for Uncollectible Receivables

The City recorded an allowance for uncollectible receivables of \$1,455,537 in the federal and state financial assistance fund related to loans associated with grants or other financial assistance that have been awarded.

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

The receivables shown on the Statement of Net Position are presented net of the following allowances for doubtful accounts as of June 30, 2022:

General Fund	
Taxes receivable	\$ 565,507
Accounts receivable	1,070,764
Assessments receivable	952,993
Special Revenue Funds	
Notes receivable	1,455,537
Assessments receivable	375,155
Enterprise Funds	
Transit Fund - Accounts receivable	133,360
Airport Fund - Accounts receivable	255,309
Solid Waste Recycling Fund - Accounts receivable	25,800
Storm Water Management Fund - Accounts receivable	18,239
Total	\$ 4,852,664

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

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

Lease Receivables

The City’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Inventories and Prepaid Expenses

Governmental inventories of supplies are valued at cost. Other inventories are valued at the lower of average cost or net realizable value. 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 fuel, materials and spare parts, are expensed when used rather than when purchased.

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid expenses.

Restricted Assets, Restricted Liabilities and Restricted Net Position

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

The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-14 through F-16. The restriction for “Recreational and Cultural” incorporates restrictions for county recreation and other recreation and community facilities. Restriction for Downtown is created by enabling legislation. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

<u>Governmental Activities</u>	<u>Externally Restricted</u>
Restricted Cash and Investments	
General Fund	
For downtown	\$ 129,581
For county recreation	213,394
For capital financing	3,330,159
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	17,790,809
General Government Fund	
Unexpended debt proceeds	1,808,198
Public Safety Fund	
Unexpended debt proceeds	10,422,563
Transportation Fund	
Unexpended grant proceeds	4,302,016
For streets	3,363,020
Economic and Physical Development Fund	
For economic and physical development	656,963
Unexpended grant proceeds	1,000,000
Recreational and Cultural Fund	
Unexpended debt proceeds	27,693,866
Unexpended grant proceeds	6,642,165
Total governmental activities - restricted cash and investments	<u>\$ 77,352,734</u>
Restricted Receivables	
General Fund	
For county recreation	<u>\$ 3,737,751</u>
Total governmental activities - restricted accounts receivable	<u>\$ 3,737,751</u>
Restricted Unearned Deposits (general fund)	<u>\$ 623,348</u>
Restricted Accounts Payable - amounts to be paid from restricted assets	
Transportation Fund	<u>\$ 1,456,735</u>
Total governmental activities - restricted accounts payable	<u>\$ 1,456,735</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

	<u>Externally Restricted</u>
<u>Business-type Activities</u>	
Restricted Cash and Investments	
Stormwater Fund	
Unexpended bond proceeds	\$ 1
Airport Fund	
Unexpended grant proceeds and passenger facility charges	4,255,850
Solid Waste Fund	
Unexpended debt proceeds	882,441
Total business-type activities - restricted cash and investments	<u>\$ 5,138,292</u>
Restricted Accounts Receivable - amounts due from federal and state granting agencies	
Stormwater Fund	\$ 65,558
Airport Fund	3,015,412
Solid Waste Fund	12,763
Transit Fund	10,158,700
Total business-type activities - restricted accounts receivable	<u>\$ 13,252,433</u>
Restricted Unearned Deposits	
Airport Fund	\$ 981
Stormwater Fund	1,102,818
Total business-type activities - restricted unearned deposits	<u>\$ 1,103,799</u>
Restricted Accounts Payable - to be paid from restricted assets (Airport Fund)	<u>\$ 1,736,861</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2001 and stormwater network assets acquired prior to July 1, 2004 are reported at estimated historical cost using deflated current cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations.

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

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

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

Depreciation includes amortization of intangible assets.

PWC's capital assets purchased or constructed since 1958 are recorded at cost. Contributed utility assets are recorded at acquisition value at the date of acquisition. Utility assets acquired prior to 1958 are carried on an estimated cost basis. The Utility Plant Systems are depreciated over the estimated useful lives of 20 to 45 years. Other property and equipment are depreciated over estimated useful lives ranging from 5 to 15 years. All capital assets are depreciated using the straight-line method.

Right to Use Leased Assets

The City has recorded right to use leased assets as a result of implementing GASB 87 and GASB 96. The right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion, unamortized bond refunding charges, other post-employment deferrals (OPEB) and pension deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category on the Statement of Net Position – prepaid taxes, leases, OPEB and pension deferrals. The City’s governmental funds balance sheet has four items that meet the criterion for this category - taxes receivable, accounts receivable, assessments receivable and prepaid taxes.

Compensated Absences

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

The City's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for that sick leave has been made.

Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

Restricted for administration – portion of fund balance restricted for encumbrances related to administration activities outstanding at the end of the fiscal year.

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures and external grantors, and encumbrances related to public safety activities outstanding at the end of the fiscal year.

Restricted for transportation – portion of fund balance restricted for encumbrances related to transportation activities outstanding at the end of the fiscal year.

Restricted for economic and physical development – portion of fund balance restricted for major economic and physical development activities including the downtown baseball stadium and parking deck, and encumbrances related to economic and physical development activities outstanding at the end of the fiscal year.

Restricted for recreation and community facilities – portion of fund balance restricted for parks and recreation facilities and improvements and other restrictions imposed by granting agencies for the Veterans Park project, and encumbrances related to public safety activities outstanding at the end of the fiscal year.

Restricted for environmental protection – portion of fund balance restricted for encumbrances related to environmental protection activities outstanding at the end of the fiscal year.

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

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

Committed for administration – portion of fund balance committed by City Council for the construction of specific assets that support the entire government held in the capital project funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the adopted 2022 - 2023 budget ordinance that is not already classified as restricted or committed.

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

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

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

Fund Balance Policy

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

Pensions

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

F - Use of Estimates

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

G - Pronouncements Implemented

GASB Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 90, "Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61." The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquired a 100 percent equity interest. Those provisions should be applied on a prospective basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

GASB Statement No. 93, “Replacement of Interbank Offered Rates.” The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR, most notably the London Interbank Offered Rate. This Statement is effective for reporting periods ending after December 31, 2021.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements.” This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.” The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 98, “The Annual Comprehensive Financial Report.” This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in accepted accounting principles for state and local government. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

H – Upcoming Pronouncements

GASB Statement No. 91, “Conduit Debt Obligations.” The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements.” The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements. This Statement will enhance the decision usefulness of a government’s financial statements by requiring governments to

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

report assets and liabilities related to PPP's consistently and disclose important information about PPP transactions. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, "Omnibus 2022." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement will take effect for financial reporting periods beginning after June 15, 2022.

GASB Statement No. 100, "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to, and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, "Compensated Absences." The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of the Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Earlier application of these statements is encouraged. For original pronouncements, please visit the GASB's website, www.gasb.org.

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 2 - Cash, Cash Equivalents and Investments, and Leases Receivable

A – Deposits

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

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

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

At June 30, 2022, the City's demand deposits had a carrying amount of \$17,567,812 and a bank balance of \$18,050,228. Of the bank balance, Federal Deposit Insurance covered \$250,000 and the remainder was covered by collateral under the Pooling Method.

The Firefighter's Fund had deposits totaling \$1,369,820.

The City had \$11,750 in the petty cash and change funds.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

B – Investments

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

At June 30, 2022, the City investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2022	Maturity	Rating*
Truist Capital Markets - Commercial Paper	Fair Value Level 2	\$ 69,441,621	Various	A1/P1
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	136,810,431	NA	AAAm
Total:		\$206,252,052		

*Standard & Poors

All investments valued at fair value are measured using the market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Fair Value Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Fair Value Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities benchmark quoted prices.

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

Credit Risk. The City has no formal policy regarding credit risk; however, the State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City minimizes credit risk by limiting investments to the types allowed by North Carolina General Statutes 159-30. The City diversifies the investment portfolio to minimize the impact of potential losses from any one security or from any one individual issuer. Also, the City pre-qualifies the financial institutions’ brokers/dealers and requires them to meet specific financial and registration conditions. The City’s investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and AAA-mf by Moody’s Investors Service as of June 30, 2022. The City’s investment in Commercial Paper has an A1/P1 rating as of June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$	206,252,052
Cash (demand deposits)		17,567,812
Firemen's Relief Fund CDs		1,369,820
Petty Cash		11,750
Total cash and investments	\$	225,201,434

Totals per Statement of Net Position

Cash and investments - unrestricted	\$	140,828,985
Cash and investments - restricted		82,491,026
Agency		501,694
Private-purpose trust cash and investments		1,379,729
Total cash and investments	\$	225,201,434

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

C – Leases receivable

The City leases City-owned properties such as buildings, land, terminal concessions and other commercial space for offices and business activities. The lease agreements provide for minimum rental payments, have terms of 2 to 25 years and are due to expire at various dates from 2022 to 2047. As of June 30, 2022, the City reported principal lease receivables of \$5,780,981 and \$5,051,233 for its Governmental and Business-type activities, respectively. As a result, the City also reported deferred inflows of resources of \$5,683,340 and \$5,002,984 for its Governmental and Business-type activities, respectively, at June 30, 2022. Minimum lease provisions at June 30, 2022 will result in rental income for future years as follows:

Governmental activities

Year Ending	Principal Payments	Interest Payments	Total
2023	\$ 208,972	\$ 167,332	\$ 376,304
2024	131,707	169,597	301,304
2025	136,183	165,121	301,304
2026	139,263	160,989	300,252
2027	143,138	156,762	299,900
2028-2047	5,021,719	1,823,731	6,845,450
	<u>\$ 5,780,982</u>	<u>\$ 2,643,532</u>	<u>\$ 8,424,514</u>

Business-type activities

Year Ending	Principal Payments	Interest Payments	Total
2023	\$ 447,471	\$ 133,970	\$ 581,441
2024	461,033	122,094	583,127
2025	475,309	109,170	584,479
2026	296,652	98,792	395,444
2027	295,049	91,239	386,288
2028-2047	3,075,719	790,635	3,866,354
	<u>\$ 5,051,233</u>	<u>\$ 1,345,900</u>	<u>\$ 6,397,133</u>

In the fiscal year 2022, the City recognized \$307,215 of lease revenue and \$176,780 of interest revenue for the Governmental activities leases and \$492,743 of lease revenue and \$142,799 of interest revenue for the Business-type activities leases.

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3 - Capital Assets

A – Capital assets

Capital asset activity for the year ended June 30, 2022, was as follows:

Primary Government

	Balance June 30, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
Governmental activities:					
Capital assets not being depreciated					
Land and land rights	\$ 43,350,582	\$ 694,892	\$ -	\$ -	\$ 44,045,474
Construction in progress	18,504,643	23,879,190	-	(6,942,008)	35,441,825
Total capital assets not being depreciated	61,855,225	24,574,082	-	(6,942,008)	79,487,299
Capital assets being depreciated or amortized:					
Infrastructure	520,261,596	3,303,542	-	582,180	524,147,319
Buildings and improvements	179,675,331	206,342	-	5,497,946	185,379,620
Equipment, furniture and fixtures	36,230,677	2,345,441	(308,163)	19,831	38,287,786
Computer software	5,922,973	396,855	-	820,927	7,140,755
Vehicles	41,108,016	3,915,477	(1,075,393)	8,260	43,956,360
Right to use leased assets	-	18,920,721	-	-	18,920,721
Total capital assets being depreciated and amortized	783,198,593	29,088,379	(1,383,556)	6,929,145	817,832,561
Less accumulated depreciation and amortization for:					
Infrastructure	(304,196,781)	(11,426,072)	-	-	(315,622,853)
Buildings and improvements	(69,601,589)	(5,958,155)	-	28,440	(75,531,304)
Equipment, furniture and fixtures	(30,646,396)	(2,080,651)	303,821	(19,831)	(32,443,057)
Computer software	(5,970,807)	(345,927)	-	-	(6,316,734)
Vehicles	(27,100,358)	(2,929,440)	1,064,411	(8,260)	(28,973,648)
Right to use leased assets	-	(4,269,624)	-	-	(4,269,624)
Total accumulated depreciation and amortization	(437,515,931)	\$ (27,009,869)	\$ 1,368,232	\$ 349	(463,157,219)
Total capital assets being depreciated, net	345,682,662				354,675,342
General governmental activity capital assets, net	\$ 407,537,887				\$ 434,162,641

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

Administration	\$ 3,187,907
Public safety	6,138,468
Environmental protection	347,622
Transportation	12,631,696
Economic and physical development	612,030
Recreation and community facilities	4,092,146
Total depreciation and amortization expense	\$ 27,009,869

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3 - Capital Assets (continued)

	Balance June 30, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
Business-type activities:					
Capital assets not being depreciated					
Land and land rights	\$ 6,140,858	\$ -	\$ -	\$ -	\$ 6,140,858
Construction in progress	19,314,022	15,033,049	(255,775)	(1,019,931)	33,071,365
Total capital assets not being depreciated	25,454,880	15,033,049	(255,775)	(1,019,931)	39,212,223
Capital assets being depreciated or amortized:					
Buildings and improvements	135,424,582	41,298	-	169,774	135,635,654
Equipment, furniture and fixtures	10,764,106	244,739	-	(19,831)	10,989,014
Computer software	636,361	93,392	-	-	729,752
Vehicles	29,991,160	6,768,258	(164,703)	(8,260)	36,586,454
Infrastructure	56,256,203	22,728	-	891,111	57,170,042
Right to use leased assets	-	440,268	-	-	440,268
Total capital assets being depreciated and amortized	233,072,411	7,610,682	(164,703)	1,032,794	241,551,184
Less accumulated depreciation and amortization for:					
Buildings and improvements	(69,149,374)	(5,929,010)	-	(28,440)	(75,106,824)
Equipment, furniture and fixtures	(8,482,023)	(369,297)	-	19,831	(8,831,489)
Computer software	(552,375)	(77,694)	-	-	(630,069)
Vehicles	(15,934,812)	(1,996,751)	135,812	8,260	(17,787,491)
Infrastructure	(20,910,079)	(1,018,472)	-	-	(21,928,551)
Right to use leased assets	-	(100,707)	-	-	(100,707)
Total accumulated depreciation and amortization	(115,028,662)	\$ (9,491,932)	\$ 135,812	\$ (349)	(124,385,130)
Total capital assets being depreciated, net	118,043,749				117,166,053
Business-type activity capital assets, net	\$ 143,498,629				\$ 156,378,276

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

Stormwater management	\$ 1,399,348
Transportation	1,579,780
Airport	5,371,955
Solid Waste	1,140,849
Total depreciation and amortization expense	\$ 9,491,932

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3 - Capital Assets (continued)

PWC (discretely presented component unit)

	Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
PWC:					
Capital assets not being depreciated:					
Land and land rights	\$ 20,821,687	\$ 5,125	\$ -	\$ 2,972,874	\$ 23,799,686
Construction in progress	115,546,151	106,314,756	(7,395,413)	(91,292,091)	123,173,403
Total capital assets not being depreciated	<u>136,367,838</u>	<u>106,319,881</u>	<u>(7,395,413)</u>	<u>(88,319,217)</u>	<u>146,973,089</u>
Capital assets being depreciated or amortized:					
Electric utility system	502,345,706	811,790	(2,617,457)	26,191,108	526,731,147
Water system	439,490,184	24,869	(267,542)	19,413,440	458,660,951
Sewer system	676,139,576	16,159	-	35,317,925	711,473,660
Buildings	68,873,178	230,435	(3,376)	1,309,484	70,409,721
Equipment and machinery	34,575,131	1,230,807	(457,138)	1,016,808	36,365,608
Intangibles	41,817,070	40,409	-	4,808,480	46,665,959
Computer equipment	12,669,633	25,442	(439,581)	225,169	12,480,663
Vehicles	22,381,351	1,935,308	(845,390)	36,800	23,508,069
Office equipment	1,736,833	-	(7,314)	1	1,729,520
Right to use leased assets	-	6,262,075	-	-	6,262,075
Total capital assets being depreciated and amortized	<u>1,800,028,662</u>	<u>10,577,294</u>	<u>(4,637,798)</u>	<u>88,319,215</u>	<u>1,894,287,373</u>
Less accumulated depreciation and amortization for:					
Electric utility system	(278,264,812)	(14,637,946)	2,321,156	-	(290,581,602)
Water system	(178,378,178)	(11,314,512)	193,836	-	(189,498,854)
Sewer system	(245,732,508)	(14,889,768)	-	-	(260,622,276)
Buildings	(33,694,829)	(1,917,452)	2,274	395	(35,609,612)
Equipment and machinery	(24,204,638)	(1,295,370)	430,462	(395)	(25,069,941)
Intangibles	(35,172,637)	(2,541,485)	-	-	(37,714,122)
Computer equipment	(10,641,366)	(772,666)	439,581	1	(10,974,450)
Vehicles	(12,023,802)	(1,480,541)	794,719	1	(12,709,623)
Office equipment	(1,635,796)	(27,044)	6,949	-	(1,655,891)
Right to use leased assets	-	(900,663)	-	-	(900,663)
Total accumulated depreciation and amortization:	<u>(819,748,566)</u>	<u>\$ (49,777,447)</u>	<u>\$ 4,188,977</u>	<u>\$ 2</u>	<u>(865,337,034)</u>
Total capital assets being depreciated, net	<u>980,280,096</u>				<u>1,028,950,339</u>
PWC capital assets, net	<u>\$ 1,116,647,934</u>				<u>\$ 1,175,923,428</u>

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3 - Capital Assets (continued)

B – Right to use leased assets

The City has entered into right to use leased asset contracts covering the lease of buildings, equipment and vehicles, and subscription contracts covering the subscription of software services (SaaS). The related liabilities are discussed in the Lease and subscription subsection of the Liabilities section of this note. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use leased asset activities for the City for fiscal year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities				
Right to use leased assets				
Leased buildings	\$ -	\$ 4,948,849	\$ -	\$ 4,948,849
Leased vehicles		164,026		164,026
Leased equipment	-	516,493	-	516,493
Subscription software	-	13,291,353	-	13,291,353
Total right to use leased assets	<u>\$ -</u>	<u>\$ 18,920,721</u>	<u>\$ -</u>	<u>\$ 18,920,721</u>
Less accumulated amortization for:				
Leased buildings	\$ -	\$ 579,459	\$ -	\$ 579,459
Leased vehicles		116,852		116,852
Leased equipment	-	257,211	-	257,211
Subscription software	-	3,316,102	-	3,316,102
Total accumulated amortization	<u>-</u>	<u>4,269,624</u>	<u>-</u>	<u>4,269,624</u>
Right to use leased assets, net	<u>\$ -</u>	<u>\$ 14,651,097</u>	<u>\$ -</u>	<u>\$ 14,651,097</u>

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Business-type activities				
Right to use leased assets				
Leased equipment	\$ -	\$ 84,144	\$ -	\$ 84,144
Subscription software	-	356,124	-	356,124
Total right to use leased assets	<u>\$ -</u>	<u>\$ 440,268</u>	<u>\$ -</u>	<u>\$ 440,268</u>
Less accumulated amortization for:				
Leased equipment	\$ -	\$ 28,048	\$ -	\$ 28,048
Subscription software	-	72,659	-	72,659
Total accumulated amortization	<u>-</u>	<u>100,707</u>	<u>-</u>	<u>100,707</u>
Right to use leased assets, net	<u>\$ -</u>	<u>\$ 339,561</u>	<u>\$ -</u>	<u>\$ 339,561</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following at June 30, 2022:

Governmental activities

	General	Federal and State Financial Assistance	Recreational and Cultural Bond	Nonmajor Governmental	Internal Service	Subtotal
Accounts payable	\$ 9,265,839	\$ 331,496	\$ 913,279	\$ 1,864,100	\$ 2,191,450	\$ 14,566,164
Incurring but not reported	-	-	-	-	2,410,449	2,410,449
Contracts payable	-	-	214,452	258,126	-	472,578
Retainage payable	-	12,598	291,877	285,740	-	590,215
Salaries and benefits payable	4,795,702	-	-	-	55,720	4,851,422
Total	\$ 14,061,541	\$ 344,094	\$ 1,419,608	\$ 2,407,966	\$ 4,657,619	22,890,828

Adjustment for interest payable						306,173
						<u>\$ 23,197,001</u>

Reconciliation to accounts payable on the financial statements:

Unrestricted	\$ 14,061,541	\$ 344,094	\$ 1,419,608	\$ 951,231	\$ 4,657,619	\$ 21,434,093
Restricted	-	-	-	1,456,735	-	1,456,735
Total	\$ 14,061,541	\$ 344,094	\$ 1,419,608	\$ 2,407,966	\$ 4,657,619	22,890,828

Adjustment for interest payable						306,173
						<u>\$ 23,197,001</u>

Business-type activities

	Transit	Airport	Stormwater Management	Solid Waste	Subtotal
Accounts payable	\$ 310,062	\$ 3,987,672	\$ 783,851	\$ 596,880	\$ 5,678,465
Contracts payable	57,786	-	675,220	-	733,006
Interest payable	99	236	48,924	5,305	54,564
Retainage payable	-	-	14,395	-	14,395
Salaries and benefits payable	230,584	50,904	79,137	136,760	497,385
Total	\$ 598,531	\$ 4,038,812	\$ 1,601,527	\$ 738,945	\$ 6,977,815

Reconciliation to accounts payable on the financial statements:

Unrestricted	\$ 598,531	\$ 2,301,951	\$ 1,601,527	\$ 738,945	\$ 5,240,954
Restricted	-	1,736,861	-	-	1,736,861
Total	\$ 598,531	\$ 4,038,812	\$ 1,601,527	\$ 738,945	\$ 6,977,815

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations

A - General Obligation Indebtedness

The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are collateralized by the full faith, credit, and taxing power of the City. They are serviced by the general fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2022 are as follows:

Governmental activities

\$2,270,000 Refunding Bonds, Series 2019 due in various annual installments through June 1, 2025; interest at 5.0%.	\$ 1,120,000
\$16,000,000 Parks and Recreation Bonds, Series 2019 due in various annual installments through June 1, 2039; interest at various rates between 2.0% and 5.0%.	13,600,000
\$19,000,000 Parks and Recreation Bonds, Series 2022 due in various annual installments through June 1, 2042; interest at various rates between 3.0% and 5.0%.	19,000,000
	33,720,000
Add: Unamortized Premium	3,166,413
Total governmental general obligation bonds and premiums	\$ 36,886,413

Interest expense related to the general obligation bonds totaled \$639,250 for the year ended June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

B – Limited Obligation Indebtedness

The City has issued direct placement limited obligation bonds to provide funds for the construction of capital facilities. The bonds are limited obligations of the City and payments thereon shall be limited to funds appropriated for that purpose by the City Council of the City in its sole discretion. Direct placement limited obligation bonds outstanding for the year ended June 30, 2022 are as follows:

Governmental activities

\$50,520,000 direct placement taxable limited obligation bonds Series 2018 due in annual installments through June 1, 2038; interest at various rates between 2.87% and 4.24%.	\$ 40,400,000
\$2,620,000 direct placement taxable limited obligation bonds Series 2019A due in annual installments through June 1, 2038; interest at various rates between 2.63% and 3.93%.	2,205,000
\$2,740,000 direct placement tax-exempt limited obligation bonds Series 2019B due in annual installments through June 1, 2039; interest at various rates between 4.0% and 5.0%.	2,325,000
	44,930,000
Add: Unamortized Premium	367,049
	\$ 45,297,049

Default events include not paying interest or principal when due, and failure to appropriate funds for payment of interest and principal. In the event of a default under the Trust Agreements, the Trustee may declare the unpaid interest and principal of the bonds outstanding due and payable immediately or exercise the Trustee’s rights under the Deed of Trust on mortgaged property. The City is in compliance with all requirements of the Trust Agreements.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

C - Revenue Bonds (City)

The City has issued direct placement 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.

In 2011, the City entered into a \$10,595,000 direct placement Stormwater revenue bond due in various annual installments through August 1, 2026; interest at 3.135%. The City issued the bonds in August 2011, to acquire, construct and equip various improvements to the City's natural and structural water and drainage system. In the event of default the trustee may require that the aggregate principal amount of parity indebtedness then outstanding, require the City to endorse all checks and other negotiable instruments representing receipts to the order of the trustee, require the City to deliver to the trustee all money and investment obligations held by the City and notify all account debtors of the City to pay any amounts representing receipts owed to the trustee. As collateral, the City grants the trustee a pledge charge and lien upon the net receipts and a lien upon the money and investment obligations in all of the related accounts of the bond fund.

Direct placement revenue bonds outstanding for the year ended June 30, 2022 are as follows:

Business-type activities

\$10,595,000 direct placement Stormwater Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>\$ 3,720,000</u>
Total revenue bonds	<u>\$ 3,720,000</u>

Interest expense related to the direct placement revenue bonds totaled \$134,413 for the year ended June 30, 2022.

Revenue bond debt service requirements to maturity are as follows:

Stormwater revenue bonds

Year Ended	Principal	Interest	Total
2023	\$ 785,000	\$ 110,509	\$ 895,509
2024	805,000	85,742	890,742
2025	835,000	60,270	895,270
2026	855,000	33,936	888,936
2027	440,000	6,898	446,898
	<u>\$ 3,720,000</u>	<u>\$ 297,355</u>	<u>\$ 4,017,355</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5 - Long-Term Obligations (continued)

As of June 30, 2022, deposits under the Trust Agreement for the direct placement Stormwater Revenue Bonds are held by the City in institutions designated by the City as an official depository. The deposits total \$20,545,364 at June 30, 2022.

The total principal and interest remaining to be paid on the outstanding direct placement revenue bonds was \$4,017,355 as of June 30, 2022. These revenue bonds are secured by a covenant to budget and collect revenues in the Stormwater system sufficient enough to pay the principal and interest requirements. The City is in compliance with the covenants for the bonds, which require the debt service coverage for parity indebtedness (revenue bonds only, as of June 30, 2022) to be 1.20 and for all indebtedness to be 1.00. Financial information below is from the Stormwater Management Enterprise Fund.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service		
Stormwater fee revenues	\$ 11,351,225	
Other operating revenues	125,991	
Nonoperating revenue (expense)	(334,828)	
Less/plus adjustments for:		
Investment Income on Escrow Funds	1	
Interest expense	125,890	
Total revenues		\$ 11,268,279
Operating expenses	11,084,946	
Less adjustments for:		
Depreciation	(1,399,348)	
Change in OPEB accrual	(77,250)	
Total current expenses	<u>9,608,348</u>	
Income Available for Debt Service		<u>1,659,931</u>
Unrestricted Cash, 6/30/21 (prior year)	19,470,586	
15% of unrestricted cash		<u>2,920,588</u>
Total resources available for debt service		<u>\$ 4,580,519</u>
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds – Principal	\$ 755,000	
Series 2011 Revenue Bonds – Interest	<u>134,413</u>	
		<u>\$ 889,413</u>
Total Available Resources Debt Service Coverage – Parity Indebtedness		5.15
Revenue Bond Covenant Requirement		1.20
Parity, Subordinated, and System G.O. Debt Service Requirement		
NC Stormwater Note Payable 0196	\$ 11,613	
NC Stormwater Note Payable 0231	13,417	
Series 2011 Revenue Bonds – Principal	755,000	
Series 2011 Revenue Bonds – Interest	<u>134,413</u>	
		<u>\$ 914,443</u>
Income Available for Debt Service Debt Service Coverage – All Indebtedness		1.82
Revenue Bond Covenant Requirement		1.00

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

D - Notes Payable (City)

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

Direct placement and direct borrowing notes payable for the year ending June 30, 2022, in the accompanying financial statements are comprised of the following:

Business-type activities

\$232,252 direct borrowing Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	\$ 92,901
\$268,346 direct borrowing Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	<u>107,338</u>
Total business-type notes payable	<u>200,239</u>
Total notes payable	<u>\$ 200,239</u>

The City is in compliance with all repayment requirements for all direct borrowing notes payable.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5 - Long-Term Obligations (continued)

E – Installment Purchase Agreements (City)

The City has entered into various installment purchase agreements for financing certain equipment, vehicles, and fixtures. Installment purchase obligations are comprised of the following:

Governmental activities

<p>In 2007, the City entered into a \$4,537,000 direct borrowing installment purchase to finance construction of a recreation center and fire station 15. The obligations are payable in various semi-annual installments of approximately \$77,195 in 2023 including fixed interest rate of 4.19%. The City executed and delivered a Deed of Trust and granted a security interest in that portion of the mortgaged property deemed to be goods, equipment, or other tangible personal property that is not a fixture. In case of default, all payments under the agreement shall, at the option of the beneficiary, become at once due and payable, regardless of the maturity date or other due date thereof.</p>	<p>\$ 154,391</p>
<p>In 2010, the City entered into a \$5,950,000 direct borrowing installment purchase to finance construction of a downtown parking deck. The obligations are payable in various semi-annual installments of approximately \$231,160 in 2023 including interest at 5.1%. The City receives a subsidy from the Federal Government reducing the effective interest rate. The City executed and delivered a Deed of Trust creating a lien on the mortgaged property as collateral. In case of default, the lender may declare the unpaid principal of the installment immediately due and payable, proceed to appropriate court action to enforce the City's performance of the applicable covenants or avail itself of all available remedies under the agreement.</p>	<p>1,527,771</p>
<p>In 2011, the City entered into a \$2,676,943 direct borrowing installment purchase to finance construction of Fire Station 19. The obligations are payable in various semi-annual installments of approximately \$95,589 in 2023 including interest of 1.90%. The City executed and delivered a Deed of Trust creating a lien on the mortgaged property as collateral. In case of default, the entire amount of principal and accrued interest will be immediately due and payable, the lender may exercise all remedies available at law or under the Deed of Trust including the sale of the mortgaged property or proceed by appropriate court action to enforce performance by the City.</p>	<p>744,369</p>
<p>In 2017, the City entered into a \$1,885,000 direct placement installment to renovate City Hall. The obligations are payable in various semiannual installments of approximately \$68,503 in 2023 including fixed rate interest of 3.05%. The City delivered the Deed of Trust creating a lien on the mortgaged property and hereby granting to the Trustee a security interest in all money and securities held by or on behalf of the Trustee as collateral. In the event of default the Trustee may, by a notice in writing to the City, declare the principal of all the bonds then outstanding to be due and payable immediately.</p>	<p>1,754,040</p>
<p>In 2017, the City entered into a \$3,600,000 direct borrowing to construct Fire Station 12. The obligations are payable in various semi-annual installments of approximately \$124,875 in 2023 including fixed rate interest estimated at 2.50%. The City executed a Deed of Trust as collateral for the debt. In the event of default the lender may require the entire amount of principal and accrued interest due and payable, exercise all remedies available at law or proceed by appropriate court action.</p>	<p>3,456,000</p>
<p>In 2019 the City entered into a \$2,550,000 direct borrowing installment purchase to finance vehicles. The obligations are payable in various annual installments of approximately \$338,008 in 2023 including interest of 2.43%. The City executed a security agreement granting the lender a security interest in the vehicles as collateral. In the event of default the lender may require the entire amount of principal and accrued interest due and payable, exercise all remedies available at law or proceed by appropriate court action.</p>	<p>676,016</p>
<p>In 2020, the City entered into a \$1,565,000 direct borrowing installment purchase to finance radio equipment. The obligations are payable in annual installments of approximately \$188,696 in 2023 including interest of 1.80%. The City executed and delivered a security agreement simultaneously with the execution and delivery of the agreement granting to the lender a security interest in the equipment. In the event of default the lender may require the entire amount of principal and accrued interest due and payable, exercise all remedies available at law or proceed by appropriate court action.</p>	<p>755,620</p>

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

Governmental activities (continued)

<p>In 2020, the City entered into a \$3,300,000 direct borrowing installment purchase to finance vehicles and parking equipment. The obligations are payable in various semi-annual installments of approximately \$426,510 in 2023 including interest of 1.5%. The City executed a security agreement granting the lender a security interest in the vehicles and equipment. In the event of default the lender may require the entire principal component of installment payments to be immediately due and payable, the lender may exercise all remedies available at law, in equity or under the security agreement or the lender may proceed by appropriate court action to enforce performance by the City of applicable covenants of the agreement.</p>	\$ 1,706,530
<p>In 2021, the City entered into a \$11,950,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$547,769 in 2023 including interest of .63%. The City executed a security agreement granting the lender a security interest in the vehicles and equipment. In the event of default the lender may require the entire principal component of installment payments and unpaid accrued interest to be immediately due and payable, the lender may exercise all remedies available at law, in equity or under the security agreement or the lender may proceed by appropriate court action to enforce performance by the City of applicable covenants of the agreement.</p>	6,575,033
<p>In 2022, the City entered into a \$10,430,000 direct borrowing to construct Fire Station 4. The obligations are payable in various semi-annual Installments of approximately \$413,963 in 2023 including fixed rate interest of 3.29%. The City executed a Deed of Trust as collateral for the debt. Upon the occurrence of an event of default and to the extent permitted by law, the Deed of Trust Trustee shall have the right to enter upon the mortgaged property to such extent and as often as the Deed of Trust Trustee, in his sole discretion, deems necessary or desirable in order to cure any default by the City. The Deed of Trust is intended to be a security agreement pursuant to the Uniform Commercial Code, as in effect in the State of North Carolina.</p>	13,995,506
<p>In 2022, the City entered into a \$4,015,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$404,080 in 2023 including interest of 1.35%. The City executed a security agreement granting the lender a security interest if any of the events outlined in section 4 of the security agreement should occur, all payments under the agreement may become at once due and payable, regardless of the maturity date or other due date thereof. Upon the occurrence of an event of default, the secured party may proceed against the collateral as provided in, and in accordance with the applicable provisions of the UCC.</p>	<u>3,232,268</u>
	<u>34,577,544</u>
<p>Less: amount representing interest</p>	<u>4,895,267</u>
<p>Present value of the minimum installment payments</p>	<u><u>\$ 29,682,277</u></u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

Business-type activities

<p>In 2020, the City entered into a \$1,565,000 direct borrowing installment purchase to finance radio equipment. The obligations are payable in annual installments of approximately \$15,489 in 2023 including interest of 1.80%. The City executed and delivered a security agreement simultaneously with the execution and delivery of the agreement granting to the lender a security interest in the equipment. In the event of default the lender may require the entire amount of principal and accrued interest due and payable, exercise all remedies available at law or proceed by appropriate court action.</p>	\$ 61,956
<p>In 2021, the City entered into a \$11,950,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$418,573 in 2023 including interest of .63%. The City executed a security agreement granting the lender a security interest in the vehicles and equipment. In the event of default the lender may require the entire principal component of installment payments and unpaid accrued interest to be immediately due and payable, the lender may exercise all remedies available at law, in equity or under the security agreement or the lender may proceed by appropriate court action to enforce performance by the City of applicable covenants of the agreement.</p>	2,511,311
<p>In 2022, the City entered into a \$4,015,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$113,118 in 2023 including interest of 1.35%. The City executed a security agreement granting the lender a security interest if any of the events outlined in section 4 of the security agreement should occur, all payments under the agreement may become at once due and payable, regardless of the maturity date or other due date thereof. Upon the occurrence of an event of default, the secured party may proceed against the collateral as provided in and in accordance with the applicable provisions of the UCC.</p>	904,827
	3,478,094
Less: amount representing interest	55,795
Present value of the minimum installment payments	3,422,299
Total Installment Obligations	\$ 33,104,576

The City is in full compliance of all repayment requirements for all direct borrowing installment agreements.

The following is an analysis of property purchased using installment agreements as of June 30, 2022:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 4,923,278	\$ 2,580,192	\$ 2,343,086
Vehicles	11,790,292	6,864,508	4,925,784
Buildings and Improvement	17,544,788	4,882,549	12,662,239
	\$ 34,258,358	\$ 14,327,249	\$ 19,931,109

Interest expense related to the installment agreements totaled \$436,137 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

F – Leases and Subscriptions

The City has entered into agreements to lease buildings, equipment, vehicles, and subscriptions for certain software. These agreements qualify as long-term leases and subscription-based information technology arrangements under GASB 87 and GASB 96. They have been recorded at the present value of the future minimum lease and subscription payments as of the date of their inception. The terms of these agreements range from two to thirty years and may be paid on a monthly, quarterly or annual basis according to the terms of the contract. The lease liability and subscription liability is measured at a discount rate of 1.345% based on the City's imputed borrowing rate. As shown in the schedule below, the City has reported lease principal payments in the amount of \$14,853,818 and \$340,918 for its Governmental and Business-type Activities, respectively, at June 30, 2022.

Governmental activities

Year Ending	Principal Payments	Interest Payments	Total
2023	\$ 4,048,839	\$ 321,103	\$ 4,369,942
2024	3,453,137	237,028	3,690,165
2025	2,386,895	164,212	2,551,107
2026	1,596,140	113,136	1,709,276
2027	1,090,322	80,856	1,171,178
2028-2039	2,278,485	417,340	2,695,825
	<u>\$ 14,853,818</u>	<u>\$ 1,333,675</u>	<u>\$ 16,187,493</u>

Business-type activities

Year Ending	Principal Payments	Interest Payments	Total
2023	\$ 103,211	\$ 4,551	\$ 107,762
2024	105,073	2,686	107,759
2025	47,433	1,422	48,855
2026	42,314	841	43,155
2027	42,887	268	43,155
	<u>\$ 340,918</u>	<u>\$ 9,768</u>	<u>\$ 350,686</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

G - Changes in Long-Term Obligations (City)

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2022.

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

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Governmental activities					
General obligation debt	\$ 15,905,000	\$ 19,000,000	\$ 1,185,000	\$ 33,720,000	\$ 2,140,000
Direct placement:					
Limited obligation debt	47,740,000	-	2,810,000	44,930,000	2,810,000
Plus: Unamortized premium	2,175,832	1,487,054	129,424	3,533,462	-
Direct borrowing:					
Installment agreements	23,001,510	13,566,876	6,886,109	29,682,277	6,299,502
PWC assessment	6,484,396	1,032,278	1,918,777	5,597,897	-
Lease and Subscription Liability	-	19,333,724	4,479,906	14,853,818	4,048,839
Compensated absences	7,386,165	8,011,976	7,204,788	8,193,353	4,432,160
Net pension liability (LGERS)	35,693,807	-	21,040,428	14,653,379	-
Net pension liability (LEOSSA)	22,389,920	-	660,575	21,729,345	-
OPEB liability	50,206,907	-	3,737,075	46,469,832	-
Total governmental activities	\$ 210,983,537	\$ 62,431,908	\$ 50,052,082	\$ 223,363,363	\$ 19,730,501

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Business-type activities					
Direct placement:					
Revenue bonds	\$ 4,475,000	\$ -	\$ 755,000	\$ 3,720,000	\$ 785,000
Direct borrowing:					
Notes payable	225,269	-	25,030	200,239	25,030
Installment agreements	3,738,446	878,124	1,194,271	3,422,299	1,067,861
Lease and Subscription Liability	-	446,461	105,543	340,918	103,211
Compensated absences	797,568	1,166,164	1,077,247	886,485	886,485
Net pension liability (LGERS)	5,006,086	-	2,950,937	2,055,149	-
OPEB liability	9,223,618	-	686,545	8,537,073	-
Total Liability	\$ 23,465,987	\$ 2,490,749	\$ 6,794,573	\$ 19,162,163	\$ 2,867,587

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

G - Changes in Long-Term Obligations (PWC)

The following is a summary of changes in the PWC's long-term obligations for the fiscal year ended June 30, 2022:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Business-type activities					
Direct placement:					
Revenue bonds	\$ 266,555,000	\$ 94,790,000	\$ 13,750,000	\$ 347,595,000	\$ 14,310,000
Plus: Unamortized Premium	19,897,200	5,290,393	-	25,187,593	-
Notes payable	23,011,005	15,745,017	1,386,159	37,369,863	3,903,913
Unearned deposits	379,023	856,507	276,963	958,567	-
Compensated absences	4,691,576	4,719,890	4,691,576	4,719,890	3,253,022
Lease and Subscription Liability	-	6,262,076	952,033	5,310,043	1,137,899
Net pension liability (LERS)	20,462,876	-	11,011,468	9,451,408	-
Net OPEB liability	34,859,961	1,439,048	9,605,330	26,693,679	-
Total business-type activities	<u>\$ 369,856,641</u>	<u>\$ 129,102,931</u>	<u>\$ 41,673,529</u>	<u>\$ 457,286,043</u>	<u>\$ 22,604,834</u>

PWC has pledged future utility revenues, net of specified operating expenses to repay \$404,295,000 in direct placement revenue and revenue refunding bonds issued at various times from 2014 through 2022. Proceeds from the bonds provided financing for extensions, additions, and capital improvements to or the renewal and replacement of capital assets, or purchasing and installing new equipment for the electric, water, and wastewater systems. The bonds are payable solely from electric, water, and wastewater customer net revenues and are payable through 2051. The total principal and interest remaining to be paid on the bonds is \$491,075,957. Principal and interest paid for the current year and total customer revenues were \$25,079,588 and \$337,060,760, respectively.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage. PWC is in compliance with all such significant covenants at June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5 - Long-Term Obligations (continued)

H - Maturities of Long-Term Obligations (City)

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

Governmental activities

Year Ending	General Obligation Bonds		Limited Obligation Bonds from Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 2,140,000	\$ 1,427,268	\$ 2,810,000	\$ 1,790,717
2024	2,140,000	1,259,125	2,800,000	1,693,584
2025	2,090,000	1,152,125	2,800,000	1,594,020
2026	1,750,000	1,047,625	2,795,000	1,491,791
2027	1,750,000	960,125	2,790,000	1,387,122
2028-2040	23,850,000	5,835,063	30,935,000	7,780,127
	<u>\$ 33,720,000</u>	<u>\$ 11,681,331</u>	<u>\$ 44,930,000</u>	<u>\$ 15,737,361</u>

Year Ending	Construction and Improvement Installment Obligations from Direct Borrowings		Vehicles and Equipment Installment Obligations from Direct Borrowings		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,521,363	\$ 501,207	\$ 4,778,139	\$ 128,239	\$ 11,249,502	\$ 3,847,431
2024	1,371,130	486,142	4,161,715	69,421	10,472,845	3,508,272
2025	1,371,130	437,981	2,970,807	29,035	9,231,937	3,213,161
2026	1,170,952	389,866	800,041	8,070	6,515,993	2,937,352
2027	796,000	357,771	-	-	5,336,000	2,705,018
2028-2040	10,741,000	2,487,534	-	-	65,526,000	16,102,724
	<u>\$ 16,971,575</u>	<u>\$ 4,660,501</u>	<u>\$ 12,710,702</u>	<u>\$ 234,765</u>	<u>\$ 108,332,277</u>	<u>\$ 32,313,958</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5 - Long-Term Obligations (continued)

The following table 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 leases, compensated absences, pension liabilities, and net OPEB liability).

Business-type activities

Year Ending	Revenue Bonds from Direct Placements		Notes Payable from Direct Borrowings		Vehicles and Equipment Installment Obligations from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 785,000	\$ 110,509	\$ 25,030	\$ -	\$ 1,067,861	\$ 26,462
2024	805,000	85,742	25,030	-	1,076,285	17,894
2025	835,000	60,270	25,030	-	1,054,193	9,180
2026	855,000	33,936	25,030	-	223,960	2,259
2027	440,000	6,898	25,030	-	-	-
2028-2030	-	-	75,089	-	-	-
	<u>\$ 3,720,000</u>	<u>\$ 297,355</u>	<u>\$ 200,239</u>	<u>\$ -</u>	<u>\$ 3,422,299</u>	<u>\$ 55,795</u>

Year Ending	Total Debt Due	
	Principal	Interest
2023	\$ 1,877,891	\$ 136,971
2024	1,906,315	103,636
2025	1,914,223	69,450
2026	1,103,990	36,195
2027	465,030	6,898
2028-2030	75,089	-
	<u>\$ 7,342,538</u>	<u>\$ 353,150</u>

I - Legal Debt Margin (City)

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on eight percent of the total assessed value of real and personal property. As of June 30, 2022, the City's legal debt limit was \$1,155,163,674. The outstanding debt subject to this limit was \$130,482,774, leaving a legal debt margin of \$1,024,680,901.

J - Authorized but Un-issued Debt and Unused Lines of Credit (City)

At June 30, 2022, the City had no bonds authorized and un-issued.

At June 30, 2022, the City has no unused lines of credit.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 - Long-Term Obligations (continued)

K – Net Investment in Capital Assets

	City		
	Governmental Activities	Business-Type Activities	PWC
Capital assets, net	419,511,544	156,038,715	1,170,562,016
Add: Right to use assets, net	14,651,097	339,561	5,361,410
Less: Long term debt related to capital assets	(108,332,277)	(7,342,538)	(384,964,863)
Less: Unamortized bond premium	(3,533,461)	-	(25,187,593)
Less: Deferred loss related to unspent bond proceeds	-	-	(222,000)
Less: Retainage and payables related to capital assets	(300,801)	-	(12,981,407)
Less: Lease and subscription liability	(14,853,818)	(340,918)	(5,310,044)
Add: Deferred loss on bond refunding	-	-	862,117
Add: Unspent bond/lease proceeds	43,056,173	882,441	49,690,602
Total net investment in capital assets	<u>350,198,457</u>	<u>149,577,261</u>	<u>797,810,238</u>

Note 6 – Unearned Revenue

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

	Unearned Revenue
Amounts arising from cash:	
Unearned revenue (General)	\$ 464,807
Unearned grant receipts (Special Revenue)	17,753,130
Unearned assessments (Special Revenue)	43,900
Unearned grant receipts (Capital Projects)	11,731,648
Prepaid retiree insurance premiums (Internal Service)	4,746
Unearned revenue (Enterprise)	<u>1,818,340</u>
Total	<u>\$ 31,816,572</u>

In addition, the City had \$623,348 and \$1,103,799 of restricted unearned deposits in the general fund and enterprise funds respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 7 – Deferred Outflows and Inflows of Resources

In the government-wide financial statements, deferred outflows of resources is the deferred amount for unamortized refunding charges and the contribution to the pension plan at June 30, 2022.

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.

City pension plan contributions subsequent to the measurement date and changes in proportion and differences between City contributions and other pension related deferrals were also reported as deferred outflows of resources on the statement of net position at June 30, 2022. The amounts reported totaled \$22,233,062 and \$3,118,207 for governmental activities and business-type activities, respectively, for LGERS.

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

	Unavailable Revenue
Prepaid taxes (General)	\$ 40,885
Taxes receivable, net (General)	1,256,443
Accounts and notes receivable (General)	3,149,508
Leases receivable (General)	5,683,340
Special assessments receivable, net (General)	882,104
PWC assessments receivable, net (Special revenue)	6,085,177
	\$ 17,097,457

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

	Outflows	Inflows
Prepaid taxes	\$ -	\$ 40,885
OPEB deferrals	12,706,794	11,773,585
Pension deferrals LGERS	25,351,269	25,863,408
Pension deferrals LEOSSA	5,242,571	1,025,942
Lease deferrals	-	10,686,319
	\$ 43,300,634	\$ 49,390,139

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8 - Risk Management

The City is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$175,000 per individual and approximately \$15,958,900 for all employees for the policy period ending June 30, 2022), general liability (up to \$500,000 per occurrence), workers' compensation (\$850,000 per occurrence), public officials liability (up to \$500,000 per occurrence), law enforcement liability (\$500,000 per occurrence), and automobile liability (up to \$500,000 per occurrence). The City maintains excess liability insurance (\$11,000,000) to cover catastrophic losses. Property insurance on City buildings is for replacement value (less \$100,000 self-funded retention). The health insurance coverage for individual large claims also includes a second deductible, known as an Aggregating Specific. If one or more claims exceeds the \$175,000, the claims over that amount are applied to the Aggregating Specific deductible of \$161,835. Once that amount has been exhausted, the stop loss policy will reimburse eligible claims in excess of the individual deductible at 100%. Also, 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 \$175,000 per individual. Losses from asserted claims and from un-asserted claims identified under the City's incident reporting system are accrued based on estimates that incorporate the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

The City carries commercial coverage for all other risks of loss. Within the last three fiscal years, the City had no general liability claims that exceeded the City's retention of \$500,000.

At June 30, 2022, a liability for incurred but not reported claims of \$3,363,318 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City is presented below.

	2022	2021
Liability, beginning	\$ 4,206,572	\$ 2,977,612
Current year claims and changes in estimate	16,827,299	17,447,583
Actual claim payments	(17,670,552)	(16,218,623)
Liability, ending	\$ 3,363,318	\$ 4,206,572

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

In accordance with G.S. 159-29, City employees who have access to \$100 or more of the City's funds at any given time are performance bonded through commercial surety bonds. The City's Chief Financial Officer is individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$1,000,000 per theft coverage, with a \$10,000 per occurrence deductible.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 \$397.4 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, environmental protection, Linear Park, stormwater, transit, airport, and solid waste projects. At June 30, 2022, cumulative expenditures to date totaled approximately \$278.9 million leaving an unexpended balance of \$118.5 million for projects that are expected to be completed at various dates in future fiscal years.

Note 10 - Employee Retirement Systems

A – Local Governmental Employees' Retirement System

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.41% for general employees and firefighters. Contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$9,538,462 for the year ended June 30, 2022.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

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

At June 30, 2022, the City reported a liability of \$16,708,528 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the City's proportion was 1.0895%, which was a decrease of 0.04946% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$6,160,907. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,315,583	\$ -
Changes of assumptions	10,497,224	-
Net difference between projected and actual earnings on pension plans investments	-	23,871,468
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,991,940
City contributions subsequent to the measurement date	9,538,462	-
Total	\$ 25,351,269	\$ 25,863,408

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10 - Employee Retirement Systems (continued)

The City reported \$9,538,462 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2023	\$ 1,296,562
2024	2,073,961
2025	6,680,078
	\$ 10,050,601

Actuarial Assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

The plan currently uses mortality rates based on the *Pub-2010 Public Plan* mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability/(asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension liability (asset)	\$ 64,861,116	\$ 16,708,528	\$ (22,918,254)

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

B - Law Enforcement Officers' Special Separation Allowance

Plan Description

The City administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service, or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time City law enforcement officers. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	66
Active plan members	<u>384</u>
Total	<u>450</u>

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the general fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

Actuarial Assumptions

The Entry Age Normal actuarial cost method was used in the December 31, 2020, valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary Increases	3.25 to 7.75%, including inflation and productivity factor	
Discount Rate	2.25%	

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10 - Employee Retirement Systems (continued)

Mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

Contributions

The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,195,468 as benefits came due for the reporting period.

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

At June 30, 2022, the City reported a total pension liability of \$21,729,345. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$2,440,095.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 352,996	\$ 367,293
Changes of assumptions	4,227,842	658,649
City benefit payments and plan administrative expense made subsequent to the measurement date	661,733	-
Total	\$ 5,242,571	\$ 1,025,942

\$661,733 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10 - Employee Retirement Systems (continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount Recognized as an Increase/(Decrease) to Pension Expense
2023	\$ 1,342,391	\$ 287,121	\$ 1,055,270
2024	1,185,289	268,812	916,477
2025	1,103,019	175,127	927,892
2026	950,139	174,914	775,225
2027	-	119,968	(119,968)
	<u>\$ 4,580,838</u>	<u>\$ 1,025,942</u>	<u>\$ 3,554,896</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 2.25%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total pension liability	\$ 23,493,553	\$ 21,729,345	\$ 20,115,784

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

	2022
Beginning balance	\$ 22,389,920
Service cost	1,003,287
Interest on the total pension liability	420,589
Differences between expected and actual experience in the measurement of the total pension liability	(341,250)
Changes of assumptions or other inputs	(547,733)
Benefit payments	(1,195,468)
Ending balance of the total pension liability	\$ 21,729,345

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 6,160,907	\$ 2,440,095	\$ 8,601,002
Pension Liability	16,708,528	21,729,345	38,437,873
Proportionate share of the net pension liability	1.08950%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	5,315,583	352,996	5,668,579
Changes of assumptions	10,497,224	4,227,842	14,725,066
Benefit payments and administrative costs paid subsequent to the measurement date	9,538,462	661,733	10,200,195
Deferred Inflows of Resources			
Differences between expected and actual experience	-	367,293	367,293
Changes of assumptions	-	658,649	658,649
Net difference between projected and actual earnings on plan investments	23,871,468	-	23,871,468
Changes in proportion and differences between contributions and proportionate share of contributions	1,991,940	-	1,991,940

C - Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City contributed \$1,168,076 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

D – NC 401(k) Plan

The City contributes to the NC 401(k) Plan (401(k)), a defined contribution plan administered by the North Carolina Total Retirement Plans. The City contributes 1% of employee base pay to the 401(k) on behalf of eligible employees. This plan is available to all non-law enforcement employees that are eligible for the NC Retirement System. The City contributed \$558,034 for the year ended June 30, 2022.

E – Firefighters’ and Rescue Squad Workers’ Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City, to the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters’ and Rescue Squad Workers’ Pension Fund is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State’s ACFR includes financial statements and required supplementary information for the Firefighters’ and Rescue Squad Workers’ Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2022, the State contributed \$19,002,000 to the plan. The City’s proportionate share of the State’s contribution is \$71,627.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10 - Employee Retirement Systems (continued)

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

At June 30, 2022, the City reported no asset for its proportionate share of the net pension asset, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension asset that was associated with the City and supported by the State was \$105,285. The net pension asset was measured as of June 30, 2021. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension asset was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2022, and at June 30, 2021, was 0%.

For the year ended June 30, 2022, the City recognized pension expense of (\$11,596) and revenue of (\$11,596) for support provided by the State. At June 30, 2022, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension asset in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Not applicable
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation

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

Discount Rate. The discount rate used to measure the total pension asset was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11 - Other Postemployment Benefits (OPEB)

A - Healthcare Benefits

Plan description. Under the terms of a City resolution, the City (excluding the City's Public Works Commission) administers the Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. For employees hired on or after February 1, 2008, this plan provides postemployment healthcare benefits to retirees of the City, up to the age of 65 or until they are eligible to receive Medicare benefits, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. For employees hired prior to February 1, 2008, employees qualified for similar level benefits after at least five years of creditable service with the City and 10 years of service credit with the System. Employees hired on or after July 1, 2014 are not eligible for this benefit. The City and retirees contribute to the cost of coverage for these benefits through a self-insured plan. Also, the City's retirees can purchase coverage for their eligible dependents at the City's group rates. The City also provides a death benefit through the plan based on the number of years of service at retirement. Retirees that retired prior to June 1, 1988 are provided with a \$1,000 life insurance policy. Retirees that retire on or after June 1, 1988 under NCLGERS and have at least 5 years of service with the City, are provided a life insurance policy based on years of service. The life insurance policy is \$100 per year of service (or fraction thereof) up to a maximum amount of \$3,000. 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 June 30, 2021, the date of the latest actuarial valuation:

	Law Enforcement	Firefighters	General Employees	Total
	<u>Officers</u>	<u>Firefighters</u>	<u>Employees</u>	<u>Total</u>
Retirees and dependents receiving benefits	184	77	534	795
Active plan members	195	198	361	754
				<u>1549</u>

Total OPEB Liability

The City's total OPEB liability of \$55,006,905 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases including wage inflation	
General employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law enforcement officers	3.25% - 7.90%
Municipal bond index rate	
Prior measurement date	2.21%
Measurement date	2.16%
Healthcare cost trends	
Pre-medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 59,430,525
Changes for the year:	
Service cost	2,300,829
Interest	1,352,062
Change in benefit terms	-
Difference between expected and actual experience	(12,277,971)
Changes of assumptions or other inputs	5,311,663
Benefit payments	(1,110,203)
Other	-
Net changes	(4,423,620)
Balance at June 30, 2022	\$ 55,006,905

There are no changes in benefit terms since the Prior Measurement Date.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

Discount Rate Sensitivity			
	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability	\$ 60,407,946	\$ 55,006,905	\$ 50,206,541

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

Healthcare Cost Trend Rate Sensitivity			
	1% Decrease 6.00%	Current Pre-medicare Rate 7.00%	1% Increase 8.00%
Total OPEB liability	\$ 49,639,774	\$ 55,006,905	\$ 61,243,159

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$3,438,153. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,105,214	\$ 9,992,946
Changes of assumptions	8,351,026	851,309
City benefit payments and administrative costs made subsequent to the measurement date	1,321,224	-
Total	\$ 11,777,464	\$ 10,844,255

\$1,321,224 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (214,738)
2024	109,787
2025	(376,339)
2026	93,275
Total	\$ (388,015)

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Reconciliation for deferred outflows and deferred inflows for OPEB due to change in fund allocations:

Deferred Outflows Reconciliation-OPEB	Per Actuary	Change in Fund Allocation	Total Deferred Outflows
Governmental activities	\$ 9,949,601	\$ 887	\$ 9,950,488
Stormwater fund	264,993	59,236	324,229
Transit fund	652,472	143,607	796,079
Airport fund	193,150	31,708	224,858
Solid Waste fund	717,248	693,892	1,411,140
	<u>\$ 11,777,464</u>	<u>\$ 929,330</u>	<u>\$ 12,706,794</u>

Deferred Inflows Reconciliation-OPEB	Per Actuary	Change in Fund	Total Deferred
Governmental activities	\$ 9,161,228	\$ 929,330	\$ 10,090,558
Stormwater fund	243,995	-	243,995
Transit fund	600,771	-	600,771
Airport fund	177,845	-	177,845
Solid Waste fund	660,416	-	660,416
	<u>\$ 10,844,255</u>	<u>\$ 929,330</u>	<u>\$ 11,773,585</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to the change in fund allocations for OPEB will be recognized in OPEB Expense in the funds as follows:

	Deferred Outflows/(Inflows) of Resources					Total
	Governmental Activities	Stormwater Fund	Transit Fund	Airport Fund	Solid Waste Fund	
Year ended June 30:						
2023	\$ (464,226)	\$ 29,619	\$ 71,805	\$ 15,855	\$ 346,947	\$ -
2024	(464,220)	29,618	71,803	15,854	346,945	-
	<u>\$ (928,446)</u>	<u>\$ 59,237</u>	<u>\$ 143,608</u>	<u>\$ 31,709</u>	<u>\$ 693,892</u>	<u>\$ -</u>

B – Death Benefits

The City provides regular full-time and part-time employees with a \$3,000 death benefit during their first year of employment, unless the employee already has one year of membership in the North Carolina Retirement System. The benefit is effective on the first day of the month following 30 days of service. If eligible, the death benefit is discontinued after one year of employment, when the employee becomes qualified for the State Death Benefit Plan. The City considers these benefit payments to be immaterial.

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

Note 12 – Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

The following schedule makes up the interfund balances at June 30, 2022 as follows:

Interfund Receivables/Payables

Receivable Fund	Payable Fund	Amount
General Fund	Transit Fund	\$ 8,835,378
General Fund	Federal and State Financial Assistance Fund	2,151,936
General Fund	Recreational and Cultural Bond Fund	1,095
Nonmajor Capital Projects Fund	Recreational and Cultural Bond Fund	3,902,826
Nonmajor Capital Projects Fund	Nonmajor Capital Projects Fund	6,481,490
Total Interfund Receivables and Payables		\$ 21,372,725

Interfund receivables and payables were recorded due to timing differences in the receipt of funds from intergovernmental payments due to the City from federal and state sources related expenditures and other grant related expenditures. These balances represent overnight loans at fiscal year end from the receivable fund to the payable fund to cover cash deficits in the payable fund. The amounts are reversed on the first day of the next fiscal year. The fund with the cash deficit then has a liability to the pooled cash and investments.

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2022, consist of the following:

Transfer out:	Transfer in:						Total
	General	Federal and State Assistance	Recreational and Cultural Bond	Nonmajor Governmental	Transit	Internal Service	
General	\$ -	\$ 82,153	\$ 713,000	\$ 14,613,220	\$ 2,858,671	\$ 351,820	\$ 18,618,864
Internal Service	1,515,000	-	-	-	-	-	1,515,000
Totals	\$ 1,515,000	\$ 82,153	\$ 713,000	\$ 14,613,220	\$ 2,858,671	\$ 351,820	\$ 20,133,864

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 12 – Interfund Receivables, Payables and Transfers (continued)

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

Transfers totaling \$15,408,373 were made during the fiscal year from the general fund to major and non-major governmental funds. Of this total, transfers to capital projects consisted of: \$8,084,947 for transportation projects including street resurfacing and improvements, and sidewalk and intersection improvements; \$2,719,363 for general government projects including major facility maintenance projects, computer replacements and technology enhancements and upgrades; \$2,315,000 for recreation and cultural projects including parks and trails; \$428,910 for public security system enhancements and records management system upgrade; \$713,000 for projects in the Parks and Recreation Bond Fund; and transfers to the economic development fund totaled \$1,065,000 to include funding for the Murchison Road redevelopment capital project and downtown redevelopment infrastructure support and parking. Transfers to special revenue funds of \$82,153 which included funds for the Commercial Corridor Revitalization Program and for local match required for Federal and State funded programs.

The general fund made transfers to enterprise funds to support transit system operations, planning functions and capital purchases in the amount of \$2,858,671.

Transfers from internal service funds to the general fund in the amount of \$1,515,000 and transfers from the general fund to internal service funds in the amount of \$351,820 represent interfund loans and repayments.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13 – Fund Balance

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

Total Fund Balance - General Fund	\$ 95,165,893
Less:	
Nonspendable	
Inventories	105,670
Prepays	2,291,866
Leases	132,691
Restricted	
Stabilization by State Statute	42,146,935
For downtown	130,198
For county recreation	213,394
Economic and Community Development	8
Donations	25,355
Committed	
Law Enforcement Officer's Separation Allowance	8,530,243
Assigned	
Subsequent years expenditures	3,969,112
Specific purpose assignments	7,107,310
Capital funding plan	7,935,797
Unassigned	22,577,314
Working capital/fund balance policy	18,472,293
Remaining fund balance	\$ 4,105,021

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

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

Total Encumbrances	General Fund	Other Major Funds	Non-Major Funds
\$ 21,722,974	\$ 4,998,424	\$ 6,749,045	\$ 9,975,506

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 14 - Related Party Transactions

PWC operates as a discretely presented component unit of the City of Fayetteville, North Carolina. As such, the Commission provides electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,973,345 in 2022. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions with PWC amounted to \$10,495,105 in 2022. Balances due to/from PWC at June 30, 2022, were as follows:

Receivables (due from PWC)	\$	<u>442,356</u>
Payables (due to PWC)	\$	72,731
Assessments (due to PWC)		5,597,897
Assessments interest (due to PWC)		<u>487,280</u>
Total due to PWC	\$	<u>6,157,908</u>

Note 15 – Change in Accounting Principle

For the year ended June 30, 2022, the City financial statements include the adoption of GASB Statement 87, Leases. The primary objective of GASB Statement 87 is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

For the year ended June 30, 2022, the City financial statements also include early adoption of GASB Statement 96, Subscription-Based Information Technology Arrangements (SBITA's). GASB Statement 96 establishes uniform accounting and financial reporting requirements for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

Note 16 – Subsequent Events

Management has evaluated subsequent events through August 2, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

On November 8, 2022, the voters of the City of Fayetteville approved the bond referendums for \$60 million in Public Safety Improvement Bonds, \$25 million for Streets, Sidewalk, and Connectivity Improvement Bonds, and \$12 million in Housing Bonds. A total of \$97 million of debt is authorized but un-issued.

In January of 2023, the Fayetteville Public Works Commission requested repayment of the \$4 million Emergency Transfer made to the City of Fayetteville during the Covid Pandemic over the period spanning from June of 2020 through June of 2021. The repayment will be reflected as a reduction of the monthly PWC Payment in Lieu of Tax revenue beginning in May of fiscal year 2023 and ending in October of fiscal year 2024, a \$1.3 million and \$2.7 million reduction, respectively.

City of Fayetteville, North Carolina

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Required Supplementary Information (unaudited)

This Section contains additional information required by generally ac-

- Law Enforcement Officers' Special Separation Allowance
- Law Enforcement Officers' Special Separation Allowance
- Local Government Employees' Retirement System
- Local Government Employees' Retirement System
- Other Post-Employment Benefit Retiree Healthcare Plan

City of Fayetteville, North Carolina

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Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
(unaudited)
Schedule of Changes in Total Pension Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 22,389,920	\$ 16,619,221	\$ 15,458,716	\$ 15,352,794	\$ 13,966,229	\$ 13,773,620
Service cost	1,003,287	679,308	667,499	718,542	636,795	663,903
Interest on the total pension liability	420,589	524,602	544,971	471,047	524,852	480,452
Differences between expected and actual experience in the measurement of the total pension liability	(341,250)	(127,731)	430,533	400,850	56,460	-
Changes of assumptions or other inputs	(547,733)	5,748,819	491,465	(592,010)	906,489	(320,609)
Benefit payments	(1,195,468)	(1,054,299)	(973,963)	(892,507)	(738,031)	(631,137)
Ending balance of the total pension liability	<u>\$ 21,729,345</u>	<u>\$ 22,389,920</u>	<u>\$ 16,619,221</u>	<u>\$ 15,458,716</u>	<u>\$ 15,352,794</u>	<u>\$ 13,966,229</u>

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

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

Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 (unaudited)
 Schedule of Total Pension Liability as a Percentage of Covered Payroll

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 21,729,345	\$ 22,389,920	\$ 16,619,221	\$ 15,458,716	\$ 15,352,794	\$ 13,966,229
Covered payroll	22,422,554	23,750,289	24,819,535	24,646,632	24,885,304	25,442,283
Total pension liability as a percentage of covered payroll	96.91%	94.27%	66.96%	62.72%	61.69%	54.89%

Notes to the schedules:

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

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

Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years *
(unaudited)
Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	1.08950%	1.13896%	1.22078%	1.26649%	1.30809%	1.36508%	1.37320%	1.91929%	1.86080%
City's proportion of the net pension liability (asset) (\$)	\$ 16,708,528	\$ 40,699,893	\$ 33,338,550	\$ 30,045,474	\$ 19,984,020	\$ 28,971,603	\$ 6,162,839	\$ (11,318,942)	\$ 22,429,786
City's covered payroll	\$ 79,589,030	\$ 76,891,064	\$ 80,645,990	\$ 73,736,914	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002	\$ 104,285,543	\$ 104,285,543
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.99%	52.93%	41.34%	40.75%	23.50%	34.07%	5.74%	-10.85%	21.51%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Required Supplementary Information
Last Nine Fiscal Years
(unaudited)
Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 9,538,462	\$ 8,196,813	\$ 7,014,979	\$ 6,446,996	\$ 5,265,753	\$ 6,365,576	\$ 5,145,668	\$ 9,552,218	\$ 7,417,597
Contributions in relation to the contractually required contribution	9,538,462	8,196,813	7,014,979	6,446,996	5,265,753	6,365,576	5,145,668	9,552,218	7,417,597
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 82,972,586	\$ 79,589,030	\$ 76,891,064	\$ 80,645,990	\$ 73,736,914	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002	\$ 104,285,543
Contributions as a percentage of covered payroll	11.50%	10.30%	9.12%	7.99%	7.14%	7.49%	6.90%	8.89%	7.11%

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

Schedule of Changes in the Total OPEB Liability and Related Ratios
(unaudited)
June 30, 2022

Total OPEB Liability	2022	2021	2020	2019	2018*
Service cost	\$ 2,300,829	\$ 1,704,683	\$ 1,686,605	\$ 1,739,025	\$ 1,871,877
Interest	1,352,062	1,847,285	1,659,402	1,511,364	1,287,302
Differences between expected and actual experience	(12,277,971)	(1,226,681)	5,012,551	(521,183)	273,055
Changes of assumption or other inputs	5,311,663	6,501,921	1,166,756	(1,340,403)	(2,314,880)
Benefit payments	(1,110,203)	(935,077)	(1,277,933)	(1,094,114)	(1,764,005)
Net change in total OPEB liability	(4,423,620)	7,892,131	8,247,381	294,689	(646,651)
Total OPEB liability - beginning	59,430,525	51,538,394	43,291,013	42,996,324	43,642,975
Total OPEB liability - ending	\$ 55,006,905	\$ 59,430,525	\$ 51,538,394	\$ 43,291,013	\$ 42,996,324
Covered payroll	\$ 43,865,202	\$ 50,949,158	\$ 50,949,158	\$ 55,195,292	\$ 55,195,292
Total OPEB liability as a percentage of covered payroll	125.40%	116.65%	101.16%	78.43%	77.90%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

The City of Fayetteville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

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

* Information reported for 2018 is updated to reflect a corrected valuation report.

City of Fayetteville, North Carolina

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Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

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

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

City of Fayetteville, North Carolina

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Governmental Funds

- General Fund
- Recreational and Cultural Bond Fund
- Federal and State Financial Assistance Fund
- Nonmajor Governmental Funds
 - Special Revenue Funds
 - Capital Project Funds

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

City of Fayetteville, North Carolina

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General Fund

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

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

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

City of Fayetteville, North Carolina

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Comparative Balance Sheets
General Fund

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and investments	\$ 67,137,291	\$ 63,539,864
Taxes receivable	1,256,443	1,640,923
Accounts receivable	4,018,860	4,267,223
Due from other governments	21,603,512	20,489,742
Assessments receivable	698,901	688,780
Interfund receivable	10,988,409	13,048,825
Lease receivable	5,816,031	-
Inventories	105,670	87,105
Prepaid items	2,291,866	1,960,985
Restricted accounts receivable	3,737,751	301,893
Restricted cash and investments	3,673,134	6,152,908
Total assets	<u>\$ 121,327,868</u>	<u>\$ 112,178,248</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable and accrued expenses	\$ 14,061,541	\$ 12,455,981
Restricted unearned deposits	623,348	515,577
Unearned revenue	464,807	100,972
Total liabilities	<u>15,149,696</u>	<u>13,072,530</u>
Deferred inflows of resources		
Taxes receivable	1,256,443	1,640,923
Prepaid taxes	40,885	26,269
Accounts receivable	3,149,508	3,494,879
Leases receivable	5,683,340	-
Assessment receivable	882,104	854,777
Total deferred inflows of resources	<u>11,012,280</u>	<u>6,016,848</u>
Fund balance		
Nonspendable		
For inventories	105,670	87,105
For prepaids	2,291,866	1,960,985
For leases	132,691	-
Restricted		
Stabilization by State Statute	42,146,935	25,411,219
For downtown	130,198	113,843
For Lake Valley Drive MSD	-	913
For economic and physical development	8	9,572
For county recreation	213,394	2,936,978
For donations	25,355	15,319
Committed		
Law Enforcement Officers' Special Separation Allowance	8,530,243	7,250,083
Assigned		
For subsequent year's expenditures	3,969,112	12,687,857
For special purpose	7,107,310	8,898,451
For capital projects	7,935,797	10,142,762
Unassigned	22,577,314	23,573,783
Total fund balance	<u>95,165,893</u>	<u>93,088,870</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 121,327,868</u>	<u>\$ 112,178,248</u>

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

For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Variance Positive (Negative)	2022 Actuals	2021 Actuals
Revenues				
Ad Valorem Taxes				
Current year	\$ 71,346,041	\$ 632,640	\$ 71,978,681	\$ 71,417,373
Prior years	558,350	(4,884)	553,466	542,775
Interest and penalties	268,050	56,198	324,248	267,434
Total ad valorem taxes	<u>72,172,441</u>	<u>683,954</u>	<u>72,856,395</u>	<u>72,227,582</u>
Other Taxes				
Vehicle license tax	640,200	(252)	639,948	671,406
Privilege license	18,000	(1,427)	16,573	14,041
Gross receipts tax on rental property	775,900	173,429	949,329	780,558
Total Other Taxes	<u>1,434,100</u>	<u>171,750</u>	<u>1,605,850</u>	<u>1,466,005</u>
Unrestricted intergovernmental				
Local option sales tax	50,624,034	8,620,946	59,244,980	52,364,572
Payment in lieu of taxes	11,853,127	-	11,853,127	11,450,867
Telecommunications sales tax	837,800	(179,124)	658,676	886,570
Utilities sales tax	9,493,300	163,031	9,656,331	9,549,228
Piped natural gas sales tax	321,600	179,127	500,727	426,548
Video franchise fee	1,913,000	(42,873)	1,870,127	1,894,021
Beer and wine tax	930,100	(102,486)	827,614	872,389
County - other	456,750	10,375	467,125	590,301
Local - public safety	352,470	(245,297)	107,173	282,076
Local - other	20,171	1,758	21,929	3,020,523
Total unrestricted intergovernmental	<u>76,802,352</u>	<u>8,405,457</u>	<u>85,207,809</u>	<u>81,337,095</u>
Restricted intergovernmental				
Federal - public safety	171,295	39,311	210,606	372,144
Federal - other	133,068	(148,584)	(15,516)	1,864,167
Powell Bill allocation	5,099,497	742,706	5,842,203	4,978,921
State - other	40,731	(8,212)	32,519	23,528
State - public safety	126,486	(38,836)	87,650	92,701
County recreation	3,344,900	566,935	3,911,835	3,368,396
County - other	1,185,332	(171,797)	1,013,535	829,871
Local - other	-	-	-	1,200,000
Total restricted intergovernmental	<u>10,101,309</u>	<u>981,523</u>	<u>11,082,832</u>	<u>12,729,728</u>
Permits and Fees	<u>2,228,496</u>	<u>834,993</u>	<u>3,063,489</u>	<u>2,190,060</u>
Sales and Services				
Leases	1,067,469	(596,595)	470,874	670,994
Engineering/planning services	469,910	28,036	497,946	520,986
Public safety services	1,236,428	368,498	1,604,926	1,192,037
Recreation and cultural services	1,971,680	(396,400)	1,575,280	654,679
Parking revenues	127,332	688,907	816,239	150,060
Other fees and services	385,288	(56,279)	329,009	326,676
Total sales and services	<u>5,258,107</u>	<u>36,167</u>	<u>5,294,274</u>	<u>3,515,432</u>
Miscellaneous				
Refunds and sundry	510,086	109,104	619,190	342,848
Indirect cost allocation	2,520,200	254,092	2,774,292	2,395,924
Special use assessment	86,750	(36,745)	50,005	93,818
Total miscellaneous	<u>3,117,036</u>	<u>326,451</u>	<u>3,443,487</u>	<u>2,832,590</u>
Interest earned on investments	<u>110,195</u>	<u>64,726</u>	<u>174,921</u>	<u>137,861</u>
Total revenues	<u>171,224,036</u>	<u>11,505,021</u>	<u>182,729,057</u>	<u>176,436,353</u>
Expenditures				
Current				
Community Investment				
Economic and Community Development	1,912,370	575,682	1,336,687	774,909
Development Services	4,937,579	256,092	4,681,487	4,222,929
Human relations	348,828	88,195	260,633	325,207
Total Community Investment	<u>7,198,777</u>	<u>919,970</u>	<u>6,278,807</u>	<u>5,323,045</u>

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

For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Variance Positive (Negative)	2022 Actuals	2021 Actuals
Expenditures (continued)				
Operations				
Fire	35,289,588	3,035,239	32,254,349	29,011,111
Parks and recreation	15,990,056	1,644,286	14,345,770	12,666,358
Cemeteries	157,439	5,043	152,396	149,566
Urban forestry	353,454	25,765	327,689	241,902
Public buildings	2,854,758	598,394	2,256,364	2,204,776
Right of way maintenance	1,786,425	172,113	1,614,312	1,510,808
Police	58,460,829	5,257,733	53,203,096	51,088,277
Engineering and Construction Management	3,067,737	583,193	2,484,544	1,766,294
Streets	8,156,380	1,435,952	6,720,428	5,599,021
Real Estate	324,063	65,311	258,752	266,287
Total Operations	126,440,729	12,823,030	113,617,700	104,504,400
Support Services and Administration				
Budget and Evaluation	533,056	(18,274)	551,330	525,872
Marketing & Communications	1,104,175	127,463	976,712	1,051,624
City Manager's Office	2,823,847	282,730	2,541,117	2,310,594
City Attorney's Office	1,383,069	(61,800)	1,444,869	1,547,810
Finance	3,198,560	521,377	2,677,183	2,495,528
Human Resources Development	1,524,481	(7,391)	1,531,872	1,108,820
Information Technology	7,029,784	590,107	6,439,677	5,421,330
Mayor, Council and City Clerk	1,301,863	349,823	952,040	888,217
Total Support Services and Administration	18,898,835	1,784,034	17,114,800	15,349,795
Other Appropriations	13,810,121	26,960	13,783,161	13,285,588
Parking	1,061,977	232,028	829,949	810,684
Central business tax district	246,110	340	245,770	243,601
Law Enforcement Officers' Special Separation Allowance	1,867,736	548,021	1,319,715	1,229,490
Debt Service				
Operations				
Principal	1,236,199	436,199	800,000	800,000
Interest	564,000	-	564,000	604,000
Total debt service - operations	1,800,199	436,199	1,364,000	1,404,000
Other Appropriations				
Principal	10,449,141	367,135	10,082,006	8,472,823
Interest	2,452,830	86,707	2,366,123	2,538,133
Issuance cost	26,000	26,000	-	11,439
Total debt service - other appropriations	12,927,971	479,842	12,448,129	11,022,395
Total Debt Service	14,728,170	916,041	13,812,129	12,426,395
Total Expenditures	184,252,455	17,250,424	167,002,031	153,172,998
Revenues over (under) expenditures	(13,028,419)	28,755,445	15,727,026	23,263,355
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	150,000	166,985	316,985	696,088
Appropriated fund balance	27,363,506	(27,363,506)	-	-
Transfers in from other funds	1,515,000	-	1,515,000	735,000
Transfers (out) - Community Investment	(368,500)	(235,000)	(603,500)	(712,750)
Transfers (out) - Operations	(11,339,932)	(501,222)	(11,841,154)	(7,321,770)
Transfers (out) - Support Services & Administration	(2,183,719)	-	(2,183,719)	(2,663,722)
Transfers (out) - Other Appropriations	(5,195,932)	1,205,441	(3,990,491)	(7,334,848)
Proceeds from installment agreements	3,087,996	48,880	3,136,876	3,850,578
Total Other Financing Sources (Uses)	13,028,419	(26,678,422)	(13,650,003)	(12,751,424)
Revenues and Other Financing Sources (Uses) Over (Under)	\$ -	\$ 2,077,023	2,077,023	10,511,931
Fund Balance				
Beginning			93,088,870	82,576,939
Ending			<u>\$ 95,165,893</u>	<u>\$ 93,088,870</u>



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Recreational and Cultural Bond Fund

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

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

City of Fayetteville, North Carolina

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**Comparative Balance Sheets
Recreational and Cultural Bond Fund**

June 30, 2022 and June 30, 2021

	2022	2021
Assets		
Cash and investments	\$ -	\$ 34,040
Accounts receivable	36,900	36,900
Due from other governments	242,923	15,575
Restricted cash and investments	29,693,866	10,872,282
Total assets	\$ 29,973,689	\$ 10,958,797
Liabilities, deferred inflows of resources and fund balances		
Liabilities		
Accounts payable and accrued expenses	\$ 1,419,608	\$ 532,420
Unearned revenue	2,021,673	-
Interfund payables	3,903,921	-
Total liabilities	7,345,202	532,420
Fund balances		
Restricted		
Recreation and community facilities	22,628,487	10,426,377
Total fund balances	22,628,487	10,426,377
Total liabilities, deferred inflows of resources and fund balances	\$ 29,973,689	\$ 10,958,797

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

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
State grants and contributions	\$ 2,250,000	\$ 250,000	\$ -	\$ 250,000
Local	100,000	-	-	-
Total restricted intergovernmental	<u>2,350,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Miscellaneous				
Other	67,900	67,900	-	67,900
Total miscellaneous	<u>67,900</u>	<u>67,900</u>	<u>-</u>	<u>67,900</u>
Interest earned on investments	<u>226,251</u>	<u>225,601</u>	<u>39,673</u>	<u>265,274</u>
Total revenues	<u>2,644,151</u>	<u>543,501</u>	<u>39,673</u>	<u>583,174</u>
Expenditures				
Recreational bond projects	41,697,906	7,992,844	9,037,617	17,030,461
Revenues over (under) expenditures	<u>(39,053,755)</u>	<u>(7,449,343)</u>	<u>(8,997,944)</u>	<u>(16,447,287)</u>
Other financing sources (uses)				
Issuance of debt	35,000,000	16,000,000	19,000,000	35,000,000
Premium/Discount on bonds	3,115,755	1,650,720	1,487,054	3,137,774
Transfers in	938,000	225,000	713,000	938,000
Total other financing sources (uses)	<u>39,053,755</u>	<u>17,875,720</u>	<u>21,200,054</u>	<u>39,075,774</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 10,426,377</u>	<u>12,202,110</u>	<u>\$ 22,628,487</u>
Fund balance				
Beginning			10,426,377	
Ending			<u>\$ 22,628,487</u>	



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Federal and State Financial Assistance Fund

The Federal and State Financial Assistance Fund is a Special Revenue Fund used to account for the proceeds of special revenue sources or to finance specific activities as required by law or administrative regulation.

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

City of Fayetteville, North Carolina

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**Comparative Balance Sheets
Federal and State Financial Assistance Fund**

June 30, 2022 and June 30, 2021

	<u>2022</u>	<u>2021</u>
Assets		
Accounts receivable	\$ 1,932,923	\$ 361,235
Due from other governments	2,791,492	10,285,599
Restricted cash and investments	17,790,809	29,448,388
Restricted accounts receivable	-	253
Notes receivable	5,602,581	6,950,646
Property held for resale	27,871	27,871
Total assets	<u>\$ 28,145,676</u>	<u>\$ 47,073,992</u>
Liabilities, deferred inflows of resources and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 344,094	\$ 889,972
Unearned revenue	17,753,130	28,588,568
Restricted accounts payable and accrued expenses	-	13,608
Interfund payables	2,151,936	7,766,826
Total liabilities	<u>20,249,160</u>	<u>37,258,974</u>
Fund balances:		
Restricted		
Public safety	922,624	1,186,936
Recreation and community facilities	283,616	24,908
Economic and physical development	1,166,847	1,331,276
Environmental protection	1,819,168	1,301,143
Committed		
Administration	18,638	-
Public safety	672,294	774,614
Recreation and community facilities	18,000	-
Economic and physical development	6,444,467	8,053,948
Environmental protection	3,201,467	8,797,042
Unassigned	(6,650,605)	(11,654,849)
Total fund balances	<u>7,896,516</u>	<u>9,815,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,145,676</u>	<u>\$ 47,073,992</u>

**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, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 71,137,625	\$ 21,766,807	\$ 19,453,001	\$ 41,219,808
State grants and contributions	10,472,071	3,968,128	746,921	4,715,049
Local	411,217	57,560	38,122	95,682
Total restricted intergovernmental	<u>82,020,913</u>	<u>25,792,495</u>	<u>20,238,044</u>	<u>46,030,539</u>
Miscellaneous	<u>7,001,755</u>	<u>382,017</u>	<u>249,654</u>	<u>631,671</u>
Interest earned on investments	<u>49,708</u>	<u>828,023</u>	<u>(31,590)</u>	<u>796,433</u>
Total revenues	<u>89,072,376</u>	<u>27,002,535</u>	<u>20,456,108</u>	<u>47,458,643</u>
Expenditures				
Current				
Public safety	10,111,623	3,754,967	2,210,599	5,965,566
Economic and physical development	62,681,095	13,811,931	18,484,861	32,296,792
Environmental protection	16,386,517	9,201,266	1,761,303	10,962,569
Recreation and community facilities	1,456,776	993,024	-	993,024
Total current	<u>90,636,011</u>	<u>27,761,188</u>	<u>22,456,763</u>	<u>50,217,951</u>
Debt service	<u>310,890</u>	<u>310,890</u>	<u>-</u>	<u>310,890</u>
Total expenditures	<u>90,946,901</u>	<u>28,072,078</u>	<u>22,456,763</u>	<u>50,528,841</u>
Revenues over (under) expenditures	<u>(1,874,525)</u>	<u>(1,069,543)</u>	<u>(2,000,655)</u>	<u>(3,070,198)</u>
Other financing sources (uses)				
Transfers in	1,881,741	1,975,055	82,153	2,057,208
Transfers out	(7,216)	(9,582)	-	(9,582)
Total other financing sources (uses)	<u>1,874,525</u>	<u>1,965,473</u>	<u>82,153</u>	<u>2,047,626</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 895,930</u>	<u>(1,918,502)</u>	<u>\$ (1,022,572)</u>
Fund balance				
Beginning			9,815,018	
Ending			<u>\$ 7,896,516</u>	



 **FAYETTEVILLE** ^{NC}
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Nonmajor Governmental Funds

City of Fayetteville, North Carolina

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Special Revenue Funds

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

The following comprise the City's Special Revenue Funds:

- Emergency Telephone System Fund
- Linear Park Fund
- PWC Assessment Fund

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

City of Fayetteville, North Carolina

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**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,340,978	\$ 4,165,600	\$ 5,506,578
Accounts receivable	81,534	630,944	712,478
Assessments receivable	6,085,177	-	6,085,177
Interfund receivable	-	10,384,316	10,384,316
Due from other governments	2,076	10,884,888	10,886,964
Restricted cash and investments	-	26,194,925	26,194,925
Total assets	<u>\$ 7,509,765</u>	<u>\$ 52,260,673</u>	<u>\$ 59,770,438</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 16,921	\$ 934,310	\$ 951,231
Unearned revenue	-	9,709,975	9,709,975
Restricted accounts payable and accrued expenses	-	1,456,735	1,456,735
Interfund payable	-	6,481,490	6,481,490
Total liabilities	<u>16,921</u>	<u>18,582,510</u>	<u>18,599,431</u>
Deferred inflows of resources:			
Assessments receivable	6,085,177	-	6,085,177
Total deferred inflows of resources	<u>6,085,177</u>	<u>-</u>	<u>6,085,177</u>
Fund balances:			
Restricted			
Stabilization by State Statute	83,610	-	83,610
Administration	-	2,053,219	2,053,219
Public safety	1,297,199	9,173,443	10,470,642
For streets	-	1,900,409	1,900,409
Transportation	-	6,563,965	6,563,965
Recreation and community facilities	-	205,225	205,225
Economic and physical development	-	1,036,632	1,036,632
Environmental protection	-	681,047	681,047
Committed			
Administration	-	5,043,785	5,043,785
Public safety	-	939,621	939,621
Transportation	-	2,170,099	2,170,099
Economic and physical development	-	1,200,385	1,200,385
Recreation and community facilities	26,858	2,891,580	2,918,438
Unassigned	-	(181,247)	(181,247)
Total fund balances	<u>1,407,667</u>	<u>33,678,163</u>	<u>35,085,830</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,509,765</u>	<u>\$ 52,260,673</u>	<u>\$ 59,770,438</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 978,406	\$ 3,484,549	\$ 4,462,955
Miscellaneous	1,954,139	653,005	2,607,144
Interest earned on investments	327,847	17,482	345,329
Total revenues	<u>3,260,392</u>	<u>4,155,036</u>	<u>7,415,428</u>
Expenditures			
Current			
Administration	2,279,882	-	2,279,882
Public safety	458,272	-	458,272
Recreation and community facilities	6,540	-	6,540
Capital Outlay	-	17,369,391	17,369,391
Total expenditures	<u>2,744,694</u>	<u>17,369,391</u>	<u>20,114,085</u>
Revenues over (under) expenditures	<u>515,698</u>	<u>(13,214,355)</u>	<u>(12,698,657)</u>
Other financing sources (uses)			
Issuance of debt	-	10,430,000	10,430,000
Transfers in	-	14,613,220	14,613,220
Total other financing sources (uses)	<u>-</u>	<u>25,043,220</u>	<u>25,043,220</u>
Net change in fund balances	515,698	11,828,865	12,344,563
Fund balances			
Beginning	891,969	21,849,298	22,741,267
Ending	<u>\$ 1,407,667</u>	<u>\$ 33,678,163</u>	<u>\$ 35,085,830</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022

	Emergency Telephone System Fund	Linear Park Fund	PWC Assessment Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$ 1,314,120	\$ 26,858	\$ -	\$ 1,340,978
Accounts receivable	81,534	-	-	81,534
Assessments receivable	-	-	6,085,177	6,085,177
Due from other governments	2,076	-	-	2,076
Total assets	<u>\$ 1,397,730</u>	<u>\$ 26,858</u>	<u>\$ 6,085,177</u>	<u>\$ 7,509,765</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 16,921	\$ -	\$ -	\$ 16,921
Total liabilities	<u>16,921</u>	<u>-</u>	<u>-</u>	<u>16,921</u>
Deferred inflows of resources				
Assessments receivable	-	-	6,085,177	6,085,177
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>6,085,177</u>	<u>6,085,177</u>
Fund balances:				
Restricted				
Stabilization by State Statute	83,610	-	-	83,610
Public safety	1,297,199	-	-	1,297,199
Committed				
Recreation and community facilities	-	26,858	-	26,858
Total fund balances	<u>1,380,809</u>	<u>26,858</u>	<u>-</u>	<u>1,407,667</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,397,730</u>	<u>\$ 26,858</u>	<u>\$ 6,085,177</u>	<u>\$ 7,509,765</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2022

	Emergency Telephone System Fund	Linear Park Fund	PWC Assessment Fund	Total Nonmajor Special Revenue Funds
Revenues				
Restricted intergovernmental	\$ 978,406	\$ -	\$ -	\$ 978,406
Assessment revenue	-	-	1,954,139	1,954,139
Interest earned on investments	2,050	54	325,743	327,847
Total revenues	<u>980,456</u>	<u>54</u>	<u>2,279,882</u>	<u>3,260,392</u>
Expenditures				
Current:				
Administration	-	-	2,279,882	2,279,882
Public safety	458,272	-	-	458,272
Recreation and community facilities	-	6,540	-	6,540
Total expenditures	<u>458,272</u>	<u>6,540</u>	<u>2,279,882</u>	<u>2,744,694</u>
Revenues over (under) expenditures	<u>522,184</u>	<u>(6,486)</u>	<u>-</u>	<u>515,698</u>
Fund balances				
Beginning	858,625	33,344	-	891,969
Ending	<u>\$ 1,380,809</u>	<u>\$ 26,858</u>	<u>\$ -</u>	<u>\$ 1,407,667</u>

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

Year Ended June 30, 2022
(With Comparative Actual Amounts For Year Ended June 30, 2021)

	Budget	Variance Positive (Negative)	2022 Actual	2021 Actual
Revenues				
Restricted intergovernmental	\$ 978,606	\$ (200)	\$ 978,406	\$ 963,133
Interest earned on investments	137	1,913	2,050	1,038
Total revenues	<u>978,743</u>	<u>1,713</u>	<u>980,456</u>	<u>964,171</u>
Expenditures				
Current				
Public safety				
Other operating expenditures	1,410,983	952,711	458,272	872,171
Total expenditures	<u>1,410,983</u>	<u>952,711</u>	<u>458,272</u>	<u>872,172</u>
Revenues over (under) expenditures	<u>(432,240)</u>	<u>954,424</u>	<u>522,184</u>	<u>91,999</u>
Other financing sources (uses)				
Appropriated fund balance	432,240	(432,240)	-	-
Total other financing sources (uses)	<u>432,240</u>	<u>(432,240)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 522,184</u>	<u>522,184</u>	<u>91,999</u>
Fund balance				
Beginning			858,625	766,625
Ending			<u>\$ 1,380,809</u>	<u>\$ 858,625</u>

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

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
County grants and contributions	\$ 135,560	\$ 130,000	\$ -	\$ 130,000
Total restricted intergovernmental	<u>135,560</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Miscellaneous				
Other (donations)	1,944,094	1,944,094	-	1,944,094
Total miscellaneous	<u>1,944,094</u>	<u>1,944,094</u>	<u>-</u>	<u>1,944,094</u>
Interest earned on investments	<u>49,337</u>	<u>49,404</u>	<u>54</u>	<u>49,458</u>
Total revenues	<u>2,128,991</u>	<u>2,123,498</u>	<u>54</u>	<u>2,123,552</u>
Expenditures				
Current				
Recreational and community facilities				
Linear Park	2,179,070	2,140,233	6,540	2,146,773
Total expenditures	<u>2,179,070</u>	<u>2,140,233</u>	<u>6,540</u>	<u>2,146,773</u>
Revenues over (under) expenditures	<u>(50,079)</u>	<u>(16,735)</u>	<u>(6,486)</u>	<u>(23,221)</u>
Other financing sources (uses)				
Transfers in (out)	50,079	50,079	-	50,079
Total other financing sources (uses)	<u>50,079</u>	<u>50,079</u>	<u>-</u>	<u>50,079</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 33,344</u>	<u>(6,486)</u>	<u>\$ 26,858</u>
Fund balance				
Beginning			33,344	
Ending			<u>\$ 26,858</u>	

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

Year Ended June 30, 2022
(With Comparative Actual Amounts For Year Ended June 30, 2021)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Revenues				
Assessment revenue	\$ 2,744,000	\$ (789,861)	\$ 1,954,139	\$ 2,173,775
Interest earned on investments	390,000	(64,257)	325,743	354,046
Total revenues	<u>3,134,000</u>	<u>(854,118)</u>	<u>2,279,882</u>	<u>2,527,821</u>
Expenditures				
Current				
Administration				
Intergovernmental expense - assessment	3,134,000	854,118	2,279,882	2,527,821
Total expenditures	<u>3,134,000</u>	<u>854,118</u>	<u>2,279,882</u>	<u>2,527,821</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance				
Beginning			-	
Ending			<u>\$ -</u>	



Capital Project Funds

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

The following comprise the City's Capital Project Funds:

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

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

City of Fayetteville, North Carolina

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Combining Balance Sheet
Nonmajor Capital Project Funds

June 30, 2022

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Environmental Protection Fund	Economic and Physical Development Fund	Total Nonmajor Capital Project Funds
Assets							
Cash and investments	\$ 536,119	\$ -	\$ 2,126,725	\$ 466,577	\$ -	\$ 1,036,179	\$ 4,165,600
Accounts receivable	121	-	14,307	-	93,153	523,363	630,944
Due from other governments	23,035	13,494	2,145,366	1,793,327	6,908,582	1,084	10,884,888
Restricted cash and investments	1,808,198	10,422,563	7,665,036	4,642,165	-	1,656,963	26,194,925
Interfund receivable	4,964,838	-	4,516,652	902,826	-	-	10,384,316
Total assets	<u>\$ 7,332,311</u>	<u>\$ 10,436,057</u>	<u>\$ 16,468,086</u>	<u>\$ 7,804,895</u>	<u>\$ 7,001,735</u>	<u>\$ 3,217,589</u>	<u>\$ 52,260,673</u>
Liabilities, deferred inflows of resources and fund balances							
Liabilities:							
Accounts payable and accrued expenses	\$ 235,307	\$ 11,031	\$ 74,862	\$ 44,043	\$ 332,407	\$ 236,660	\$ 934,310
Unearned revenue	-	-	4,302,016	4,664,047	-	743,912	9,709,975
Restricted accounts payable and accrued expenses	-	-	1,456,735	-	-	-	1,456,735
Interfund payables	-	311,962	-	-	6,169,528	-	6,481,490
Total liabilities	<u>235,307</u>	<u>322,993</u>	<u>5,833,613</u>	<u>4,708,090</u>	<u>6,501,935</u>	<u>980,572</u>	<u>18,582,510</u>
Fund balances:							
Restricted							
Administration	2,053,219	-	-	-	-	-	2,053,219
Public safety	-	9,173,443	-	-	-	-	9,173,443
For streets	-	-	1,900,409	-	-	-	1,900,409
Transportation	-	-	6,563,965	-	-	-	6,563,965
Economic and physical development	-	-	-	-	-	1,036,632	1,036,632
Recreation and community facilities	-	-	-	205,225	-	-	205,225
Environmental protection	-	-	-	-	681,047	-	681,047
Committed							
Administration	5,043,785	-	-	-	-	-	5,043,785
Public safety	-	939,621	-	-	-	-	939,621
Transportation	-	-	2,170,099	-	-	-	2,170,099
Economic and physical development	-	-	-	-	-	1,200,385	1,200,385
Recreation and community facilities	-	-	-	2,891,580	-	-	2,891,580
Unassigned	-	-	-	-	(181,247)	-	(181,247)
Total fund balances	<u>7,097,004</u>	<u>10,113,064</u>	<u>10,634,473</u>	<u>3,096,805</u>	<u>499,800</u>	<u>2,237,017</u>	<u>33,678,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,332,311</u>	<u>\$ 10,436,057</u>	<u>\$ 16,468,086</u>	<u>\$ 7,804,895</u>	<u>\$ 7,001,735</u>	<u>\$ 3,217,589</u>	<u>\$ 52,260,673</u>

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

For the Year Ended June 30, 2022

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Environmental Protection Fund	Economic and Physical Development Fund	Total Nonmajor Capital Project Funds
Revenues							
Restricted intergovernmental	\$ -	\$ -	\$ 20,367	\$ 7,835	\$ 2,410,139	\$ 1,046,208	\$ 3,484,549
Miscellaneous	-	455	150,267	66,265	-	436,018	653,005
Interest earned on investments	4,179	63	5,875	5,555	-	1,810	17,482
Total revenues	<u>4,179</u>	<u>518</u>	<u>176,509</u>	<u>79,655</u>	<u>2,410,139</u>	<u>1,484,036</u>	<u>4,155,036</u>
Expenditures							
Capital outlay	4,072,608	832,193	6,744,034	1,367,972	2,005,658	2,346,926	17,369,391
Total expenditures	<u>4,072,608</u>	<u>832,193</u>	<u>6,744,034</u>	<u>1,367,972</u>	<u>2,005,658</u>	<u>2,346,926</u>	<u>17,369,391</u>
Revenues over (under) expenditures	<u>(4,068,429)</u>	<u>(831,675)</u>	<u>(6,567,525)</u>	<u>(1,288,317)</u>	<u>404,481</u>	<u>(862,890)</u>	<u>(13,214,355)</u>
Other financing sources (uses)							
Issuance of debt	-	10,430,000	-	-	-	-	10,430,000
Transfers in	2,719,363	428,910	8,084,947	2,315,000	-	1,065,000	14,613,220
Total other financing sources (uses)	<u>2,719,363</u>	<u>10,858,910</u>	<u>8,084,947</u>	<u>2,315,000</u>	<u>-</u>	<u>1,065,000</u>	<u>25,043,220</u>
Revenues and other financing sources (uses) over (under) expenditures	(1,349,066)	10,027,235	1,517,422	1,026,683	404,481	202,110	11,828,865
Fund balance							
Beginning	8,446,070	85,829	9,117,051	2,070,122	95,319	2,034,907	21,849,298
Ending	<u>\$ 7,097,004</u>	<u>\$ 10,113,064</u>	<u>\$ 10,634,473</u>	<u>\$ 3,096,805</u>	<u>\$ 499,800</u>	<u>\$ 2,237,017</u>	<u>\$ 33,678,163</u>

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

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants	\$ 342,702	\$ 196,620	\$ -	\$ 196,620
State grants	390,056	241,538	-	241,538
Local	10,000	10,000	-	10,000
Total restricted intergovernmental	<u>742,758</u>	<u>448,158</u>	<u>-</u>	<u>448,158</u>
Miscellaneous				
Other	142,812	142,812	-	142,812
Interest earned on investments				
	1,391	119	4,179	4,298
Total revenues	<u>886,961</u>	<u>591,089</u>	<u>4,179</u>	<u>595,268</u>
Expenditures				
General government administration projects	28,155,193	14,485,720	4,072,608	18,558,328
Revenues over (under) expenditures	<u>(27,268,232)</u>	<u>(13,894,631)</u>	<u>(4,068,429)</u>	<u>(17,963,060)</u>
Other financing sources (uses)				
Issuance of debt	4,832,152	3,502,644	-	3,502,644
Transfers in	22,436,080	18,838,057	2,719,363	21,557,420
Total other financing sources (uses)	<u>27,268,232</u>	<u>22,340,701</u>	<u>2,719,363</u>	<u>25,060,064</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 8,446,070</u>	<u>(1,349,066)</u>	<u>\$ 7,097,004</u>
Fund balance				
Beginning			8,446,070	
Ending			<u>\$ 7,097,004</u>	

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

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 428,258	\$ 379,161	\$ -	\$ 379,161
Total restricted intergovernmental	<u>428,258</u>	<u>379,161</u>	<u>-</u>	<u>379,161</u>
Miscellaneous				
Other	35,000	34,546	455	35,001
Total miscellaneous	<u>35,000</u>	<u>34,546</u>	<u>455</u>	<u>35,001</u>
Interest earned on investments	<u>-</u>	<u>15,745</u>	<u>63</u>	<u>15,808</u>
Total revenues	<u>463,258</u>	<u>429,452</u>	<u>518</u>	<u>429,970</u>
Expenditures				
Public safety projects	27,755,970	16,111,100	832,193	16,943,293
Revenues over (under) expenditures	<u>(27,292,712)</u>	<u>(15,681,648)</u>	<u>(831,675)</u>	<u>(16,513,323)</u>
Other financing sources (uses)				
Issuance of debt	24,400,080	13,647,682	10,430,000	24,077,682
Transfers in	5,214,732	4,441,895	428,910	4,870,805
Transfers out	(2,322,100)	(2,322,100)	-	(2,322,100)
Total other financing sources (uses)	<u>27,292,712</u>	<u>15,767,477</u>	<u>10,858,910</u>	<u>26,626,387</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 85,829</u>	<u>10,027,235</u>	<u>\$ 10,113,064</u>
Fund balance				
Beginning			85,829	
Ending			<u>\$ 10,113,064</u>	

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

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants	\$ 6,640,547	\$ 3,916,365	\$ 2,275	\$ 3,918,640
State grants	6,048,848	1,159,789	18,092	1,177,881
Total restricted intergovernmental	<u>12,689,395</u>	<u>5,076,154</u>	<u>20,367</u>	<u>5,096,521</u>
Miscellaneous				
Owner contributions	402,737	300,038	150,267	450,305
Other	10,204	10,204	-	10,204
Total miscellaneous	<u>412,941</u>	<u>310,242</u>	<u>150,267</u>	<u>460,509</u>
Interest earned on investments	<u>6,524</u>	<u>6,589</u>	<u>5,875</u>	<u>12,464</u>
Total revenues	<u>13,108,860</u>	<u>5,392,985</u>	<u>176,509</u>	<u>5,569,494</u>
Expenditures				
Transportation projects	53,068,898	27,659,009	6,744,034	34,403,043
Revenues (over) under expenditures	<u>(39,960,038)</u>	<u>(22,266,024)</u>	<u>(6,567,525)</u>	<u>(28,833,549)</u>
Other financing sources (uses)				
Transfers in	41,056,656	32,479,692	8,084,947	40,564,639
Transfers out	(1,096,618)	(1,096,617)	-	(1,096,617)
Total other financing sources (uses)	<u>39,960,038</u>	<u>31,383,075</u>	<u>8,084,947</u>	<u>39,468,022</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 9,117,051</u>	1,517,422	<u>\$ 10,634,473</u>
Fund balance				
Beginning			9,117,051	
Ending			<u>\$ 10,634,473</u>	

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

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 1,414,629	\$ 1,282,865	\$ -	\$ 1,282,865
State grants and contributions	8,709,412	4,011,716	7,835	4,019,551
Local	18,750	3,995	-	3,995
Total restricted intergovernmental	<u>10,142,791</u>	<u>5,298,576</u>	<u>7,835</u>	<u>5,306,411</u>
Miscellaneous				
Other	659,385	819,460	46,265	865,725
Donations	415,671	363,388	20,000	383,388
Total miscellaneous	<u>1,075,056</u>	<u>1,182,848</u>	<u>66,265</u>	<u>1,249,113</u>
Interest earned on investments	<u>462,453</u>	<u>517,242</u>	<u>5,555</u>	<u>522,797</u>
Total revenues	<u>11,680,300</u>	<u>6,998,666</u>	<u>79,655</u>	<u>7,078,321</u>
Expenditures				
Recreational and cultural projects	<u>22,066,785</u>	<u>13,022,051</u>	<u>1,367,972</u>	<u>14,390,023</u>
Revenues over (under) expenditures	<u>(10,386,485)</u>	<u>(6,023,385)</u>	<u>(1,288,317)</u>	<u>(7,311,702)</u>
Other financing sources (uses)				
Issuance of debt	3,139,414	3,134,715	-	3,134,715
Sale of capital assets	712,600	712,600	-	712,600
Transfers in	6,565,626	4,277,347	2,315,000	6,592,347
Transfers out	(31,155)	(31,155)	-	(31,155)
Total other financing sources (uses)	<u>10,386,485</u>	<u>8,093,507</u>	<u>2,315,000</u>	<u>10,408,507</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,070,122</u>	<u>1,026,683</u>	<u>\$ 3,096,805</u>
Fund balance				
Beginning			<u>2,070,122</u>	
Ending			<u>\$ 3,096,805</u>	

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Environmental Protection Fund**

From Inception And For Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 6,730,128	\$ 4,491,980	\$ 1,807,604	\$ 6,299,584
State grants and contributions	2,243,376	1,497,326	602,535	2,099,861
Total restricted intergovernmental	<u>8,973,504</u>	<u>5,989,306</u>	<u>2,410,139</u>	<u>8,399,445</u>
Total revenues	<u>8,973,504</u>	<u>5,989,306</u>	<u>2,410,139</u>	<u>8,399,445</u>
Expenditures				
Environmental protection projects	9,392,493	5,993,987	2,005,658	7,999,645
Revenues over (under) expenditures	<u>(418,989)</u>	<u>(4,681)</u>	<u>404,481</u>	<u>399,800</u>
Other financing sources (uses)				
Transfers in	418,989	100,000	-	100,000
Total other financing sources (uses)	<u>418,989</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 95,319</u>	<u>404,481</u>	<u>\$ 499,800</u>
Fund balance				
Beginning			95,319	
Ending			<u>\$ 499,800</u>	

**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, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants	\$ 4,990,000	\$ 110,404	\$ 1,043,866	\$ 1,154,270
State grants	1,250,000	250,000	-	250,000
County	250,243	250,242	-	250,242
Local	92,105	73,291	2,342	75,633
Total restricted intergovernmental	<u>6,582,348</u>	<u>683,937</u>	<u>1,046,208</u>	<u>1,730,145</u>
Miscellaneous				
Segra Stadium capital maintenance & improve.	380,000	386,609	286,018	672,627
Contributions and donations - all other	1,118,517	641,183	150,000	791,183
Total miscellaneous	<u>1,498,517</u>	<u>1,027,792</u>	<u>436,018</u>	<u>1,463,810</u>
Interest earned on investments	<u>661,788</u>	<u>663,219</u>	<u>1,810</u>	<u>665,029</u>
Total revenues	<u>8,742,653</u>	<u>2,374,948</u>	<u>1,484,036</u>	<u>3,858,984</u>
Expenditures				
Economic and development projects	<u>81,304,627</u>	<u>71,837,016</u>	<u>2,346,926</u>	<u>74,183,942</u>
Revenues over (under) expenditures	<u>(72,561,974)</u>	<u>(69,462,068)</u>	<u>(862,890)</u>	<u>(70,324,958)</u>
Other financing sources (uses)				
Issuance of debt	53,140,000	53,140,000	-	53,140,000
Transfers in	19,461,974	18,396,975	1,065,000	19,461,975
Transfers out	(40,000)	(40,000)	-	(40,000)
Total other financing sources (uses)	<u>72,561,974</u>	<u>71,496,975</u>	<u>1,065,000</u>	<u>72,561,975</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,034,907</u>	<u>202,110</u>	<u>\$ 2,237,017</u>
Fund balance				
Beginning			<u>2,034,907</u>	
Ending			<u>\$ 2,237,017</u>	

City of Fayetteville, North Carolina

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Annual Comprehensive Financial Report * FY2022



Proprietary Funds

- Enterprise Funds
- Internal Service Funds

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

City of Fayetteville, North Carolina

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Annual Comprehensive Financial Report * FY2022



Enterprise Funds

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

The following comprise the City's Enterprise Funds:

- Stormwater Management Fund
- Transit Fund
- Airport Fund
- Solid Waste Fund

City of Fayetteville, North Carolina

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

For the Year Ended June 30, 2022
(With Comparative Actual Amounts for Year Ended June 30, 2021)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Operating revenues				
Charges for services	\$ 11,379,750	\$ (28,525)	\$ 11,351,225	\$ 11,254,040
Other revenue from operations	125,991	-	125,991	65,270
Total operating revenues	<u>11,505,741</u>	<u>(28,525)</u>	<u>11,477,216</u>	<u>11,319,310</u>
Operating expenditures				
Salaries and employee benefits	3,724,383	682,557	3,041,826	2,889,511
Other operating expenditures	2,257,619	597,350	1,660,269	1,827,837
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>6,057,002</u>	<u>1,279,907</u>	<u>4,777,095</u>	<u>4,792,348</u>
Operating income (loss)	<u>5,448,739</u>	<u>1,251,382</u>	<u>6,700,121</u>	<u>6,526,962</u>
Nonoperating revenues (expenditures)				
Federal grants	-	1,051	1,051	36,357
Miscellaneous	-	2,000	2,000	467,073
Interest earned on investments	1,340	6,682	8,022	(1,659)
Debt service - principal payment	(795,065)	-	(795,065)	(774,794)
Interest expense	(135,240)	18,975	(116,265)	(138,475)
Nonoperating revenues (expenditures)	<u>(928,965)</u>	<u>28,708</u>	<u>(900,257)</u>	<u>(411,498)</u>
Revenues over (under) expenditures	<u>4,519,774</u>	<u>1,280,090</u>	<u>5,799,864</u>	<u>6,115,464</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	12,700	(12,700)	-	40,868
Transfers out	(4,630,058)	38,136	(4,591,922)	(6,064,781)
Appropriated fund balance	97,584	(97,584)	-	-
Total other financing sources (uses)	<u>(4,519,774)</u>	<u>(72,148)</u>	<u>(4,591,922)</u>	<u>(6,023,913)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,207,942</u>	<u>\$ 1,207,942</u>	<u>\$ 91,551</u>
Reconciliation of change in net position				
Total revenues			\$ 11,488,289	\$ 11,087,155
Total expenditures			<u>10,280,347</u>	<u>10,995,604</u>
Subtotal			1,207,942	91,551
Depreciation and amortization			(1,399,348)	(1,339,077)
Change in accrued vacation			15,301	(11,430)
Net OPEB expense			(77,250)	(120,651)
LGERS expense			67,551	(97,091)
Proceeds from sale of assets			-	(40,868)
Gain (loss) on disposal of assets			-	(114,137)
Lease principal payments			4,155	-
Principal payment			795,065	774,794
Unearned revenue			-	6,712
Bad debt expense			(5,092)	(2,704)
Accrued interest			(9,625)	(10,098)
Subtotal			<u>(609,243)</u>	<u>(954,550)</u>
Change in net position			<u>\$ 598,699</u>	<u>\$ (862,999)</u>

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

From Inception And For Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Restricted intergovernmental				
Federal grants	\$ 10,550,000	\$ -	\$ -	\$ -
State grants	309,500	309,500	-	309,500
Total restricted intergovernmental	<u>10,859,500</u>	<u>309,500</u>	<u>-</u>	<u>309,500</u>
Interest earned on investments	207,325	801,006	35,764	836,770
Total revenues	<u>11,066,825</u>	<u>1,110,506</u>	<u>35,764</u>	<u>1,146,270</u>
Expenditures				
Current				
Environmental Protection				
Stormwater capital projects	42,403,162	11,211,956	6,432,862	17,644,818
Total expenditures	<u>42,403,162</u>	<u>11,211,956</u>	<u>6,432,862</u>	<u>17,644,818</u>
Revenues over (under) expenditures	<u>(31,336,337)</u>	<u>(10,101,450)</u>	<u>(6,397,098)</u>	<u>(16,498,548)</u>
Other financing sources (uses)				
Transfers in	31,275,337	26,649,577	4,591,922	31,241,499
Capital leases	61,000	60,644	-	60,644
Total other financing sources (uses)	<u>31,336,337</u>	<u>26,710,221</u>	<u>4,591,922</u>	<u>31,302,143</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 16,608,771</u>	<u>\$ (1,805,176)</u>	<u>\$ 14,803,595</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ (1,805,176)	
Capital outlay			6,432,862	
Capital outlay adjustment from prior year			(255,775)	
Non-capitalizable items			(4,913,168)	
Change in net position			<u>\$ (541,257)</u>	

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

**For the Year Ended June 30, 2022
(With Comparative Actual Amounts for Year Ended June 30, 2021)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Operating revenues				
Charges for services	\$ 1,102,894	\$ (1,101,743)	\$ 1,151	\$ 3,514
Other revenues from operations	296,277	(207,765)	88,512	270,921
Total operating revenues	<u>1,399,171</u>	<u>(1,309,508)</u>	<u>89,663</u>	<u>274,435</u>
Operating expenditures				
Salaries and employee benefits	7,609,943	776,265	6,833,678	6,499,195
Other operating expenditures	4,057,267	647,338	3,409,929	3,065,653
Capital outlay	20,000	4,000	16,000	14,226
Total operating expenditures	<u>11,687,210</u>	<u>1,427,603</u>	<u>10,259,607</u>	<u>9,579,074</u>
Operating loss	<u>(10,288,039)</u>	<u>118,095</u>	<u>(10,169,944)</u>	<u>(9,304,639)</u>
Nonoperating revenues (expenditures)				
Interest on lease receivables	-	10,853	10,853	-
Federal grants	4,832,894	946,528	5,779,422	5,992,085
State grants	730,000	16,023	746,023	-
Vehicle fee revenue	641,500	(2,010)	639,490	669,937
Miscellaneous	1,750	148,426	150,176	-
Interest expense	-	(1,952)	(1,952)	-
Total nonoperating revenues (expenditures)	<u>6,206,144</u>	<u>1,117,868</u>	<u>7,324,012</u>	<u>6,662,022</u>
Revenues over (under) expenditures	<u>(4,081,895)</u>	<u>1,235,963</u>	<u>(2,845,932)</u>	<u>(2,642,617)</u>
Other financing sources (uses)				
Transfers in	4,853,024	(1,994,353)	2,858,671	3,853,700
Transfers out	(824,100)	824,100	-	(965,625)
Proceeds from sale of capital assets	-	19,183	19,183	36,758
Lease revenues	-	62,738	62,738	-
Fund balance appropriation	52,971	(52,971)	-	-
Total other financing sources (uses)	<u>4,081,895</u>	<u>(1,141,303)</u>	<u>2,940,592</u>	<u>2,924,833</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 94,660</u>	<u>\$ 94,660</u>	<u>\$ 282,216</u>
Reconciliation of change in net position:				
Total revenues			\$ 10,356,219	\$ 10,826,915
Total expenditures			10,261,559	10,544,699
Subtotal			<u>94,660</u>	<u>282,216</u>
Depreciation and amortization			(1,579,780)	(1,530,294)
Net OPEB expense			(189,082)	(295,948)
Net LGERS expense			185,766	(266,998)
Change in inventory			22,675	17,524
Decrease (increase) in accrued vacation			(47,827)	16,457
Bad debt expense			(17,338)	(13,704)
Capital outlay			16,000	14,226
Proceeds from sale of assets			(19,183)	(36,758)
Gain (loss) on disposal of assets			(3,823)	23,825
Subtotal			<u>(1,632,592)</u>	<u>(2,071,670)</u>
Change in net position			<u>\$ (1,537,932)</u>	<u>\$ (1,789,454)</u>

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

From Inception and for Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal grants	\$ 18,608,065	\$ 12,406,588	\$ 3,825,105	\$ 16,231,693
State grants	1,688,492	1,138,706	271,588	1,410,294
Miscellaneous	-	43,000	-	43,000
Total revenues	<u>20,296,557</u>	<u>13,588,294</u>	<u>4,096,693</u>	<u>17,684,987</u>
Expenditures				
Transit capital projects	<u>23,491,713</u>	<u>16,110,034</u>	<u>4,560,701</u>	<u>20,670,735</u>
Total expenditures	<u>23,491,713</u>	<u>16,110,034</u>	<u>4,560,701</u>	<u>20,670,735</u>
Revenues over (under) expenditures	<u>(3,195,156)</u>	<u>(2,521,740)</u>	<u>(464,008)</u>	<u>(2,985,748)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	6,250	-	6,250
Transfers in	4,226,431	4,467,509	-	4,467,509
Transfers out	<u>(1,031,275)</u>	<u>(1,031,275)</u>	<u>-</u>	<u>(1,031,275)</u>
Total other financing sources (uses)	<u>3,195,156</u>	<u>3,442,484</u>	<u>-</u>	<u>3,442,484</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 920,744</u>	<u>\$ (464,008)</u>	<u>\$ 456,736</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ (464,008)	
Capital outlay			4,560,701	
Non-capitalizable items			<u>(4,219)</u>	
Change in net position			<u>\$ 4,092,474</u>	

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

From Inception and for Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Intergovernmental				
Federal grants	\$ 2,792,978	\$ 1,030,240	\$ 413,406	\$ 1,443,646
Total intergovernmental	<u>2,792,978</u>	<u>1,030,240</u>	<u>413,406</u>	<u>1,443,646</u>
Total revenues	<u>2,792,978</u>	<u>1,030,240</u>	<u>413,406</u>	<u>1,443,646</u>
Expenditures				
Current				
Transportation	3,048,915	1,173,669	555,048	1,728,717
Total expenditures	<u>3,048,915</u>	<u>1,173,669</u>	<u>555,048</u>	<u>1,728,717</u>
Revenues over (under) expenditures	<u>(255,937)</u>	<u>(143,429)</u>	<u>(141,642)</u>	<u>(285,071)</u>
Other financing sources (uses)				
Transfers in	255,937	259,798	-	259,798
Total other financing sources (uses)	<u>255,937</u>	<u>259,798</u>	<u>-</u>	<u>259,798</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 116,369</u>	<u>\$ (141,642)</u>	<u>\$ (25,273)</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			<u>(141,642)</u>	
Change in net position			<u>\$ (141,642)</u>	

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

For the Year Ended June 30, 2022
(With Comparative Actual Amounts for Year Ended June 30, 2021)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
Operating revenues				
Charges for services	\$ 3,141,447	\$ 870,482	\$ 4,011,929	\$ 3,285,880
Other revenues from operations	57,237	41,282	98,519	81,251
Total operating revenues	<u>3,198,684</u>	<u>911,764</u>	<u>4,110,448</u>	<u>3,367,131</u>
Operating expenditures				
Salaries and employee benefits	1,964,195	91,670	1,872,525	1,707,951
Other operating expenditures	2,564,838	914,219	1,650,619	1,505,516
Capital outlay	91,224	43,226	47,998	45,500
Total operating expenditures	<u>4,620,257</u>	<u>1,049,115</u>	<u>3,571,142</u>	<u>3,258,967</u>
Operating income (loss)	<u>(1,421,573)</u>	<u>1,960,879</u>	<u>539,306</u>	<u>108,164</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	4,500	12,450	16,950	5,679
Interest on lease receivables	-	-	131,946	-
Miscellaneous	232,964	(56,983)	175,981	164,052
Federal and State grants	1,129,500	2,044,918	3,174,418	2,673,638
Interest expense	-	-	(3,245)	-
Public safety reimbursements	-	(476,018)	(476,018)	(447,844)
Total nonoperating revenues	<u>1,366,964</u>	<u>1,524,367</u>	<u>3,020,032</u>	<u>2,395,525</u>
Revenues over (under) expenditures	<u>(54,609)</u>	<u>3,485,246</u>	<u>3,559,338</u>	<u>2,503,689</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	3,800	(3,800)	-	9,775
Transfers out	(460,000)	-	(460,000)	(420,100)
Lease revenues	-	-	430,005	-
Appropriated fund balance	510,809	(510,809)	-	-
Total other financing sources (uses)	<u>54,609</u>	<u>(514,609)</u>	<u>(29,995)</u>	<u>(410,325)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,970,637</u>	<u>\$ 3,529,343</u>	<u>\$ 2,093,364</u>
Reconciliation of change in net position				
Total revenues			\$ 8,039,748	\$ 6,220,275
Total expenditures			4,510,405	4,126,911
Subtotal			<u>3,529,343</u>	<u>2,093,364</u>
Depreciation and amortization			(5,371,955)	(4,870,022)
Decrease (increase) in accrued vacation			(20,421)	(10,780)
Net OPEB expense			(50,573)	(82,208)
Net LGERS expense			50,663	(72,819)
Change in inventory			(3,767)	2,833
Capital outlay			47,998	45,500
Lease principal payments			45,965	-
Proceeds from sale of assets			-	(9,775)
Gain (loss) on disposal of assets			-	9,775
Capital asset transfer from General Fund			12,514	-
Subtotal			<u>(5,289,576)</u>	<u>(4,987,496)</u>
Change in net position			<u>\$ (1,760,233)</u>	<u>\$ (2,894,132)</u>

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

From Inception and for Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal grants	\$ 34,325,323	\$ 23,081,191	\$ 7,817,083	\$ 30,898,274
State grants	9,803,376	7,657,364	837,917	8,495,281
Passenger facility charges	5,971,487	5,411,112	755,169	6,166,281
Customer facility charges	1,200,000	5,961,732	771,503	6,733,235
Investment income	311,091	898,449	28,759	927,208
Total revenues	<u>51,611,277</u>	<u>43,009,848</u>	<u>10,210,431</u>	<u>53,220,279</u>
Expenditures				
Airport capital projects	64,975,046	41,251,656	14,086,957	55,338,613
Total expenditures	<u>64,975,046</u>	<u>41,251,656</u>	<u>14,086,957</u>	<u>55,338,613</u>
Revenues over (under) expenditures	<u>(13,363,769)</u>	<u>1,758,192</u>	<u>(3,876,526)</u>	<u>(2,118,334)</u>
Other financing sources (uses)				
Transfers in	13,363,769	13,332,233	460,000	13,792,233
Proceeds from sale of capital assets	-	1,934	-	1,934
Total other financing sources (uses)	<u>13,363,769</u>	<u>13,334,167</u>	<u>460,000</u>	<u>13,794,167</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 15,092,359</u>	<u>\$ (3,416,526)</u>	<u>\$ 11,675,833</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ (3,416,526)	
Capital outlay			14,086,957	
Capital outlay adjustment from prior year			<u>49,715</u>	
Change in net position			<u>\$ 10,720,146</u>	

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

For the Year Ended June 30, 2022
(With Comparative Actual Amounts for Year Ended June 30, 2021)

	Budget	Variance Positive (Negative)	2022 Actual	2021 Actual
Operating revenues				
Charges for services	\$ 14,166,155	\$ (152,181)	\$ 14,013,974	\$ 13,929,143
Other revenue from operations	219,533	15,767	235,300	286,816
Total operating revenues	<u>14,385,688</u>	<u>(136,414)</u>	<u>14,249,274</u>	<u>14,215,959</u>
Operating expenditures				
Personnel	4,664,739	149,956	4,514,783	4,319,967
Other operating expenditures	10,977,949	776,216	10,201,733	7,022,334
Capital outlay	3,018,373	1,091,753	1,926,620	1,228,975
Total operating expenditures	<u>18,661,061</u>	<u>2,017,925</u>	<u>16,643,136</u>	<u>12,571,276</u>
Operating income (loss)	<u>(4,275,373)</u>	<u>1,881,511</u>	<u>(2,393,862)</u>	<u>1,644,683</u>
Nonoperating revenues (expenditures)				
Federal and State grants	-	9,184	9,184	314,930
County revenue	465,428	(1,356)	464,072	302,400
Miscellaneous	-	100	100	29,504
Donations	25,000	-	25,000	25,000
Interest earned on investments	369	16,119	16,488	7,655
Payments to agencies	(3,451)	443	(3,008)	(3,455)
Interest expense	(95,419)	68,392	(27,027)	(31,038)
Debt service - principal payment	(1,162,744)	(15,593)	(1,178,337)	(607,251)
Nonoperating revenues (expenditures)	<u>(770,817)</u>	<u>77,289</u>	<u>(693,528)</u>	<u>37,745</u>
Revenues over (under) expenditures	<u>(5,046,190)</u>	<u>1,958,800</u>	<u>(3,087,390)</u>	<u>1,682,428</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	116,600	(87,244)	29,356	225,291
Transfers in	326,605	(326,605)	-	1,758,676
Transfers out	-	-	-	(116,821)
Proceeds from loans	897,000	(18,876)	878,124	3,302,778
Appropriated fund balance	3,705,985	(3,705,985)	-	-
Total other financing sources (uses)	<u>5,046,190</u>	<u>(4,138,710)</u>	<u>907,480</u>	<u>5,169,924</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (2,179,910)</u>	<u>\$ (2,179,910)</u>	<u>\$ 6,852,352</u>
Reconciliation of change in net position				
Total revenues			\$ 15,671,598	\$ 20,182,193
Total expenditures			17,851,508	13,329,841
Subtotal			<u>(2,179,910)</u>	<u>6,852,352</u>
Depreciation and amortization			(1,140,849)	(1,080,634)
Decrease (increase) in accrued vacation			(35,970)	(32,825)
Net OPEB expense			(475,869)	(593,344)
Net LGERS expense			111,460	(160,197)
Change in inventory			(30,551)	(32,622)
Proceeds from sale of assets			(29,356)	(225,291)
Gain (loss) on disposal of assets			29,356	(405,399)
Bad debt expense			(9,595)	(4,577)
Unearned revenue			-	23
Capital outlay			1,926,620	1,228,975
Asset transfer in from General Fund			-	353,641
Debt principal payment			1,178,337	607,251
Lease principal payments			9,882	-
Proceeds from loans			(878,124)	(3,302,778)
Accrued interest			4,459	(8,622)
Subtotal			<u>659,800</u>	<u>(3,656,399)</u>
Change in net position			<u>\$ (1,520,110)</u>	<u>\$ 3,195,953</u>



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Internal Service Funds

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

The following comprise the City's Internal Service Funds:

- Risk Management Fund
- Fleet Maintenance Fund

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

City of Fayetteville, North Carolina

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**Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2022**

	<u>Risk Management Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Assets			
Current assets			
Cash and investments	\$ 24,495,192	\$ 888,457	\$ 25,383,649
Accounts receivable	3,938,916	112,168	4,051,084
Prepaid expenses	288,667	-	288,667
Total current assets	<u>28,722,775</u>	<u>1,000,625</u>	<u>29,723,400</u>
Noncurrent assets			
Capital assets	-	113,356	113,356
Right to use leased assets	-	2,723,760	2,723,760
Total noncurrent assets	<u>-</u>	<u>2,837,116</u>	<u>2,837,116</u>
Total assets	<u>28,722,775</u>	<u>3,837,741</u>	<u>32,560,516</u>
Deferred outflows of resources			
OPEB deferrals	27,972	-	27,972
Pension deferrals	88,730	54,678	143,408
Total deferred outflows of resources	<u>116,702</u>	<u>54,678</u>	<u>171,380</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	3,603,991	1,053,628	4,657,619
Current portion of long term debt	5,135	140,665	145,800
Total current liabilities	<u>3,609,126</u>	<u>1,194,293</u>	<u>4,803,419</u>
Noncurrent liabilities			
OPEB obligation	126,516	-	126,516
Net pension liability	58,480	(199,214)	(140,734)
Unearned revenues	4,746	-	4,746
Lease Liability	-	2,658,190	2,658,190
Total noncurrent liabilities	<u>189,742</u>	<u>2,458,976</u>	<u>2,648,718</u>
Total liabilities	<u>3,798,868</u>	<u>3,653,269</u>	<u>7,452,137</u>
Deferred inflows of resources			
OPEB deferrals	55,295	-	55,295
Pension deferrals	90,522	240,715	331,237
Total deferred inflows of resources	<u>145,817</u>	<u>240,715</u>	<u>386,532</u>
Net position			
Net investment in capital assets	-	67,520	67,520
Unrestricted	24,894,792	(69,085)	24,825,707
Total net position	<u>\$ 24,894,792</u>	<u>\$ (1,565)</u>	<u>\$ 24,893,227</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds**

For the Year Ended June 30, 2022

	Risk Management Fund	Fleet Maintenance Fund	Total
Operating Revenues			
Other revenue from operations	\$ 546,936	\$ -	\$ 546,936
Interfund charges and employee contributions	22,966,006	6,693,885	29,659,891
Total operating revenues	<u>23,512,942</u>	<u>6,693,885</u>	<u>30,206,827</u>
Operating expenses			
Salaries and employee benefits	432,307	1,484,177	1,916,484
Other operating expenses	20,661,725	5,280,900	25,942,625
Capital outlay	-	54,149	54,149
Total operating expenses	<u>21,094,032</u>	<u>6,819,226</u>	<u>27,913,258</u>
Operating income (loss)	<u>2,418,910</u>	<u>(125,341)</u>	<u>2,293,569</u>
Nonoperating revenues (expenses)			
Federal grants	(104)	-	(104)
Interest earned on investments	144,825	(23)	144,802
Interest - leases	-	(84,369)	(84,369)
Miscellaneous revenue	30,460	245	30,705
Total nonoperating revenues (expenses)	<u>175,181</u>	<u>(84,147)</u>	<u>91,034</u>
Income (loss) before transfers	<u>2,594,091</u>	<u>(209,488)</u>	<u>2,384,603</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	168,169	168,169
Transfers in	351,820	-	351,820
Transfers out	(1,515,000)	-	(1,515,000)
Total other financing sources (uses)	<u>(1,163,180)</u>	<u>168,169</u>	<u>(995,011)</u>
Change in net position	1,430,911	(41,319)	1,389,592
Total net position - beginning	<u>23,463,881</u>	<u>39,754</u>	<u>23,503,635</u>
Total net position - ending	<u>\$ 24,894,792</u>	<u>\$ (1,565)</u>	<u>\$ 24,893,227</u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

	Risk Management Fund	Fleet Maintenance Fund	Total
Operating activities			
Cash received from customers	\$ 19,348,174	\$ 6,581,962	\$ 25,930,136
Cash received for insurance reimbursements	546,936	-	546,936
Cash paid to or on behalf of employees for services	(459,197)	(1,496,773)	(1,955,970)
Cash paid for goods and services	(21,523,313)	(5,541,929)	(27,065,242)
Net cash provided by operating activities	<u>(2,087,400)</u>	<u>(456,740)</u>	<u>(2,544,140)</u>
Noncapital financing activities			
Transfers in	351,820	-	351,820
Intergovernmental contributions	(104)	-	(104)
Transfers out	(1,515,000)	-	(1,515,000)
Net cash provided (used) in noncapital financing activities	<u>(1,163,284)</u>	<u>-</u>	<u>(1,163,284)</u>
Capital and related financing activities			
Proceeds from sale of capital assets	-	168,169	168,169
Acquisition and construction of capital assets	-	(54,149)	(54,149)
Lease proceeds (payments)	-	(192,982)	(192,982)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(78,962)</u>	<u>(78,962)</u>
Investing activities			
Interest and dividends	144,825	(23)	144,802
Net cash provided by investing activities	<u>144,825</u>	<u>(23)</u>	<u>144,802</u>
Net increase in cash and cash equivalents	<u>(3,105,859)</u>	<u>(535,725)</u>	<u>(3,641,584)</u>
Cash and cash equivalents			
Beginning of year	27,601,051	1,424,182	29,025,233
End of year	<u>\$ 24,495,192</u>	<u>\$ 888,457</u>	<u>\$ 25,383,649</u>
Unrestricted cash and cash equivalents	\$ 24,495,192	\$ 888,457	\$ 25,383,649
Total cash and cash equivalents	<u>\$ 24,495,192</u>	<u>\$ 888,457</u>	<u>\$ 25,383,649</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,418,910	\$ (125,341)	\$ 2,293,569
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	180,308	180,308
Nonoperating receipts from customers	30,460	245	30,705
Change in assets, liabilities and deferrals:			
(Increase) decrease in accounts receivable	(3,647,087)	(112,168)	(3,759,255)
(Increase) decrease in inventory	-	317,598	317,598
(Increase) decrease in prepaid expenses	67,393	16,000	83,393
Increase (decrease) in unearned revenues	(1,205)	-	(1,205)
Increase (decrease) in accounts payable and accrued liabilities	(928,980)	(720,787)	(1,649,767)
Increase (decrease) in accrued compensated absences	(5,205)	21,180	15,975
Increase (decrease) LGERS expense	(11,821)	(33,776)	(45,597)
Increase (decrease) Net OPEB expense	(9,864)	-	(9,864)
Total adjustments	<u>(4,506,309)</u>	<u>(331,400)</u>	<u>(4,837,709)</u>
Net cash provided by operating activities	<u>\$ (2,087,399)</u>	<u>\$ (456,741)</u>	<u>\$ (2,544,140)</u>

**Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)
Risk Management Internal Service Fund**

**For the Year Ended June 30, 2022
(With Comparative Actual Amounts for Year Ended June 30, 2021)**

	Financial Plan	Variance Positive (Negative)	2022 Actual	2021 Actual
Operating revenues				
Other revenues from operations	\$ 399,393	\$ 147,543	\$ 546,936	\$ 151,810
Interfund charges and employee contributions	24,369,788	(1,403,782)	22,966,006	21,705,732
Total operating revenues	<u>24,769,181</u>	<u>(1,256,239)</u>	<u>23,512,942</u>	<u>21,857,542</u>
Operating expenditures				
Salaries and employee benefits	469,248	10,051	459,197	451,532
Other operating expenditures	24,528,333	2,968,949	21,559,384	19,807,992
Total operating expenditures	<u>24,997,581</u>	<u>2,979,000</u>	<u>22,018,581</u>	<u>20,259,524</u>
Operating income (loss)	<u>(228,400)</u>	<u>1,722,761</u>	<u>1,494,361</u>	<u>1,598,018</u>
Nonoperating revenues (expenditures)				
Federal grants	10,000	(10,104)	(104)	(620)
Interest earned on investments	218,400	(73,575)	144,825	174,049
Miscellaneous	-	30,460	30,460	25,066
Total nonoperating revenues (expenditures)	<u>228,400</u>	<u>(53,219)</u>	<u>175,181</u>	<u>198,495</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,669,542</u>	<u>1,669,542</u>	<u>1,796,513</u>
Other financing sources (uses)				
Transfers in	351,820	-	351,820	354,914
Transfers out	(1,515,000)	-	(1,515,000)	(735,000)
Appropriated fund balance	1,163,180	(1,163,180)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,163,180)</u>	<u>(1,163,180)</u>	<u>(380,086)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 506,362</u>	<u>506,362</u>	<u>1,416,427</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues			\$ 24,039,943	\$ 22,410,951
Total expenditures			23,533,581	20,994,524
Subtotal			<u>506,362</u>	<u>1,416,427</u>
Depreciation				
Decrease (increase) in accrued vacation			5,205	(1,609)
Change in net OPEB expense			9,864	5,428
Decrease (increase) in insurance liability			897,659	(1,131,618)
LGERS expense			11,821	(16,990)
Subtotal			<u>924,549</u>	<u>(1,144,789)</u>
Change in net position			<u>\$ 1,430,911</u>	<u>\$ 271,638</u>

Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)
Fleet Maintenance Internal Service Fund

For the Year Ended June 30, 2022
(With Comparative Actual Amounts for Year Ended June 30, 2021)

	Financial Plan	Variance Positive (Negative)	2022 Actual	2021 Actual
Operating revenues				
Interfund charges	\$ 7,796,414	\$ (1,102,529)	\$ 6,693,885	\$ 7,533,523
Total operating revenues	<u>7,796,414</u>	<u>(1,102,529)</u>	<u>6,693,885</u>	<u>7,533,523</u>
Operating expenditures				
Salaries and employee benefits	1,908,347	411,574	1,496,773	318,242
Other operating expenditures	5,832,411	802,286	5,030,125	7,470,413
Capital outlay	55,656	1,507	54,149	29,923
Total operating expenditures	<u>7,796,414</u>	<u>1,215,367</u>	<u>6,581,047</u>	<u>7,818,578</u>
Operating income (loss)	<u>-</u>	<u>112,838</u>	<u>112,838</u>	<u>(285,055)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	(23)	(23)	(57)
Interest - leases	-	-	(84,369)	-
Miscellaneous	-	245	245	-
Total nonoperating revenues (expenditures)	<u>-</u>	<u>222</u>	<u>(84,147)</u>	<u>(57)</u>
Revenues over (under) expenditures	<u>-</u>	<u>113,060</u>	<u>28,691</u>	<u>(285,112)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	168,169	168,169	-
Total other financing sources (uses)	<u>-</u>	<u>168,169</u>	<u>168,169</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 281,229</u>	<u>\$ 196,860</u>	<u>\$ (285,112)</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues			\$ 6,777,907	\$ 7,533,466
Total expenditures			6,581,047	7,818,578
Subtotal			<u>196,860</u>	<u>(285,112)</u>
Depreciation and amortization			(180,308)	(6,957)
Net LGERS expense			33,776	(4,854)
Change in inventory			(317,598)	271,739
Decrease (increase) in accrued vacation			(21,180)	(4,977)
Capital outlay			54,149	29,923
Lease principal payments			192,982	-
Gain (loss) on disposal of assets			-	(140,960)
Subtotal			<u>(238,179)</u>	<u>143,914</u>
Change in net position			<u>\$ (41,319)</u>	<u>\$ (141,198)</u>

City of Fayetteville, North Carolina

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Fiduciary Funds

The following comprise the City's Fiduciary Funds:

- Private-Purpose Trust Funds
- Custodial Fund

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

City of Fayetteville, North Carolina

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Trust & Custodial Funds

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

The following comprise the City's Trust Funds:

- Private-Purpose Trust Funds
 - Police Benefit Trust Fund
 - Firefighters' Benefit Trust Fund
- Custodial Fund
 - Red Light Camera Fund
 - Police Evidence Fund

City of Fayetteville, North Carolina

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Combining Statement of Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2022

	<u>Police Benefit Trust Fund</u>	<u>Firefighters' Benefit Trust Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 642	\$ 1,379,087	\$ 1,379,729
Total assets	<u>642</u>	<u>1,379,087</u>	<u>1,379,729</u>
Net position			
Restricted for benefits and other purposes	<u>642</u>	<u>1,379,087</u>	<u>1,379,729</u>
Total net position	<u><u>\$ 642</u></u>	<u><u>\$ 1,379,087</u></u>	<u><u>\$ 1,379,729</u></u>

Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2022

	Police Benefit Trust Fund	Firefighters' Benefit Trust Fund	Total
Additions			
Contributions	\$ -	\$ 146,879	\$ 146,879
Investment earnings	-	35,151	35,151
Total additions	<u>-</u>	<u>182,030</u>	<u>182,030</u>
Deductions			
Benefit payments and premiums	-	189,127	189,127
Total deductions	<u>-</u>	<u>189,127</u>	<u>189,127</u>
Change in net position	-	(7,097)	(7,097)
Total net position - beginning	<u>642</u>	<u>1,386,184</u>	<u>1,386,826</u>
Total net position - ending	<u>\$ 642</u>	<u>\$ 1,379,087</u>	<u>\$ 1,379,729</u>

Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022

	Red Light Camera Program	Police Evidence Fund	Total
Assets			
Cash and cash equivalents	\$ 227,402	\$ -	\$ 227,402
Restricted cash	-	274,292	274,292
Total assets	227,402	274,292	501,694
Liabilities			
Intergovernmental payable	227,402	-	227,402
Total liabilities	227,402	-	227,402
Net position			
Restricted by court order	-	274,292	274,292
Total net position	\$ -	\$ 274,292	\$ 274,292

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2022

	<u>Red Light Camera Program</u>	<u>Police Evidence Fund</u>	<u>Total</u>
Additions			
Red Light Program Revenue	\$ 2,973,466	\$ -	\$ 2,973,466
Police Evidence fund deposits	-	308,696	308,696
Total additions	<u>-</u>	<u>308,696</u>	<u>3,282,162</u>
Deductions			
Payments to school	2,973,466	-	2,973,466
Police Evidence fund releases	-	34,404	34,404
Total deductions	<u>-</u>	<u>34,404</u>	<u>3,007,870</u>
Change in net position	-	274,292	274,292
Total net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Total net position - ending	<u>\$ -</u>	<u>\$ 274,292</u>	<u>\$ 274,292</u>



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Other Supplemental Financial Data (unaudited)

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

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

City of Fayetteville, North Carolina

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Schedule of Current Tax Levy

Year Ended June 30, 2022

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
General Fund (Including VTS)	\$ 14,436,558,376	\$ 0.4995	\$ 72,110,609	\$ 63,963,692	\$ 8,146,917
Late Listing Penalties:					
General Fund			49,359	49,359	-
Subtotal			<u>72,159,968</u>	<u>64,013,051</u>	<u>8,146,917</u>
Discoveries:					
General Fund	64,614,254	0.4995	322,748	322,748	-
Late Listing Penalties:					
General Fund			30,977	30,977	-
Subtotal			<u>353,725</u>	<u>353,725</u>	<u>-</u>
Releases					
General Fund	(61,626,701)	0.4995	(307,825)	(307,825)	
Late Listing Penalties:					
General Fund			(2,514)	(2,514)	-
Subtotal			<u>(310,339)</u>	<u>(310,339)</u>	<u>-</u>
Adjusted Tax Levy			<u>72,203,354</u>	<u>64,056,437</u>	<u>8,146,917</u>
Uncollected Current Year Taxes at 6/30/2022			<u>(383,460)</u>	<u>(383,460)</u>	<u>-</u>
City-wide Current Year's Taxes Collected			<u>\$ 71,819,894</u>	<u>\$ 63,672,977</u>	<u>\$ 8,146,917</u>
City-wide Current Levy Collection Percentage			<u>99.47%</u>	<u>99.40%</u>	<u>100.00%</u>

Schedule of Taxes Receivable

June 30, 2022

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2022</u>
2022	\$ -	\$ 72,203,354	\$ 71,819,894	\$ 383,460
2021	605,996	(14,320)	431,957	159,719
2020	209,425	(10,445)	55,916	143,064
All Prior	1,293,275	(213,888)	46,854	1,032,533
	2,108,696	<u>\$ 71,964,701</u>	<u>\$ 72,354,621</u>	1,718,776
Less: Allowance for Uncollectible Taxes				
General Fund	(422,946)			(570,343)
	<u>\$ 1,685,750</u>			<u>\$ 1,148,433</u>
General Fund Taxes Receivable per the fund financial statements				\$ 1,202,121
Less: CBTD Taxes Receivable				(2,960)
Less: Vehicle License Fee Receivable				(50,728)
General Fund Ad Valorem Taxes Receivable				<u>\$ 1,148,433</u>

**Reconciliations of collections and credit
with revenues**

Ad Valorem Taxes per the fund financial statements	\$ 72,856,395
Less Penalties & Interest	(324,248)
Less Taxes - CBTD	(177,123)
Less collection of amounts not reported by County	(403)
General Fund Ad Valorem Taxes	<u>\$ 72,354,621</u>

**Emergency Telephone System Unspent Fund
PSAP Reconciliation**

June 30, 2022

Net Change in Fund Balance, reported on Budget to Actual	\$ 522,184
Beginning Balance, PSAP Revenue-Expenditure Report	873,073
Net Change in Fund Balance, PSAP Revenue-Expenditure Report	537,283
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 1,410,356</u>
Amount to be adjusted by transfer in (next fiscal year)	\$ 15,099

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

For the Year Ended June 30, 2022
With Comparative Actual Statements for the Year Ended June 30, 2021

	Budget	Variance Positive (Negative)	2022 Actual	2021 Actual
Revenues				
Restricted intergovernmental	\$ 978,606	\$ (200)	\$ 978,406	\$ 963,133
Interest earned on investments	137	1,913	2,050	1,038
Total revenues	<u>978,743</u>	<u>1,713</u>	<u>980,456</u>	<u>964,171</u>
Expenditures				
Current				
Public Safety				
Other operating expenditures	1,410,983	952,711	458,272	872,171
Total public safety	<u>1,410,983</u>	<u>952,711</u>	<u>458,272</u>	<u>872,171</u>
Total expenditures	<u>1,410,983</u>	<u>952,711</u>	<u>458,272</u>	<u>872,171</u>
Revenues over (under) expenditures	<u>(432,240)</u>	<u>954,424</u>	<u>522,184</u>	<u>92,000</u>
Other financing sources (uses)				
Appropriated fund balance	432,240	(432,240)		-
Total other financing sources (uses)	<u>432,240</u>	<u>(432,240)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 522,184</u>	522,184	92,000
Fund balance				
Beginning			858,625	766,625
Ending			<u>\$ 1,380,809</u>	<u>\$ 858,625</u>



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Statistical Section

City of Fayetteville, North Carolina

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Statistical Section

(Unaudited)

This part of the City of Fayetteville's Annual Comprehensive 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 access the City's most significant local revenue sources.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

City of Fayetteville, North Carolina

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Investment in capital assets	\$ 348,741,323	\$ 338,558,257	\$ 330,625,569	\$ 338,293,438	\$ 329,434,958	\$ 335,025,076	\$ 333,857,014	\$ 330,863,790	\$ 335,817,027	\$ 350,198,457
Restricted for:										
Other purposes	27,136,010	29,025,780	43,756,156	41,001,564	54,544,864	43,761,893	45,667,826	46,691,849	34,354,204	59,722,337
Grant compliance	-	162,574	1,930,863	801,855	349,930	-	-	-	-	-
Unrestricted	40,944,759	39,561,009	26,744,127	27,543,627	6,879,303	2,162,493	8,772,466	16,112,820	27,352,998	1,385,952
Total governmental activities net position	\$ 416,822,092	\$ 407,307,620	\$ 403,056,715	\$ 407,640,484	\$ 391,209,055	\$ 380,949,462	\$ 388,297,306	\$ 393,668,459	\$ 397,524,229	\$ 411,306,746
Business-type activities										
Investment in capital assets	\$ 669,166,547	\$ 709,443,909	\$ 642,548,862	\$ 96,012,428	\$ 101,703,182	\$ 109,091,148	\$ 122,813,747	\$ 127,557,082	\$ 138,352,881	\$ 149,577,261
Restricted for:										
Capital projects	1,824,246	1,081,334	63,903,304	1,336,609	-	3,146,639	2,736,638	3,240,358	3,219,178	3,715,377
Debt service	60,723	108,014	1,920,080	-	-	-	-	-	-	-
Other purposes	-	1,020	1,020	1,020	-	1,020	1,020	-	-	-
Unrestricted	248,376,752	231,097,540	256,367,823	23,900,354	29,904,548	20,436,378	27,030,464	29,226,083	34,347,206	32,536,772
Total business-type activities net position	\$ 919,428,268	\$ 941,731,817	\$ 964,741,089	\$ 121,250,411	\$ 131,607,730	\$ 132,675,185	\$ 152,581,869	\$ 160,023,523	\$ 175,919,265	\$ 185,829,410
Primary government										
Investment in capital assets	\$ 1,017,907,870	\$ 1,048,002,166	\$ 973,174,431	\$ 434,305,866	\$ 431,138,140	\$ 444,116,224	\$ 456,670,761	\$ 458,420,872	\$ 474,169,908	\$ 499,775,718
Restricted for:										
Capital projects	1,824,246	1,081,334	63,903,304	1,336,609	-	3,146,639	2,736,638	3,240,358	3,219,178	3,715,377
Debt service	60,723	108,014	1,920,080	-	-	-	-	-	-	-
Other purposes	27,136,010	29,026,800	43,757,176	41,002,584	54,544,864	43,762,913	45,668,846	46,691,849	34,354,204	59,722,337
Grant compliance	-	162,574	1,930,863	801,855	349,930	-	-	-	-	-
Unrestricted	289,321,511	270,658,549	283,111,950	51,443,981	36,783,851	22,598,871	35,802,930	45,338,903	61,700,204	33,922,724
Total primary government net position	\$ 1,336,250,360	\$ 1,349,039,437	\$ 1,367,797,804	\$ 528,890,895	\$ 522,816,785	\$ 513,624,647	\$ 540,879,175	\$ 553,691,982	\$ 573,443,494	\$ 597,136,156

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities										
Administration	\$ 22,721,662	\$ 25,568,650	\$ 25,909,939	\$ 28,126,514	\$ 27,154,948	\$ 27,725,160	\$ 32,006,971	\$ 33,146,241	\$ 35,374,041	\$ 34,232,321
Public safety	72,692,847	77,282,295	76,505,137	84,190,564	87,298,393	87,955,537	88,029,051	91,791,490	95,161,063	93,856,122
Environmental protection	8,100,683	477,470	458,342	536,121	757,612	1,968,606	1,055,261	543,604	9,445,358	2,443,253
Transportation	20,294,164	20,447,440	20,620,224	21,400,512	22,297,364	21,615,802	20,211,384	21,926,105	20,387,913	22,722,662
Economic and physical development	6,300,683	4,714,803	5,541,090	6,573,922	5,785,839	12,017,640	6,927,799	7,660,987	6,169,848	21,738,956
Recreation and community facilities	13,502,165	13,974,381	13,905,171	14,997,725	15,921,506	16,080,896	17,299,909	17,454,989	18,293,574	18,264,188
Debt service: interest and fees	1,157,838	960,294	811,174	708,588	604,659	845,337	2,662,901	3,309,552	3,052,371	3,260,018
Total governmental activities	\$ 144,770,042	\$ 143,425,333	\$ 143,751,077	\$ 156,533,946	\$ 159,820,321	\$ 168,208,978	\$ 168,193,268	\$ 175,832,968	\$ 187,894,168	\$ 196,517,520
Business-type activities										
Electric	197,553,706	212,158,021	203,441,960	-	-	-	-	-	-	-
Water and wastewater	68,876,623	70,015,544	75,205,401	-	-	-	-	-	-	-
Stormwater management	3,225,830	4,588,821	4,569,999	4,755,537	4,662,158	5,098,148	4,755,536	7,481,723	9,292,133	11,466,611
Transit	7,721,977	8,339,679	8,886,160	9,401,907	10,449,142	11,294,000	11,560,359	12,206,990	12,375,100	12,434,235
Airport	6,085,394	6,277,135	6,510,834	7,235,478	7,537,690	7,723,260	7,833,020	8,016,695	8,694,307	9,302,780
Solid waste	2,189,613	9,793,149	10,044,425	10,266,780	11,763,102	11,353,828	14,162,893	13,285,435	13,695,011	16,313,584
Total business-type activities	\$ 285,653,143	\$ 311,172,349	\$ 308,658,779	\$ 31,659,702	\$ 34,412,092	\$ 35,469,236	\$ 38,311,808	\$ 40,990,783	\$ 44,056,551	\$ 49,517,210
Total primary government	\$ 430,423,185	\$ 454,597,682	\$ 452,409,856	\$ 188,193,648	\$ 194,232,413	\$ 203,678,214	\$ 206,505,076	\$ 216,823,751	\$ 231,940,719	\$ 246,034,730
Program Revenues										
Governmental activities										
Administration	\$ 994,985	\$ 1,542,466	\$ 1,811,598	\$ 2,087,923	\$ 1,105,173	\$ 6,883,834	\$ 5,028,557	\$ 4,276,174	\$ 4,731,668	\$ 5,107,219
Charges for services	16,374	32,545	8,485	4,610	5,893,754	804,547	695,832	809,180	711,890	2,000
Operating grants and contributions	-	-	-	-	-	50,969	39,380	181,520	17,984	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Public Safety	4,837,983	4,095,850	3,423,674	3,652,223	977,480	3,768,313	3,280,798	3,334,167	3,239,887	5,283,717
Charges for services	2,422,030	1,707,551	3,781,759	3,755,940	1,925,656	3,794,588	4,466,823	4,494,475	5,397,409	4,159,422
Operating grants and contributions	62,112	79,929	302,007	649,569	1,583,563	225,345	99,114	199,172	44,878	455
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Environmental Protection	202,215	59,335	36,020	45,075	-	36,165	57,560	72,505	56,260	75,660
Charges for services	24,198	-	6,098	-	-	854,225	319,733	107,560	106,878	1,684,340
Operating grants and contributions	758,309	-	-	-	-	483,445	1,607,220	3,539,088	576,073	1,592,213
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Transportation	1,130,521	1,276,526	1,337,933	907,196	150,317	1,115,587	1,338,267	924,635	882,498	901,265
Charges for services	5,426,591	5,581,480	5,568,092	7,227,243	5,372,792	5,601,534	5,283,529	5,184,685	5,035,628	6,024,613
Operating grants and contributions	3,487,233	1,905,111	173,144	6,622,200	1,234,697	6,763,426	1,953,068	4,535,676	3,202,006	3,388,774
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Economic and physical development	512,467	422,997	376,160	479,286	510,298	305,422	-	-	-	-
Charges for services	2,990,716	1,911,277	2,702,616	2,186,935	1,706,081	3,756,194	2,809,201	3,996,716	3,677,513	17,181,397
Operating grants and contributions	103	-	-	3,114	149,452	199,741	779,753	430,109	195,400	1,482,226
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Recreation and community facilities	4,874,495	5,051,290	4,990,974	4,725,666	1,735,367	2,433,093	7,256,828	4,613,071	3,953,219	1,516,462
Charges for services	188,446	149,587	218,258	418,295	2,432,942	408,590	669,909	454,957	8,226,114	4,069,511
Operating grants and contributions	695,162	882,480	1,179,024	1,409,404	33,564	577,221	256,490	533,430	1,830,180	74,100
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Interest and fees	111,724	104,110	88,737	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities programs	\$ 28,735,864	\$ 24,802,534	\$ 26,004,579	\$ 34,174,679	\$ 24,811,136	\$ 38,062,139	\$ 35,942,062	\$ 37,687,120	\$ 41,885,485	\$ 52,553,374

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

Schedule 3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 137,604	\$ 124,837	\$ 117,022	\$ 72,637	\$ 1,173,189	\$ 1,192,169	\$ 273,969	\$ 85,790	\$ 2,048,090	\$ 2,530,227
Restricted	19,370,822	20,994,163	24,408,566	24,304,919	27,898,312	27,546,240	23,007,626	24,799,126	28,487,867	42,515,890
Committed	-	-	-	3,774,601	4,672,755	5,433,945	6,164,494	6,789,253	7,250,083	8,530,243
Assigned	14,004,183	11,560,730	14,381,101	10,645,774	8,914,212	15,429,544	21,387,384	25,706,053	31,729,070	19,012,219
Unassigned	17,551,749	19,368,407	21,630,019	23,070,485	21,649,065	19,566,580	25,103,217	25,196,717	23,573,760	22,577,314
Total General Fund	\$ 51,064,358	\$ 52,048,137	\$ 60,536,708	\$ 61,868,417	\$ 64,307,533	\$ 69,168,478	\$ 75,936,690	\$ 82,576,939	\$ 93,088,870	\$ 95,165,893
Economic and Physical Development Fund¹										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,638,107	\$ 2,657,769	\$ 690,802	\$ -	\$ -
Committed	-	-	-	-	-	4,467,471	817,605	1,898,182	-	-
Total Economic and Physical Development Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,105,578	\$ 3,475,374	\$ 2,588,984	\$ -	\$ -
Federal and State Financial Assistance Fund²										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,844,263	\$ 4,192,255
Committed	-	-	-	-	-	-	-	-	17,825,604	10,354,866
Unassigned	-	-	-	-	-	-	-	-	(11,654,849)	(6,650,605)
Total Federal and State Financial Assistance Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,815,018	\$ 7,896,516
Recreational and Cultural Bond Fund³										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	-
Total Recreational and Cultural Bond Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,628,487
All other governmental funds										
Nonspendable	\$ -	\$ 3,937,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	7,765,188	8,697,672	22,959,252	17,499,500	26,996,482	25,430,435	45,422,911	34,726,067	19,123,560	22,337,786
Committed	6,012,520	7,506,621	7,307,120	6,638,069	6,423,088	6,136,749	2,391,443	20,223,527	22,770,668	12,929,291
Unassigned	(595,034)	(876,336)	(1,598,518)	(704,521)	(7,108,571)	(7,586,331)	(8,795,974)	(14,585,548)	(8,726,581)	(181,247)
Total all other governmental funds	\$ 13,182,674	\$ 19,265,671	\$ 28,667,854	\$ 23,432,048	\$ 26,310,999	\$ 23,980,853	\$ 39,018,380	\$ 40,364,046	\$ 33,167,647	\$ 35,085,830

¹ The Economic and Physical Development Fund was reported as a non-major fund in all fiscal years except 2018, 2019, and 2020.

² The Federal and State Financial Assistance Fund became a major fund in fiscal year 2021.

³ The Recreational and Cultural Bond Fund became a major fund in fiscal year 2022.

City of Fayetteville, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(Unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Ad valorem taxes	\$ 61,873,098	\$ 65,328,949	\$ 68,573,807	\$ 69,176,547	\$ 71,974,910	\$ 69,236,205	\$ 70,447,225	\$ 70,643,946	\$ 72,227,580	\$ 72,856,395
Other taxes	4,523,204	3,403,333	2,185,731	1,310,019	1,354,312	1,308,855	1,381,888	1,386,447	1,466,005	1,605,850
Intergovernmental										
Unrestricted intergovernmental	46,363,857	47,695,920	52,471,036	63,665,595	64,981,821	66,749,531	69,618,821	71,922,612	81,337,095	85,207,809
Restricted intergovernmental	16,113,807	13,173,189	16,134,374	17,377,544	16,374,101	18,825,639	20,588,484	23,434,585	28,416,035	35,783,831
Local	-	-	-	2,102	595,893	2,086,287	2,573,170	1,287,214	2,173,775	-
Other functional										
Permits and fees	2,933,818	2,347,930	2,324,735	2,377,031	2,200,113	2,686,636	2,002,660	1,946,372	2,190,060	3,063,489
Sales and services	4,347,871	3,998,499	4,102,986	4,449,582	4,478,635	4,722,334	4,959,379	3,945,921	3,515,432	5,294,274
Miscellaneous	3,543,069	3,906,564	3,457,945	5,767,858	3,593,019	3,084,122	3,789,792	4,727,644	2,805,244	6,300,285
Interest earned on investments	(42,273)	494,849	531,400	507,858	512,557	1,517,086	2,712,051	2,030,016	596,789	528,333
Total revenues	139,656,451	140,349,233	149,782,014	164,634,137	166,065,361	170,216,695	178,073,470	181,324,757	194,728,015	210,640,266
Expenditures										
Administration	24,004,298	26,540,551	26,654,879	30,025,265	26,894,226	29,412,602	31,698,800	31,756,835	34,804,709	36,189,044
Public safety	68,000,401	72,254,636	73,986,004	78,695,634	80,141,845	79,243,759	82,643,758	80,848,250	83,837,521	89,305,955
Environmental protection	6,386,275	32,980	291,281	335,188	524,951	1,737,096	829,058	253,573	9,090,119	2,108,117
Transportation	6,986,927	10,595,114	7,314,779	8,014,406	8,711,851	3,575,692	6,405,962	7,279,888	7,534,799	10,186,179
Economic and physical development	5,555,167	633,411	4,579,644	5,136,300	4,715,831	8,417,336	5,549,625	5,602,559	5,185,449	21,164,182
Recreation and community facilities	11,892,121	12,225,457	12,194,892	12,829,765	12,903,835	13,174,362	14,752,768	14,222,385	13,845,891	14,375,440
Capital outlay	13,595,726	10,362,652	14,351,276	19,966,233	15,906,632	38,046,963	64,924,053	24,447,823	21,190,311	47,505,360
Debt service										
Principal	6,638,587	5,349,379	5,471,456	6,935,683	4,481,128	8,515,090	8,784,805	8,586,864	9,272,823	10,882,006
Interest and fees	1,312,216	1,083,442	975,588	875,040	630,308	677,172	2,625,437	3,352,404	3,142,133	2,930,123
Issuance costs	-	-	-	-	70,738	-	29,471	27,884	11,439	-
Total expenditures	144,371,718	139,077,623	145,819,799	162,813,516	154,981,246	182,800,072	218,243,737	176,378,465	187,915,194	234,646,406
Excess (deficiency) of revenues over (under) expenditures	(4,715,267)	1,271,610	3,962,215	1,820,621	11,084,115	(12,563,377)	(40,170,267)	4,946,292	6,812,821	(24,006,140)
Other financing sources (uses)										
Refunding bonds issued	-	-	-	-	-	-	2,270,000	-	-	-
Proceeds from leases, bonds and other debt	-	3,937,714	4,257,748	1,878,677	4,240,977	60,916,009	23,910,000	4,746,405	8,647,221	48,602,786
Transfers in	18,954,192	25,838,734	27,543,908	13,808,925	11,275,323	12,416,885	12,575,737	14,348,430	13,032,521	16,923,373
Transfers out	(15,566,151)	(24,095,295)	(26,960,636)	(24,879,567)	(21,303,731)	(19,677,171)	(17,516,732)	(17,066,914)	(18,647,084)	(18,618,864)
Proceeds from sale of capital assets	1,027,375	114,013	168,430	140,302	169,922	5,564,030	306,689	115,312	696,088	316,985
Payment to refund bond escrow agent	-	-	-	-	-	-	(2,500,000)	-	-	-
Premium on bonds	-	-	-	-	-	-	2,300,109	-	-	1,487,054
Total other financing sources (uses)	4,415,416	5,795,166	5,009,450	(9,051,663)	(5,617,509)	59,219,753	21,345,803	2,153,233	3,728,746	48,711,334
Net change in fund balances	\$ (299,851)	\$ 7,066,776	\$ 8,971,665	\$ (7,231,042)	\$ 5,466,606	\$ 46,636,376	\$ (18,824,464)	\$ 7,099,525	\$ 10,541,567	\$ 24,705,194
Debt service as a percentage of noncapital expenditures	6.08%	5.00%	4.90%	5.47%	3.68%	6.35%	7.44%	7.86%	7.45%	7.38%

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	Vehicle License Tax	Privilege License	Beer and Wine Tax	Cablevision and Other Franchise Tax ¹	Rental Property Gross Receipts	Total
2022	\$ 72,856,395	\$ 59,244,981	\$ 12,685,860	\$ 639,948	\$ 16,573	\$ 827,614	-	\$ 949,329	\$ 147,220,700
2021	72,227,580	52,364,572	12,756,367	671,406	14,041	872,389	-	780,558	139,686,912
2020	70,643,946	45,332,265	12,899,834	630,246	14,061	899,042	-	742,141	131,161,535
2019	70,447,224	43,633,583	13,476,266	634,397	20,252	896,930	-	727,239	129,835,891
2018	69,236,205	41,189,439	13,596,188	630,565	25,831	904,062	-	652,459	126,234,749
2017	71,974,910	39,922,499	13,555,577	639,089	16,989	942,161	-	698,234	127,749,459
2016	69,176,547	38,764,144	13,864,508	635,258	17,118	916,625	-	657,643	124,031,843
2015	68,573,807	37,214,408	13,674,457	669,877	914,705	1,003,800	-	601,149	122,652,203
2014	65,328,949	34,581,531	11,609,581	873,233	1,121,164	914,579	-	603,416	115,032,453
2013	61,873,098	33,838,708	11,042,094	615,393	2,466,929	839,798	71,223	593,907	111,341,150

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

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

Schedule 6

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated		Sales Assessment Ratio ³
							Actual Taxable Value	Assessment Ratio ³	
2022	\$ 14,200,979,991	\$ 2,227,740,706	\$ 191,941,461	\$ 2,181,116,229	\$ 14,439,545,929	0.4995	\$ 16,003,042,706	88.65%	
2021	14,132,203,402	2,212,156,883	194,509,106	2,166,223,481	14,372,645,910	0.4995	15,104,013,103	94.24%	
2020	12,166,838,362	2,011,050,731	213,874,876	286,290,426	14,105,473,543	0.4995	14,601,785,630	95.99%	
2019	12,041,300,117	2,004,752,958	218,665,782	264,857,453	13,999,861,404	0.4995	14,134,456,127	98.87%	
2018 ⁵	11,910,788,026	1,922,225,242	196,690,912	245,808,939	13,783,895,241	0.4995	13,837,802,116	99.54%	
2017	12,445,237,310	1,955,171,158	190,188,186	235,523,304	14,355,073,350	0.486	13,764,805,486	105.08%	
2016	12,274,027,723	1,880,707,190	185,334,874	218,086,491	14,121,983,296	0.486	13,523,883,950	105.22%	
2015	12,156,853,512	1,867,670,393	153,629,753	209,378,587	13,968,775,071	0.456	13,461,954,100	104.43%	
2014	11,969,057,704	2,179,120,636	159,501,654	195,745,648	14,111,934,346	0.456	13,688,580,890	103.73%	
2013 ⁴	11,687,657,234	1,822,068,580	166,500,205	192,290,792	13,483,935,226	0.456	13,466,718,003	100.15%	

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 and again for fiscal year 2017-2018. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

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

² Exempt real estate only.

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

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

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

Source: Cumberland County Tax Office

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

Schedule 7

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate ²	Overlapping Rates ¹	
				Cumberland County	County wide
2022	0.4995	0.100	-		0.799
2021	0.4995	0.100	0.175		0.799
2020	0.4995	0.100	0.394		0.799
2019	0.4995	0.100	0.394		0.799
2018	0.4995	0.100	0.394		0.799
2017	0.4995	0.100	0.394		0.799
2016	0.486	0.100	0.336		0.740
2015	0.486	0.100	0.245		0.740
2014	0.456	0.100	0.345		0.740
2013	0.456	0.100	0.345		0.740

Source: Cumberland County Tax Office

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

² The Lake Valley Drive Municipal Service District was effective for the first time in fiscal year 2012 and ended fiscal year 2021

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

Schedule 8

	2022 ¹			2013 ²		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 157,878,053	1	1.09%	\$ 113,194,500	1	0.84%
Fayetteville VA Co LLC	91,139,174	2	0.63%			
Wal-Mart	54,258,100	3	0.38%	39,767,050	4	0.29%
Piedmont Natural Gas	53,384,539	4	0.37%	50,112,011	3	0.37%
Spectrum Southeast LLC	43,468,428	5	0.30%			
Campbell Soup Supply Co LLC	34,625,006	6	0.24%			
Westlake at Morganton LLC	27,641,500	7	0.19%	28,107,800	5	0.21%
Independence Place West Fayetteville	25,913,600	8	0.18%	24,064,200	7	0.18%
DDRM Fayetteville Pavilion LLC	25,790,300	9	0.18%	23,862,500	8	0.18%
Hidden Creek Village	23,663,800	10	0.16%	24,803,500	6	0.18%
Carolina Telephone				54,129,382	2	0.40%
Eagle Point Village Apartments				22,919,500	9	0.17%
Fayetteville Publishing Company				22,361,840	10	0.17%
	<u>\$ 537,762,500</u>		<u>3.72%</u>	<u>\$ 403,322,283</u>		<u>2.99%</u>

¹ Assessed valuations are as of January 1, 2021 and the associated tax levies were due in the fiscal year ended June 30, 2022.

² Assessed valuations are as of January 1, 2012 and the associated tax levies were due in the fiscal year ended June 30, 2013.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
Property Tax Levies and Collections¹
Last Ten Fiscal Years
(Unaudited)

Schedule 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2022	\$ 72,203,354	\$ 71,819,894	99.47%	-	\$ 71,819,894	99.47%	
2021	71,832,074	71,226,078	99.16%	-	71,226,078	99.16%	
2020	70,544,316	69,884,651	99.06%	431,957	70,316,608	99.68%	
2019	70,051,209	69,549,403	99.28%	501,806	70,051,209	100.00%	
2018	68,869,870	68,409,559	99.33%	287,117	68,696,676	99.75%	
2017	71,686,530	71,209,890	99.34%	417,099	71,626,989	99.92%	
2016	68,718,397	68,299,578	99.39%	418,819	68,718,397	100.00%	
2015	67,898,129	67,458,548	99.35%	340,316	67,798,864	99.85%	
2014	64,477,068	63,626,991	98.68%	367,556	63,994,547	99.25%	
2013	61,869,392	60,343,502	97.53%	832,286	61,175,788	98.88%	

¹ Schedule reflects the general tax levy only.

Source: Cumberland County Tax Office

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

Schedule 10

Fiscal Year	Governmental Activities					Business-type Activities							Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds ²	Limited Obligation Bonds ²	Installment Agreements	Notes Payable	Leases ⁴	General Obligation Bonds	Revenue Bonds	Notes Payable	Installment Agreements	Leases ⁴	Total Primary Government			
2022	\$ 36,886,413	\$ 45,297,049	\$ 29,682,277	NA	\$ 14,853,818	N/A	\$ 3,720,000	\$ 200,239	\$ 3,422,299	\$ 340,918	\$ 134,403,012	N/A	\$ 627	
2021	17,699,936	48,120,896	23,001,510	NA	-	N/A	4,475,000	225,269	3,738,444	-	97,261,055	0.617%	459	
2020	18,974,835	50,940,213	19,618,019	NA	-	N/A	5,210,000	250,299	1,057,681	-	96,051,047	0.668%	460	
2019	20,206,168	53,744,715	19,238,150	75,000	-	N/A	5,925,000	275,329	1,518,799	-	100,983,161	0.748%	483	
2018	2,971,717	50,520,000	22,579,714	150,000	-	N/A	6,615,000	300,359	2,232,018	-	85,368,808	0.662%	411	
2017	3,517,147	N/A	20,094,321	225,000	-	N/A	7,280,000	325,389	1,295,460	-	32,737,317	0.263%	157	
2016 ³	4,396,267	N/A	19,419,617	300,000	-	N/A	7,925,000	350,419	434,563	-	32,825,866	0.265%	158	
2015	8,577,821	N/A	20,606,769	375,000	-	2,741,682	242,101,959	34,167,522	575,942	-	309,146,695	2.546%	1,484	
2014	11,346,847	N/A	19,165,621	450,000	-	3,411,254	136,627,576	26,275,105	19,070	-	197,295,473	1.672%	937	
2013	14,110,875	N/A	17,927,431	525,000	-	4,270,372	150,206,030	22,650,444	39,465	-	209,729,617	1.813%	1,003	

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

¹ See schedule 15 Demographic and Economic Statistics for per capita personal income and population data.

² Outstanding debt presented is net of premiums and discounts as reported in the basic financial statements and the notes to the financial statements.

³ On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

⁴ GASB Statements 87 and 96 were implemented beginning in fiscal year 2022.

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

Schedule 11

General Bonded Debt Outstanding

Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Actual Total Assessed Value of	
					Property ¹	Per Capita ²
2022	\$ 36,886,413	\$ 45,297,049	\$ 3,720,000	\$ 85,903,462	0.59%	\$ 401
2021	17,699,936	48,120,896	4,475,000	70,295,832	0.49%	332
2020	18,974,835	50,940,213	5,210,000	75,125,048	0.53%	360
2019	20,206,168	53,744,715	5,925,000	79,875,883	0.57%	382
2018	2,967,659	50,520,000	6,615,000	60,102,659	0.44%	290
2017	3,517,147	N/A	7,280,000	10,797,147	0.08%	52
2016 ³	4,336,988	N/A	7,925,000	12,261,988	0.09%	59
2015	8,635,000	N/A	227,025,000	235,660,000	1.69%	1,131
2014	11,199,999	N/A	128,965,000	140,164,999	0.99%	666
2013	13,955,000	N/A	141,965,000	155,920,000	1.16%	746

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

¹ See Schedule 6 for property value data.

² Population data can be found in Schedule 15.

³ On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2022
(Unaudited)

Schedule 12

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 57,200,294	59.20%	\$ 33,860,709
Subtotal, overlapping debt			33,860,709
City of Fayetteville direct debt			<u>126,719,557</u>
Total direct and overlapping debt			<u>\$ 160,580,266</u>

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

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

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

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

Schedule 13

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	\$ 1,083,524,525	\$ 1,128,954,748	\$ 1,117,502,006	\$ 1,129,758,664	\$ 1,148,407,468	\$ 1,101,893,334	\$ 1,119,988,912	\$ 1,128,437,863	\$ 1,149,811,673	\$ 1,155,163,674
Total net debt applicable to limit	58,617,340	60,667,897	66,244,784	24,491,168	25,111,914	78,449,391	92,480,134	88,329,793	92,560,787	130,482,774
Legal debt margin	\$ 1,024,907,185	\$ 1,068,286,851	\$ 1,051,257,222	\$ 1,105,267,496	\$ 1,123,295,554	\$ 1,023,443,943	\$ 1,027,508,778	\$ 1,040,108,090	\$ 1,057,250,886	\$ 1,024,680,901

Total net debt applicable to the limit as a percentage of debt limit

	5.41%	5.37%	5.93%	2.17%	2.19%	7.12%	8.26%	7.83%	8.05%	11.30%
--	-------	-------	-------	-------	-------	-------	-------	-------	-------	--------

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed Value	\$ 14,439,545,929
Debt Limit (8% of total assessed value)	1,155,163,674
Debt applicable to limit:	
Bonded debt	36,886,413
Limited obligation bonds	45,297,049
Installment obligations (Governmental and Business)	15,194,736
Lease and subscription obligations (Governmental and Business)	33,104,576
Subtotal	130,482,774
Authorized and unissued debt	-
Total Gross Debt	130,482,774
Less: Statutory deductions	-
Bonds authorized but unissued - Parks and Recreation Bonds	
Total Debt Applicable to Limit	130,482,774
Legal Debt Margin	\$ 1,024,680,901

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

Schedule 14

Fiscal Year Ended June 30	Stormwater	Less:	Net	Debt Service Requirements ⁴			Coverage ³
	Service Charges	Operating Expenses ¹	Available Revenue	Principal	Interest ²	Total	
2022	\$ 11,351,225	\$ 9,685,598	\$ 1,665,627	\$ 755,000	\$ 134,413	\$ 889,413	1.87
2021	11,260,752	7,690,346	3,570,406	735,000	157,612	892,612	4.00
2020	11,214,252	6,194,015	5,020,237	715,000	180,184	895,184	5.61
2019	11,160,120	3,671,047	7,489,073	690,000	193,098	883,098	8.48
2018	7,844,450	4,060,584	3,783,866	665,000	233,055	898,055	4.21
2017	6,833,895	3,682,835	3,151,060	645,000	243,432	888,432	3.55
2016	6,769,910	3,609,029	3,160,881	625,000	194,167	819,167	3.86
2015	6,203,349	3,489,698	2,713,651	610,000	208,936	818,936	3.31
2014	5,268,914	3,546,480	1,722,434	595,000	223,380	818,380	2.10
2013	5,233,338	2,384,924	2,848,414	575,000	208,594	783,594	3.64

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

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

² Interest represents accrual based interest.

³ Coverage ratios do not represent coverage calculations as defined in the bond order.

⁴ Debt service includes revenue bonds and excludes notes payable.

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

Schedule 15

Year	City		County				
	Population ¹	Unemployment Rate ²	Personal Income ³	Per Capita Personal Income ³	School Enrollment ⁴	Retail Sales in Billions ⁵	
2022	214,255	5.5%	N/A	N/A	48,796	5.743	
2021	211,705	7.5%	15,766,028,000	46,992	50,879	5.238	
2020	208,878	10.0%	14,387,295,000	43,028	50,880	4.330	
2019	209,028	5.4%	13,498,407,000	40,233	53,361	4.318	
2018	207,583	5.6%	12,887,624,000	38,780	50,937	4.049	
2017	208,729	6.2%	12,252,634,000	36,990	51,480	4.040	
2016	208,158	6.8%	11,983,381,000	35,954	51,846	3.849	
2015	208,373	6.5%	11,984,830,000	36,178	50,939	3.693	
2014	210,468	6.3%	11,724,155,000	35,273	51,855	3.509	
2013	209,080	7.4%	11,482,517,000	34,484	52,729	3.559	

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates
2. NC Employment Security Commission. Calendar year annual average unemployment statistics for Fayetteville, NC.
3. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2022 data not available.
4. Cumberland County Schools Annual Report
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics.

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

	2022				2013				Schedule 16
	Employees	Rank	Percentage of Total County Employment		Employees	Rank	Percentage of Total County Employment		
U.S. Dept. of Defense (Civilian) ¹	8,757	1	7.50%		14,515	1	12.21%		
Cape Fear Valley Health System	6,386	2	5.47%		5,401	3	4.54%		
Cumberland County Board of Education	6,030	3	5.17%		6,531	2	5.50%		
Wal-Mart Associates, Inc.	2,656	4	2.28%		2,864	4	2.41%		
Veterans Administration	2,405	5	2.06%		1,250	9	1.05%		
Goodyear Tire & Rubber Company	2,200	6	1.89%		2,334	6	1.96%		
Cumberland County Government	1,971	7	1.69%		2,353	5	1.98%		
City of Fayetteville	1,882	8	1.61%		2,056	7	1.73%		
Food Lion	1,334	9	1.14%						
Fayetteville Technical Community College	754	10	0.65%		1,391	8	1.17%		
State of North Carolina					1,198	10	1.01%		
Total Employment (Ten Largest Civilian Employers)	34,375		29.46%		39,893		33.57%		

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

Sources: NC Department of Commerce, MilitaryINSTALLATIONS, Cape Fear Valley Health System, Cumberland County Board of Education, Fayetteville Cumberland County Economic Development Corporation, Cumberland County, FAY NC VA Coastal Health Care System, City of Fayetteville, Fayetteville Technical Community College, Food Lion

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

Schedule 17

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration	105	108	117	125	121	104	133	134	126	140
Public Safety	898	911	930	950	915	951	940	929	897	888
Environmental Protection¹	84	4	5	5	5	5	5	5	5	4
Transportation	78	78	75	79	70	63	71	78	79	74
Economic and physical development	20	20	22	27	13	21	24	21	20	61
Recreation and community facilities	121	117	117	115	170	236	115	115	118	129
Internal Service	46	45	5	4	4	3	2	3	6	2
Transit	92	89	98	113	104	112	112	108	104	119
Airport	19	20	23	23	17	17	23	22	23	17
Stormwater¹	26	36	37	43	47	41	33	36	38	38
Solid Waste¹	1	70	67	70	74	69	67	61	62	67
Total	1,490	1,498	1,496	1,554	1,540	1,622	1,525	1,512	1,478	1,539

Source: City Finance Office

¹The Street Sweeping function became a part of the Stormwater enterprise fund effective fiscal year 2014 and is no longer included with Environmental Protection.

¹The Solid Waste function became an enterprise fund effective fiscal year 2014 and is no longer included with Environmental Protection.

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

Schedule 18

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Fire ⁽¹⁾										
Emergency responses	27,643	30,153 ⁽¹⁾	29,987	29,963	31,443	29,707	30,017	24,536	23,557	28,764
Fires extinguished	721	671 ⁽¹⁾	682	812	978	831	852	820	913	1,397
Fire inspections	2,761	3,349 ⁽¹⁾	4,582	4,516	4,031	5,826	5,460	8,196	9,771	8,530
Police ⁽²⁾										
Number of law violations:										
Physical arrests	7,168	7,406	6,594	7,083 ⁽²⁾	6,524	6,606	6,099	5,001	4,092	4,554
Traffic citations	21,058	22,523	23,630	24,860 ⁽²⁾	17,263	17,443	16,634	12,222	9,534	19,913
Warning citations	17,219	21,788	38,326	53,553 ⁽²⁾	38,389	32,695	28,102	16,460	9,703	10,094
Calls for service	251,891	307,679	272,350	277,688 ⁽²⁾	296,609	288,896	278,560	258,008	238,894	243,002
Development Services										
Number of permits issued:										
Residential:										
New single family	502	343	308	290	249	275	223	229	302	392
New multi-family										
Number of units	983	111	170	311	64	54	35	148	80	644
Renovations	2,098	1,557	1,461	1,382	1,011	924	728	394	413	373
Commercial:										
New	71	51	69	69	52	56	53	77	60	43
Renovations	541	559	509	431	450	371	420	394	350	401
Other:										
Miscellaneous	13,132	10,319	12,467	11,825	11,556	9,092	8,891	8,762	9,151	9,407
Yard sale	921	998	727	702	601	572	460	304	278	312

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

Schedule 18

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cultural and Recreational⁽³⁾										
Youth Sports participants	11,805	11,173	11,687	15,209	17,057	15,970	19,182	15,841	1,831	9,191
Adult Sports participants	1,172	1,087	761	944	998	717	778	107	37	440
Senior participants	109,503	89,416	90,311	109,289	97,603	92,300	88,842	59,729	23,497	20,260
Therapeutic participants	29,522	22,793	23,021	52,942	57,171	56,955	47,049	29,920	374	2,741
Aquatics participants	22,394	22,123	22,345	38,099	66,446	72,140	73,200	39,668	22,604	75,248
Park programs participants	21,712	28,086	28,367	30,589	30,920	35,609	32,576	19,437	8,286	15,401
Special events participants	11,983	20,727	20,642	22,446	15,692	18,821	8,970	15,336	43,768	33,820
Permitted events	66	89	81	96	105	110	238	137	34	129
Mobile stage/bleacher rentals	44	49	47	92	137	116	108	104	1	28
Recreation center participants	525,848	586,199	592,061	621,664	631,514	816,726	661,301	558,602	99,550	604,341
Historical properties participants	105,126	95,622	63,531	73,109	60,661	60,152	46,641	58,707	8,002	41,073
Picnic shelter rentals	46,839	40,761	38,484	36,687	43,122	57,290	37,802	17,723	10,035	33,635
Festival Park										
Tier 1 Events (0 - 500 Attendees)	3	1	5	5	9	36	7	4	33	19
Tier 2 Events (501 - 2,500 Attendees)	13	6	15	2	3	2	16	4	0	7
Tier 3 Events (2,501 - 5,000 Attendees)	13	6	16	2	7	6	6	1	1	7
Tier 4 Events (5,001 - 10,000 Attendees)	N/A	N/A	N/A	10	8	10	2	1	0	7
Tier 5 Events (10,001 + Attendees)	N/A	N/A	N/A	19	15	19	13	4	0	7
Transportation										
Street Maintenance										
Streets maintained (miles)	734.13	735.69	735.69	740.69	740.68	743.40	744.13	745.96	747.72	749.59
Street resurfacing and cape sealing (miles)	17.80	14.30	17.50	20.09	13.50	8.31	13.16	11.26	17.87	26.09
Number of traffic signals maintained ⁽⁴⁾	226	214	214	214	225	230	231	233	239	239
Engineering										
Driveway permits (residential)	429	578	382	388	287	227	214	223	248	225
Driveway permits (commercial)	42	42	28	23	23	27	46	50	36	44
Airport⁽¹⁾										
Number of enplaned passengers	244,345	237,282 ⁽¹⁾	161,635	224,489	229,684	238,178	231,003	167,835	148,577	123,531
Number of deplaned passengers	243,876	236,635 ⁽¹⁾	219,312	221,292	228,562	235,835	230,958	166,761	147,027	122,056

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

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

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

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

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

Schedule 19

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Fire										
Number of stations	16	16	16	16	17	17	17	17	17	17
Police										
Number of stations	2	2	2	2	3	3	3	3	3	3
Cultural and Recreational										
Mini parks (.5 - 3 acres)	12	12	12	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	14	14	14	14	14	14	14	14	14	14
Community parks (30 - 50 acres)	7	7	7	7	7	7	7	7	7	7
Sports complexes (40 - 80 acres)	3	3	3	3	3	3	3	3	3	3
Green spaces	8	8	8	8	8	8	8	8	8	8
Neighborhood school-parks	34	34	34	34	34	34	34	34	34	34
Community school-parks	1	1	1	1	1	1	1	1	1	1
Linear parks	3	3	3	3	3	3	3	3	3	3
Special use parks	8	8	8	8	8	8	8	8	8	8
Program sites	8	8	8	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	3	3	3	3	3	3	3	3	3	3
Community center with gym	16	16	16	16	16	16	16	16	16	16
Pools	-	-	1	3	3	3	3	4	4	4
Transportation										
Street Maintenance										
Streets maintained (miles)	734.13	735.69	735.69 ⁽¹⁾	740.69	740.68	743.40	744.13	745.96	747.72	749.59
Number of traffic signals ⁽²⁾	29	29	29	29	30	30	31	33	33	33

(1) Reflects correction of presentation of previous data
(2) Reflects the number of traffic signals owned by the City of Fayetteville

Source: Information provided by various city departments.

City of Fayetteville, North Carolina

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Compliance Section

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

City of Fayetteville, North Carolina

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the year then ended , which collectively comprise the City of Fayetteville's basic financial statements, and have issued our report thereon dated August 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fayetteville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fayetteville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fayetteville's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Fayetteville's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified deficiencies in internal control that we consider to be a material weaknesses, identified as Findings 2022-001 and 2022-002 in the Schedule of Findings and Questioned Costs.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fayetteville's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayetteville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina
August 2, 2023



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

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

Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program

Opinion on Each Major Federal Program

We have audited the City of Fayetteville, North Carolina's (City of Fayetteville) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*; the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission; and with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on each of the City of Fayetteville's major federal programs and the passenger facility charge program for the year ended June 30, 2022. The City of Fayetteville's and Fayetteville Public Works Commission's (PWC) major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Fayetteville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State Single Audit Implementation Act (Act), and the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (Audit Guide). Our responsibilities under those standards and the audit guide are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the City's federal programs and the passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the audit guide, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed

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

PBMares, LLP

Morehead City, North Carolina
August 2, 2023



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

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

Report on Compliance for Each Major State Program

We have audited City of Fayetteville, North Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City's major State programs for the year ended June 30, 2022. 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.

In our opinion, the City of Fayetteville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the audit guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high

level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material

weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed

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

PBMares, LLP

Morehead City, North Carolina
August 2, 2023

**City of Fayetteville, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2022**

Section 1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to reported in accordance with 2 CFR 200.516(a)? Yes X No

**City of Fayetteville, North Carolina
 Schedule of Findings and Questioned Costs (Continued)
 For the Fiscal Year Ended June 30, 2022**

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

Identification of major federal programs:

Federal Assistance Listing #	Program Name
21.027	Coronavirus State and Local Fiscal Recovery Funds
20.500/20.507	Federal Transit Grant Cluster
21.023	Emergency Rental Assistance Program
20.106	Airport Improvement Program/COVID-19 Airport Improvement Program
97.083	Staffing for Adequate Fire and Emergency Staffing (SAFR)

Dollar threshold used to distinguish between Type A and Type B Programs \$ 1,668,314

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over State programs:

Material weakness(es) identified: _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

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

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

Identification of major State programs:

Nonstate System Street Aid Allocation (Powell Bill)
 State Maintenance Assistance for Urban and Small Urban Program

City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2022

Section 2. Financial Statement Findings

Finding: 2022-001: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Timeliness of Audited Financial Statements Submission

Criteria: North Carolina General Statute 159-34 (NC G.S 159-34) requires the submission of the annual audit 4 months past the end of the fiscal year, with an extended due date at 5 months past the end of the fiscal year.

Condition and context: The June 30, 2022 financial statements were not submitted to the Local Government Commission until over 9 months past the original due date or 8 months past the extended due date.

Effect: The City has not complied with NC Statute G.S. 159-34.

Cause: High staff turnover and implementation of a new financial software package that resulted in significant delays in the ability accurately close the accounting period to prepare for audit.

Recommendation: We recommend the City hire sufficient staff in the Finance Department as well as complete more robust implementation testing prior to going live with a new software package to meet the financial reporting deadline outlined in NC G.S. 156-34

Management's response: See Corrective Action Plan

Finding: 2022-002: Material Weakness in Internal Control – FEMA Revenue and Receivable

Criteria: Revenue and corresponding receivable for non-exchange grant revenue transactions should only be recognized when all four revenue recognition criteria have been met.

Condition and context: The City recognized revenue from FEMA for Disaster Assistance in excess of amounts formally obligated by FEMA, which indicates an executed grant agreement is in place.

Effect: Restricted Intergovernmental revenues and accounts receivable were overstated by \$817,925 in the Federal & State Financial Assistance fund.

Cause: High staff turnover and a misunderstanding in the application of GASB GAAP as it relates to revenue recognition in non-exchange transactions.

Recommendation: We recommend the City hire sufficient staff in the Finance Department as well as adhere to GASB revenue recognition criteria when recording non-exchange grant revenue transactions.

Management's response: See Corrective Action Plan

**City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2022**

Section 3. Findings and Questioned Costs for Federal Awards

None reported

Section 4. Findings and Questioned Costs for State Awards

None reported

Section 5. Findings and Questioned Costs for the Passenger Facility Charge Program

None reported.



**City of Fayetteville, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2022**

Section 2. Financial Statement Findings

Finding 2022-001: Material Compliance Violation and Material Weakness in Internal Control over Compliance-Timeliness of Audited Financial Statements Submission

Management's Response: The City agrees with the audit recommendations.

Responsible Party: Jody Picarella, Chief Financial Officer

Corrective Action Plan: The corrective action plan will consist of the following measures:

1. Work with third party implementation team to address any outstanding software issues which may delay closing the books.
2. Ensure adequate staff are available, any combination of permanent, temporary or contracted positions, to perform year-end closeout activities in a timely manner.

Proposed Implementation Date: August 31, 2023

Finding 2022-002: Material Weakness in Internal Control – FEMA Revenue and Receivable

Management's Response: The City agrees with the audit recommendations.

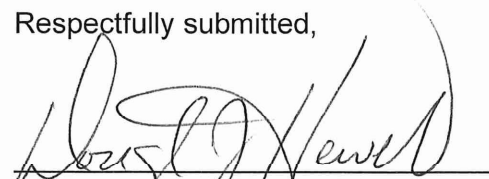
Responsible Party: Jody Picarella, Chief Financial Officer

Corrective Action Plan: The corrective action plan will consist of the following measures:


1. Ensure staff are trained in proper GASB revenue recognition relating to non-exchange transactions.
2. Ensure adequate staff are available, any combination of permanent, temporary or contracted positions, to conduct year-end closeout activities.

Proposed Implementation Date: August 31, 2023

Respectfully submitted,



Douglas J. Hewett, ICMA-CM
City Manager



Jody Picarella, CPA, MBA
Chief Financial Officer

**City of Fayetteville, North Carolina
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022**

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Audit Findings.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal Assistance Listing	State/ Pass-through or Other Identifiable Grant Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
FEDERAL GRANTS						
US DEPARTMENT OF AGRICULTURE						
Passed through NC Department of Agriculture and Consumer Services						
Emergency Watershed Protection Program	10.923	NR204532XXXXC024	\$ 669,678	\$ 328,762	\$ -	\$ 998,440
Total US Department of Agriculture			<u>669,678</u>	<u>328,762</u>	<u>-</u>	<u>998,440</u>
US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT						
Community Development Block Grant Cluster						
CDBG Entitlement Grant FY2019-2020	14.218	B-19-MC-37-0005	272,852	-	-	272,852
CDBG Entitlement Grant FY2021-2022	14.218	B-21-MC-37-0005	1,194,618	-	-	1,194,618
COVID-19 - Community Development Block Grant Program	14.218	B-20-MW-37-0005	-	-	133,762	133,762
Total Community Development Block Grant Cluster			<u>1,467,470</u>	<u>-</u>	<u>133,762</u>	<u>1,601,232</u>
CDBG Disaster Recovery Grants Cluster						
CDBG Disaster Relief Grants Passed-through NC Department of Public Safety Office of Recovery and Resiliency	14.228	B-16-DL-37-0001	1,043,866	-	-	1,043,866
Total CDBG Disaster Recovery Grants Cluster			<u>1,043,866</u>	<u>-</u>	<u>-</u>	<u>1,043,866</u>
HOME Investment Partnerships Program						
HOME Investment Partnerships Program FY2020-2021	14.239		42,505	-	-	42,505
Total HOME Investment Partnerships Program			<u>42,505</u>	<u>-</u>	<u>-</u>	<u>42,505</u>
Office of Public Housing Investments						
FY2020 Choice Neighborhoods Planning	14.892	NC4F533CNP120	70,034	-	-	70,034
Total HOME Investment Partnerships Program			<u>70,034</u>	<u>-</u>	<u>-</u>	<u>70,034</u>
Total US Department of Housing & Urban Development			<u>2,623,875</u>	<u>-</u>	<u>133,762</u>	<u>2,757,637</u>
US DEPARTMENT OF INTERIOR						
Passed through NC Department of Natural and Cultural Resources						
FY 2020 Historic Preservation	15.904		10,016	-	-	10,016
Total US Department of Interior			<u>10,016</u>	<u>-</u>	<u>-</u>	<u>10,016</u>
US DEPARTMENT OF JUSTICE						
Office of Justice Programs						
2020 Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0333	163,308	-	-	163,308
Project Safe Neighborhoods FY18	16.609	2018-GP-BX-0035	18,593	-	-	18,593
Project Safe Neighborhoods FY19	16.609	2019-GP-BX-0043	25,250	-	-	25,250
National Sexual Assault Initiative	16.833	2020-AK-BX-0040	101,821	-	-	101,821
			<u>308,972</u>	<u>-</u>	<u>-</u>	<u>308,972</u>
Equitable Sharing Program	16.922		372,044	-	-	372,044
Total Office of Justice Programs			<u>681,016</u>	<u>-</u>	<u>-</u>	<u>681,016</u>
Office of Community Oriented Policing Services						
Fayetteville Peer Support Project	16.710	2020MHWXK005	27,287	-	-	27,287
Total Office of Justice Programs			<u>27,287</u>	<u>-</u>	<u>-</u>	<u>27,287</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal Assistance Listing	State/ Pass-through or Other Identifiable Grant Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
<u>Edward Byrne Memorial Justice Assistance Grant Program</u>						
Passed through Cumberland County						
Edward Byrne Memorial Justice Assistance Grant	16.738	2020-DJ-BX-0851	122,146	-	-	122,146
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-DJ-BX-0501	67,063	-	-	67,063
Total Edward Byrne Memorial Justice Assistance Grant Program Passed through Cumberland County			189,209	-	-	189,209
Passed through NC Department of Public Safety						
Governor's Crime Commission - FY19 School Preparedness	16.738	PROJ013853	34,806	-	-	34,806
Governor's Crime Commission - FY20 Block Grant	16.738	PROJ014328	23,233	-	-	23,233
Total Passed through NC Department of Public Safety			58,039	-	-	58,039
Total US Department of Justice			955,551	-	-	955,551
<u>US DEPARTMENT OF THE TREASURY</u>						
Coronavirus State and Local Fiscal Recovery Funds	21.027		3,762,369	-	-	3,762,369
Emergency Rental Assistance	21.023	ERA-0149	6,308,122	-	-	6,308,122
Emergency Rental Assistance II	21.023	ERA-0157	5,049,638	-	-	5,049,638
Total US Department of the Treasury			15,120,129	-	-	15,120,129
<u>US DEPARTMENT OF TRANSPORTATION</u>						
<u>Federal Aviation Administration</u>						
Airport Improvement Program						
Terminal Improvements Part II - AIP 46	20.106	3-37-0021-046-2019	7,715,311	-	-	7,715,311
Airport Coronavirus Response Grant	20.106	3-37-0021-049-2021	970,926	-	-	970,926
Airport Coronavirus Response Grant	20.106	3-37-0021-050-2021	46,442	-	-	46,442
Airport Rescue Grant (ARGA)	20.106	3-37-0021-051-2021	13,055	-	-	13,055
Airport Rescue Grant (ARGA)	20.106	3-37-0021-052-2021	2,030,358	-	-	2,030,358
Total Airport Improvement Program			10,776,092	-	-	10,776,092
Total Federal Aviation Administration			10,776,092	-	-	10,776,092
<u>Federal Transit Grant Cluster</u>						
Preventive Maintenance & American with Disabilities Act Operating Assistance						
	20.507	NC-2020-24	336,300	-	-	336,300
	20.507	NC-2021-023-00	340,000	-	-	340,000
	20.507	NC-2022-025-ARP	4,163,122	-	-	4,163,122
	20.507	NC-2022-059	940,000	-	-	940,000
Capital Grants						
	20.507	NC-2016-021-00	1,862	394	-	2,256
	20.507	NC-2016-030-00	8,378	1,047	-	9,425
	20.507	NC-2017-031-00	4,229	-	-	4,229
	20.507	NC-2018-045-00	13,955	-	-	13,955
	20.507	NC-2018-069-00	13,973	-	-	13,973
	20.507	NC-2019-021-00	67,761	36,547	-	104,308
	20.507	NC-2019-022-00	-	73,000	-	73,000
	20.507	NC-2020-033-00	1,804,147	160,000	-	1,964,147
	20.507	NC-2021-023-00	1,910,800	-	-	1,910,800

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal Assistance Listing	State/ Pass-through or Other Identifiable Grant Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
<u>Federal Transit Grant Cluster (Continued)</u>						
Planning Grants						
	20.507	NC-2016-014-00	1,670	-	-	1,670
	20.507	NC-2019-021-00	12,903	-	-	12,903
	20.507	NC-2020-024-00	12,275	-	-	12,275
	20.507	NC-2021-023-00	192,496	-	-	192,496
	20.507	NC-2020-033-00	130,034	-	-	130,034
Total Federal Transit Grant Cluster			9,953,905	270,988	-	10,224,893
<u>Federal Transit Services Program Cluster</u>						
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	NC-2019-048-00	64,028	-	-	-
Total Federal Transit Services Program Cluster			-	-	-	-
Total Federal Transportation Administration			9,953,905	270,988	-	10,224,893
Total US Department of Transportation			20,729,997	270,988	-	21,000,985
<u>US ENVIRONMENTAL PROTECTION AGENCY</u>						
<u>Clean Water State Revolving Fund</u>						
<u>Passed-through NC Department of Environmental Quality Division of Water Infrastructure</u>						
Clean Water State Revolving Fund						
Capitalization Grants for Drinking Water State Revolving Funds	66.458	CS370434-15	1,202,273	-	-	1,202,273
Capitalization Grants for Drinking Water State Revolving Funds	66.458	CS370434-16	14,542,744	-	-	14,542,744
Total Clean Water State Revolving Fund Passed-through the NC Department of Environmental Quality Division of Water Infrastructure			15,745,017	-	-	15,745,017
Total US Environmental Protection Agency			15,745,017	-	-	15,745,017
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<u>Aging Cluster</u>						
<u>Passed through NC Department of Health & Human Services</u>						
Senior Citizens Service Center	93.044	N/A	32,519	-	-	32,519
Total Aging Cluster Passed through the NC Department of Health & Human Services			32,519	-	-	32,519
Total US Department of Health and Human Services			32,519	-	-	32,519

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal Assistance Listing	State/ Pass-through or Other Identifiable Grant Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
<u>US DEPARTMENT OF HOMELAND SECURITY</u>						
Direct Programs:						
Assistance to Firefighters FY20	97.044	EMW-2019-FG-01746	51,174	-	-	51,174
FY 2020 Fire Prevention & Safety	97.044	EMW-2020-FP-00334	13,032	-	-	13,032
Total Direct Programs			64,206	-	-	64,206
Passed-through NC Department of Public Safety						
Disaster Grants - Public Assistance						
(Presidentially Declared Disasters) FEMA						
Hurricane Matthew - FEMA-4285-DR-NC						
City:						
Greenoch Drive	97.036	PW1212	2,275	758	-	3,033
Mirror Lake Dam Restoration	97.036	PW1262	18,460	6,153	-	24,613
Devonwood Lower Dam Restoration	97.036	PW1887	1,789,144	596,381	-	2,385,525
Hurricane Florence - FEMA-4393-DR-NC:						
City:						
Cross Creek Cemetery Bank Stabilization	97.036	PW2267	(336,136)	(112,045)	-	(448,181)
Management Costs	97.036	PW2628	-	-	-	-
PWC:						
Electric Mutual Aid & Contractors	97.036	PW1200	143,109	47,703	-	190,812
Debris Removal	97.036	PW2293	72,685	72,685	-	145,370
Total Disaster Grants - Public Assistance Passed-through the NC Department of Public Safety			1,689,537	611,635	-	2,301,172
Homeland Security Grant Program - Training	97.083	EMW-2019-FF-00370	941,761	-	-	941,761
Staffing for Adequate Fire and Emergency Response (SAFR)						
Total Homeland Security Grants Passed-through the NC Department of Public Safety			941,761	-	-	941,761
Law Enforcement Officer Reimbursement Agreement Programs	97.090	HSTS0216HSLR733	113,150	-	-	113,150
Total Passed-through NC Department of Public Safety			2,744,448	611,635	-	3,356,083
Total U.S. Department of Homeland Security			2,808,654	611,635	-	3,420,289
Total Assistance - Federal Programs			58,695,436	1,211,385	133,762	60,040,583

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal Assistance Listing	State/ Pass-through or Other Identifiable Grant Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
STATE GRANTS						
NC DEPARTMENT OF AGRICULTURE & CONSUMER SERVICES						
Soil and Water Conservation Division						
Lock's Creek Debris Removal Passed-through Cumberland County	N/A		-	331,847	-	331,847
Total NC Department of Agriculture & Consumer Services			-	331,847	-	331,847
NC OFFICE OF STATE BUDGET AND MANAGEMENT						
State Capital and Infrastructure Fund (SCIF)						
Historic Buildings and Sites			-	7,835	-	7,835
Pedestrian Safety Improvements			-	17,334	-	17,334
Total NC Office of State Budget and Management			-	25,169	-	25,169
NC DEPARTMENT OF TRANSPORTATION						
Maintenance Assistance						
Maintenance Assistance	N/A	36234.8.13.2	-	746,023	-	746,023
Total State Public Transportation Division			-	746,023	-	746,023
Powell Bill	N/A	32570	-	5,612,218	-	5,612,218
Division of Aviation						
Aviation State Aid - Airport Improvements and Debt Service	N/A	36244.27.15.1	-	815,432	-	815,432
Total Division of Aviation			-	815,432	-	815,432
Total NC Department of Transportation			-	7,530,689	-	7,530,689
NC DEPARTMENT OF PUBLIC SAFETY						
Hazmat (RRT Grant)						
Hazmat (RRT Grant)	N/A	RRT 3 2019	-	69,000	-	69,000
Total Hazmat RRT Grants			-	69,000	-	69,000
Passed-through from Cumberland County						
Juvenile Restitution FY 2022	N/A	526-10413	-	53,122	-	53,122
Total NC Department of Public Safety			-	122,122	-	122,122
Total Assistance - State Programs			-	7,652,811	-	7,652,811
Total Assistance			\$ 58,695,436	\$ 8,864,196	\$ 133,762	\$ 67,693,393

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the Federal and State grant activity of the City of Fayetteville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Fayetteville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fayetteville.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

Note 4 - Loans Outstanding

The City of Fayetteville has outstanding loan balances from Federal and State funding sources that are not required to be presented in the SEFSA because there are no continuing reporting requirements beyond repayment of the loan balances in accordance with the loan agreement provisions. Loans outstanding as of June 30, 2022 consist of:

<u>Program Title</u>	Federal Assistance Listing	Pass-through Grantor's Number	Amount Outstanding
PWC - Clean Water State Revolving Fund	66.458	CS370434-15	37,369,863
City - Clean Water State Revolving Fund	66.458	CS370434-15	107,338
City - ARRA Clean Water State Revolving Fund	66.458	CS370434-16	92,901

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Passenger Facility Charges
Year Ended June 30, 2022

	Cumulative Receipts June 30, 2021	Receipts Year End June 30, 2022	Cumulative Receipts June 30, 2022	Amount of Collection Approval
PFC Revenue Received	\$ 10,066,139	\$ 780,347	\$10,846,486	\$ -
Interest Earned	301,901	1,693	303,594	-
Total PFC Revenue Received	10,368,040	782,040	11,150,080	12,158,435
PFC Revenues Accrued	152,449	(25,179)	127,270	-
PFC Investment Income Differential	(17,387)	5,663	(11,724)	-
Total PFC Revenues	\$ 10,503,102	\$ 762,524	\$11,265,626	\$ 12,158,435

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 00-01-C-04-FAY & 02-02-U-02-FAY				
Use Approval				
Closed Application	\$ 1,061,391	\$ -	\$ 1,061,391	\$ 1,061,391
Total Use Approval	1,061,391	-	1,061,391	1,061,391
Total Application No. 00-01-C-04-FAY & 02-02-U-02-FAY	\$ 1,061,391	\$ -	\$ 1,061,391	\$ 1,061,391

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 05-03-C-01-FAY				
Use Approval				
Closed Application	\$ 324,231	\$ -	\$ 324,231	\$ 324,232
Total Use Approval	324,231	-	324,231	324,232
Total Application No. 05-03-C-01-FAY	\$ 324,231	\$ -	\$ 324,231	\$ 324,232

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 09-04-C-00-FAY				
Use Approval				
Closed Application	\$ 1,701,088	\$ -	\$ 1,701,088	\$ 1,701,089
Total Use Approval	1,701,088	-	1,701,088	1,701,089
Total Application No. 09-04-C-00-FAY	\$ 1,701,088	\$ -	\$ 1,701,088	\$ 1,701,089

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 13-05-C-00-FAY				
Use Approval				
Closed Application	\$ 1,277,434	\$ -	\$ 1,277,434	\$ 1,277,433
Total Use Approval	1,277,434	-	1,277,434	1,277,433
Total Application No. 15-06-C-00-FAY	\$ 1,277,434	\$ -	\$ 1,277,434	\$ 1,277,433

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Passenger Facility Charges
Year Ended June 30, 2022

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 15-06-C-00-FAY				
Use Approval				
Airport Master Plan (AMP) Update, Part 1, Airline Term Area	\$ 33,750	\$ -	\$ 33,750	\$ 33,750
Air Carrier Apron Rehabilitation Phase II	228,378	-	228,378	277,929
Taxiway J&K Rehabilitation	333,809	-	333,809	359,627
Airport Master Plan Update, Part 2, Incl 18B Mapping and NAVAIDs Planning	59,882	-	59,882	60,000
Total Use Approval	655,819	-	655,819	731,306
Total Application No. 15-06-C-00-FAY	\$ 655,819	\$ -	\$ 655,819	\$ 731,306

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 16-07-U-00-FAY				
Use Approval				
Design & Construct-Airline Terminal Improvements	\$ 1,544,893	\$ -	\$ 1,544,893	\$ 2,819,997
Total Use Approval	1,544,893	-	1,544,893	2,819,997
Total Application No. 16-07-U-00-FAY	\$ 1,544,893	\$ -	\$ 1,544,893	\$ 2,819,997

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 19-08-C-00-FAY				
Use Approval				
Airline Terminal Improvements-Phase 1 (Design, Bidding and Construction Administration)	\$ 1,329,437	\$ 1,375,993	\$ 2,705,430	\$ 3,342,987
Total Use Approval	1,329,437	1,375,993	2,705,430	3,342,987
Total Application No. 19-08-C-00-FAY	\$ 1,329,437	\$ 1,375,993	\$ 2,705,430	\$ 3,342,987

	Cumulative Expenditures June 30, 2021	Expenditures Year End June 30, 2022	Cumulative Expenditures June 30, 2022	Amount of Use Approval
Application No. 21-09-C-00-FAY				
Use Approval				
Purchase ARFF Vehicle	\$ -	\$ -	\$ -	\$ 900,000
Total Use Approval	-	-	-	900,000
Total Application No. 21-09-C-00-FAY	\$ -	\$ -	\$ -	\$ 900,000

	Cumulative Totals June 30, 2021	Totals Year End June 30, 2022	Cumulative Totals June 30, 2022	Amount of Use Approval
Total PFC Revenues	\$ 10,503,102	\$ 762,524	\$ 11,265,626	\$ -
Total PFC Expenditures	(7,894,293)	(1,375,993)	(9,270,286)	-
Balance of PFC's at June 30,2022	\$ 2,608,809	\$ (613,469)	\$ 1,995,340	\$ 12,158,435

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Passenger Facility Charges
Year Ended June 30, 2022

Notes to the Schedule of Passenger Facility Charges

Note 1 - Basis of Presentation

The accompanying schedule of passenger facility charges includes the passenger facility charges of the City of Fayetteville, North Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration.

Note 2 - Correction to Application 19-08-C-00-FAY, Fiscal Year 2021:

Upon a full reconciliation for PFC application 19-08-C-00-FAY, it was discovered that PFC's from project 88328 (subledger 00883284) were not reported. Amended reporting was completed in FY22 to accurately reflect PFC usage. Cumulative expenditures for Application 8 on June 30, 2021 were revised.

City of Fayetteville, North Carolina

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