



1963 PROTESTS
FAYETTEVILLE STATE STUDENTS
AND COMMUNITY ORGANIZED
MARCHES & SIT-INS LEADING
DOWNTOWN BUSINESSES
TO END DISCRIMINATION.
NC AFRICAN AMERICAN HERITAGE COMMISSION
WILLIAM C. POMEROY FOUNDATION 2023 15



2023
1985 ★ 2001 ★ 2011

Fiscal Year
2023
Annual
Comprehensive
**FINANCIAL
REPORT**

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Annual Comprehensive FINANCIAL REPORT

Fiscal Year
2023

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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Introductory Section

- Letter of Transmittal
- List of Principal Officials
- Organization Chart

City of Fayetteville, North Carolina

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May 9, 2024

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, 2023. 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, 2023. 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 213,032 in 2023. 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 50,000 active duty soldiers, 14,000 civilian employees and 70,000 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, Sprouts Farmers Market, Hobby Lobby and a number of clothing outlets and restaurants.

Fayetteville's annual unemployment rate decreased from 5.9% at June 30, 2022 to 5.4% at June 30, 2023. 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
2023	5.4	3.6	3.8
2022	5.9	4.1	3.8
2021	9.0	6.0	6.9
2020	10.0	7.9	11.2
2019	5.7	4.1	3.7
*NC Department of Commerce, Labor and Economic Analysis Division			

Median household income in Cumberland County in 2023 was \$58,110, as compared to nation-wide at \$74,755 and state-wide at \$67,481 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 122,968 people in June 2023. 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 2023, the City issued building permits for 317 new single-family residential units valued at \$71 million and 50 new commercial building permits valued at \$107.7 million. For comparison, during fiscal year 2022, the City issued 392 new single-family residential units valued at \$76.3 million and 43 new commercial building permits valued at \$153.5 million.

Taxable sales in Cumberland County for fiscal year 2023 totaled approximately \$6.1 billion, which represents a 6.52% increase over fiscal year 2022. While economic growth remained restrained, tax revenues continued to increase in fiscal year 2023. As the table below indicates taxable sales increased throughout the pandemic and continued in fiscal year 2023. 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
2023	6,118,176,646	6.52%
2022	5,743,623,701	9.65%
2021	5,238,219,221	20.96%
2020	4,330,602,890	0.27%
2019	4,318,734,008	6.65%
*NC Department of Revenue, Sales and Use Tax Division		

The annual operating budget for fiscal year 2023 was \$249,173,980, excluding internal service funds, \$8,869,025 more than the annual operating budget for fiscal year 2022, an increase of 3.6%. For the General Fund, the adopted budget for fiscal year 2024 decreased by \$39 million compared to the adopted budget for fiscal year 2023. The fiscal year 2023 budget anticipated total property tax values to grow by 0.44% over the values projected for the adopted fiscal year 2022 budget. The fiscal year 2023 budget included sales tax revenues of \$59.67 million, \$9 million or 17.9% above the fiscal year 2022 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 2023 the City accomplished or continued work on significant capital projects, financial and economic development goals including the following:

- \$10.2 million in Transportation funds were used to resurface streets, build sidewalks, construct and repair bridges and improve traffic systems throughout the City.
- \$8.9 million was spent to build a new senior center, a tennis center, renovate parks and upgrade recreation facilities.
- \$4.4 million was spent to construct the Day Resource Center and \$3.4 million on Fire Station #4.
- The Fayetteville Regional Airport spent \$4.8 million for terminal improvements, hangar construction and other upgrades. Projects were funded by federal grants, state grants and other revenue sources.
- \$2.6 million was spent for stormwater drainage system improvement projects throughout the City.
- Solid waste spent \$2.5 million on trucks and equipment to provide residential solid waste and recycling services.

AWARDS AND ACKNOWLEDGEMENTS

The City was awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending June 30, 2022. 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, 2022. The Certificate of Achievement is awarded to a government organization who publishes an easy to read 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 only one year. We believe that our annual comprehensive financial report for the fiscal year ending June 30, 2023 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 2023. In order to receive this award, a governmental organization must publish a budget document that

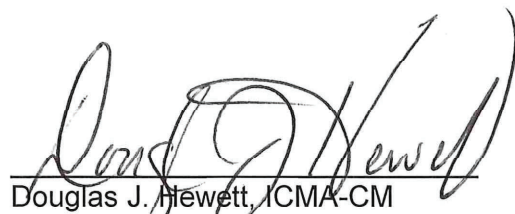

meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device. The fiscal year 2024 budget has been submitted to the GFOA to determine its eligibility for an award.

The City of Fayetteville won the 2023 Southeast Regional Dam Safety Award for its work on the Mirror Lake Dam from the Association of State Dam Safety Officials (ASDSO). One Regional Dam Safety Award is presented to each of ASDSO's four regions annually recognizing organizations making exemplary community contributions.

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. We just brought home our 39th NC3C award this year.

Credit for this report is given to the Mayor and members of the City Council for their unflinching 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, 2022

Christopher P. Morill

Executive Director/CEO

City of Fayetteville, North Carolina

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City Council Members



Mario Benavente, District 3

Derrick Thompson, District 6

Mailk Davis, District 2

Kathy Jensen, Mayor Pro Tem, District 1

Mitch Colvin, Mayor (Center)

D.J. Haire, District 4

Lynne Greene, District 5

Brenda McNair, District 7

Courtney Banks-McLaughlin, District 8

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, *Assistant City Manager*

Pamela Megill, *City Clerk*

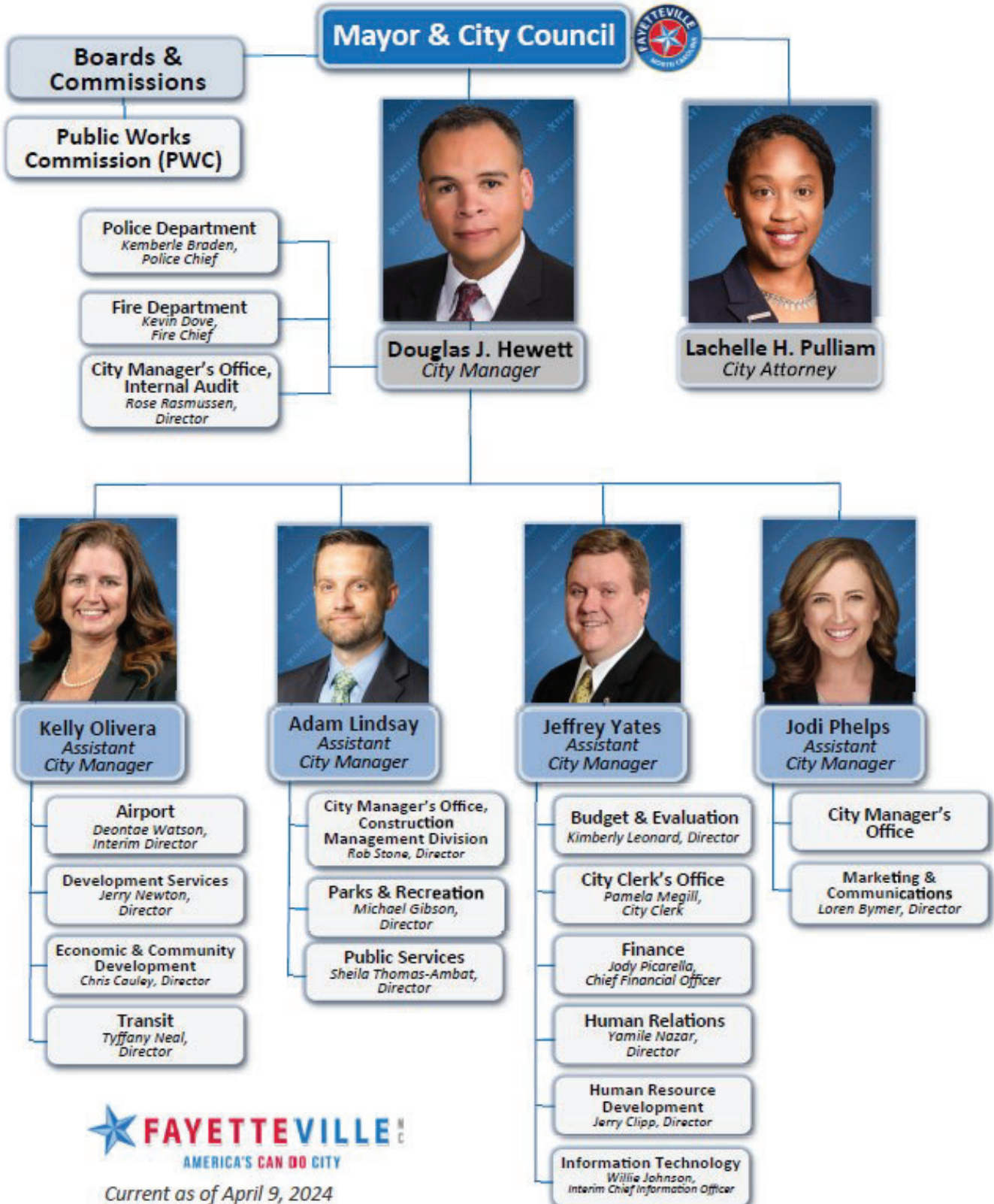
Lachelle Pulliam, *City Attorney*

City of Fayetteville, North Carolina

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Organizational Chart



City of Fayetteville, North Carolina

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2023

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Fayetteville, North Carolina (City of Fayetteville), as of and for the year ended June 30, 2023, 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 accompanying 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, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Fayetteville, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 (*Government Auditing Standards*). 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 of Fayetteville 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 a 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 is the responsibility of management and, 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 GAAS, 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, 2022 (not presented herein), and have issued our report thereon dated August 2, 2023, 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, 2023 and June 30, 2022 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 May 9, 2024 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 the effectiveness of the City's 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 City of Fayetteville's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
May 9, 2024

City of Fayetteville, North Carolina

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Annual
Comprehensive
**FINANCIAL
REPORT**

Fiscal Year
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, 2023. 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 \$618.1 million (*net position*). Of this amount, unrestricted net position of \$34.2 million is used to meet the government's ongoing obligations to residents and creditors. The government's total net position increased by \$21 million.

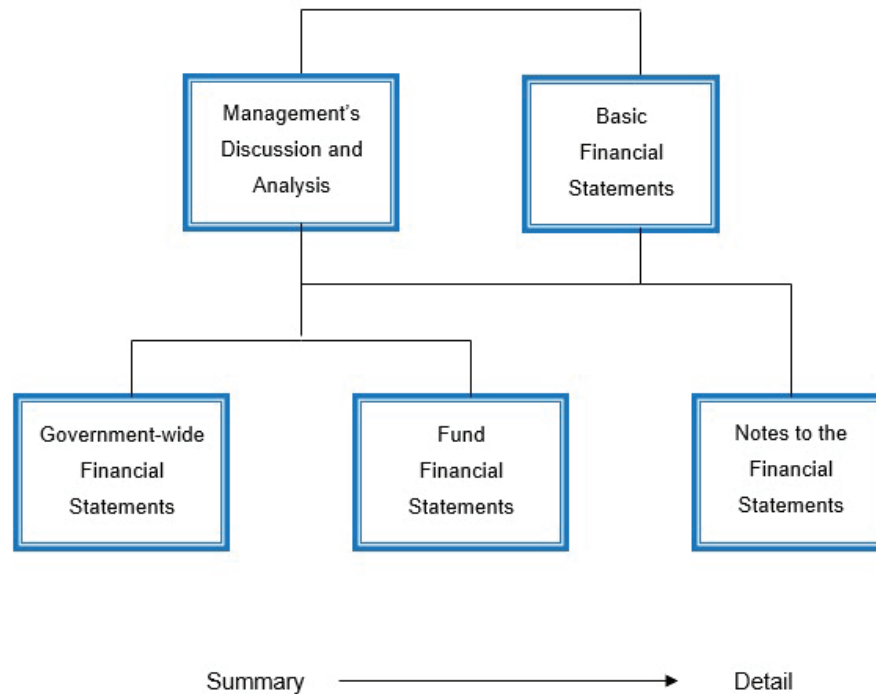
- Net position in the Governmental activities increased \$20.3 million to \$431.6 million in fiscal year 2023, up from \$411.3 million in fiscal year 2022. By far the largest portion of net position, \$363.8 million or 84.2%, reflects the net investment in capital assets less any related debt still outstanding.
- Net position in the Business type activities increased \$675K to \$186.5 million in fiscal year 2023, up from \$185.8 million in 2022. The largest portion of net position, \$150.0 million or 80.4%, 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 2023, the City's governmental funds reported an ending fund balance of \$151.6 million, a decrease of \$9.2 million in comparison to the prior year. Approximately 53.0% of total fund balance, or \$80.3 million, is non-spendable or restricted.
- At the end of fiscal year 2023, unassigned fund balance for the General Fund was \$28.2 million or 13.4% of the fiscal year 2024 General Fund original adopted budget of \$210.2 million.
- The City's total debt at fiscal year-end 2023 increased by \$21.7 million. General obligation debt, limited obligation debt, revenue bond debt, installment agreements, lease and subscription liabilities and notes payable decreased \$15.8 million. Compensated absences, net pension liabilities and other postemployment benefits increased by \$37.5 million. The increase was primarily due to a changes in actuarial assumptions and the Local Governmental Employees' Retirement System realizing lower than projected gains on investments.
- During fiscal year 2023, 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- 63 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, 2023 with comparative data for June 30, 2022. The City's combined net position increased \$21.0 million, or 3.4%, from fiscal year 2022. 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	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 256,149	\$ 254,831	\$ 62,506	\$ 62,313	\$ 318,655	\$ 317,144
Capital assets, net	434,162	453,553	156,378	155,653	590,540	609,206
Total net assets	690,311	708,384	218,884	217,966	909,195	926,350
Deferred outflows of resources	37,426	46,842	5,874	6,764	43,300	53,606
Total net assets and deferred outflows of resources	727,737	755,226	224,758	224,730	952,495	979,956
Current and other liabilities	53,543	60,395	9,900	8,780	63,443	69,175
Long-term liabilities outstanding	223,364	242,269	19,162	22,007	242,526	264,276
Total liabilities	276,907	302,664	29,062	30,787	305,969	333,451
Deferred inflows of resources	39,523	20,916	9,867	7,439	49,390	28,355
Total liabilities and deferred inflows of resources	316,430	323,580	38,929	38,226	355,359	361,806
Net position:						
Net investment in capital assets	350,198	363,803	149,577	149,951	499,775	513,754
Restricted	59,723	66,785	3,715	3,424	63,438	70,209
Unrestricted	1,386	1,058	32,537	33,129	33,923	34,187
Total net position	\$ 411,307	\$ 431,646	\$ 185,829	\$ 186,504	\$ 597,136	\$ 618,150

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$618.1 million as of June 30, 2023. Net position is reported in three categories: net investment in capital assets of \$513.8 million, restricted net position of \$70.2 million, and unrestricted net position of \$34.2 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, 2023, \$34.2 million or 5.5%, of the reported total net position of \$618.1 million, is unrestricted.

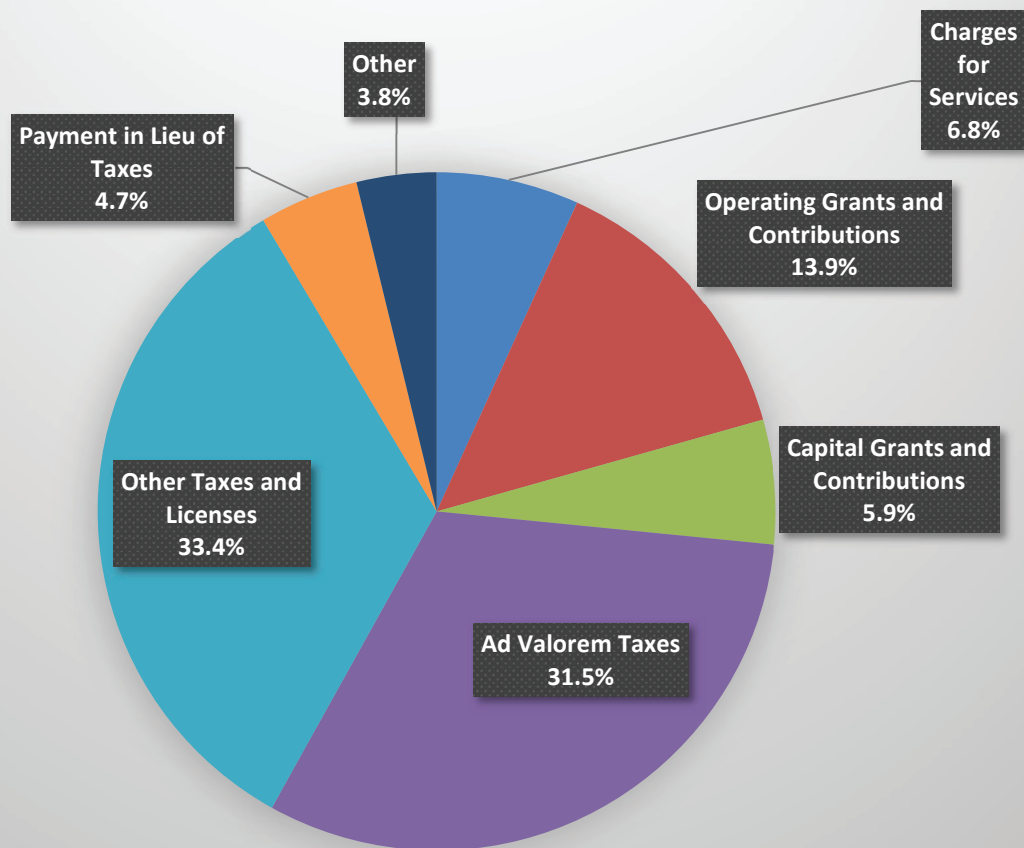
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City of Fayetteville's Changes in Net Position (dollars in thousands)
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
Revenues:						
Program revenues:						
Charges for services	\$ 12,884	\$ 15,859	\$ 29,926	\$ 29,769	\$ 42,810	\$ 45,628
Operating grants and contributions	33,131	32,372	12,114	7,098	45,245	39,470
Capital grants and contributions	6,538	13,851	13,257	5,446	19,795	19,297
General revenues:						
Ad valorem taxes	72,478	73,650	-	-	72,478	73,650
Other taxes and licenses	73,501	77,982	639	650	74,140	78,632
Payment in lieu of taxes	11,853	11,072	-	-	11,853	11,072
Other	2,773	8,916	632	2,337	3,405	11,253
Total revenues	213,158	233,702	56,568	45,300	269,726	279,002
Expenses:						
Administration	34,232	49,056	-	-	34,232	49,056
Public safety	93,856	101,944	-	-	93,856	101,944
Environmental protection	2,443	2,523	-	-	2,443	2,523
Transportation	22,722	22,788	-	-	22,722	22,788
Economic and physical development	21,739	4,729	-	-	21,739	4,729
Recreation and community facilities	18,264	21,388	-	-	18,264	21,388
Interest on long-term debt	3,260	4,004	-	-	3,260	4,004
Stormwater management	-	-	11,467	11,115	11,467	11,115
Transit	-	-	12,434	14,697	12,434	14,697
Airport	-	-	9,303	10,834	9,303	10,834
Solid Waste	-	-	16,313	14,910	16,313	14,910
Total expenses	196,516	206,432	49,517	51,556	246,033	257,988
Increase (decrease) in net position						
before transfers	16,642	27,270	7,051	(6,256)	23,693	21,014
Transfers	(2,859)	(6,931)	2,859	6,931	-	-
Change in net position	13,783	20,339	9,910	675	23,693	21,014
Net position, beginning	397,524	411,307	175,919	185,829	573,443	597,136
Net position, ending	\$ 411,307	\$ 431,646	\$ 185,829	\$ 186,504	\$ 597,136	\$ 618,150

Governmental activities – Revenues for the City's governmental activities were \$233.7 million, while total expenses were \$206.4 million in fiscal year 2023.

Revenue By Source - Governmental Activities



The City's governmental activities revenues totaled \$233.7 million, while expenses were \$206.4 million. The increase in net position for governmental activities, after transfers out, was \$20.3 million.

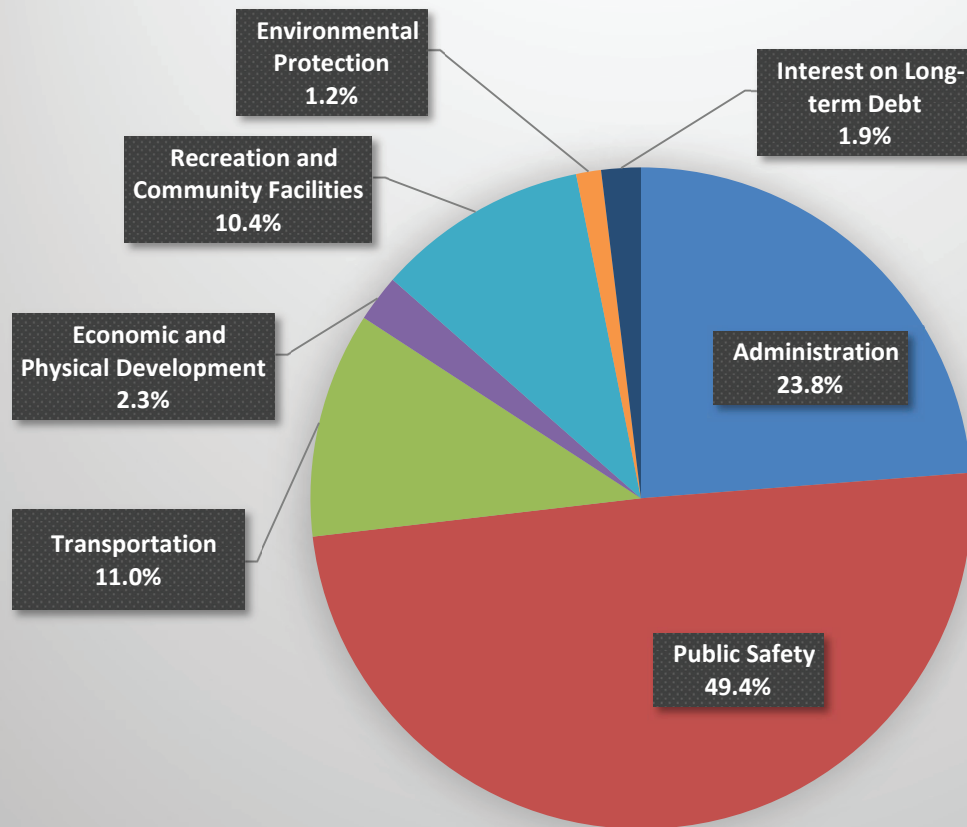
Current year revenues increased by \$20.5 million due to increased service fees from fee-based programs, capital grants and contributions, strong sales tax and property tax collections, and interest income driven by rising interest rates.

Key elements of this change are as follows:

- Other taxes and licenses including sales tax, utilities sales tax, telecommunications sales tax, video franchise tax and vehicle license taxes represent 33.4% and is the largest revenue category. Sales tax of \$63.6 million makes up nearly 80% of other taxes and licenses.
- Property taxes of \$73.6 million represent 31.5% of total governmental revenues and is the second largest revenue category. 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 2023 tax collection rate was 99.5%.
- Operating grants and contributions decreased to \$32.4 million during fiscal year 2023, a decrease of 2.3% from 2022. Most of the decrease related to completion of programs funded by federal and state funding for Economic and Physical Development and Environmental Protection measures during the fiscal year.
- Capital grants and contributions increased to \$13.9 million during fiscal year 2023, an increase of \$7.3 million from 2022. Most of the increase was related to a federal and state grants for transportation infrastructure including streets, sidewalks and drainage improvements and parks and recreation improvements.
- Another large revenue source supporting the governmental activities include \$11.0 million for payments in lieu of taxes from PWC.
- Charges for services from fee-based programs such as parks and recreation, permitting and inspections, and parking fees increased to \$15.9 million during fiscal year 2023, an increase of \$3.0 million from fiscal year 2022.

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Expenses by Function - Governmental Activities



- The cost of all governmental activities this year was \$206.4 million as compared to \$196.5 million reported in fiscal year 2022. 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 (49.4%), administration (23.8%), transportation (11.0%), and recreation and community facilities (10.4% percent), represent 94.6% of the total governmental activities.

Business-type activities – Revenues for the City’s business-type activities were \$45.3 million, while total expenses were \$51.6 million in fiscal year 2023 compared to fiscal year 2022 revenues of \$56.6 million, and total expenses of \$49.5 million. Net position increased to \$186.5 million in 2023, compared to \$185.8 million in 2022.

Change in Net Position (in thousands)					
	Stormwater				
	Management	Transit	Airport	Solid Waste	
2023	\$ 52,512	\$ 24,131	\$ 102,135	\$ 7,726	
2022	51,382	25,398	101,649	7,400	
Change	\$ 1,130	\$ (1,267)	\$ 486	\$ 326	

Transit - The City, federal, and state agencies continue to subsidize transit operations. Net position is \$24.1 million in fiscal year 2023 which represents a 5.0% decrease from 2022. Nearly all of transit’s net position was its \$26.3 million net investment in transit assets. The City continued to suspend collection of fares in 2023. Transit’s reduction of net position is the result of decreased operating and capital grants and contributions received.

Airport - Net position of the airport fund at the end of the year amounted to \$102.1 million, an increase of \$0.5 million. The increase is primarily due to federal and state contributions for airport enhancements. Net investment in capital assets was \$79.4 million.

Stormwater Management - Net position in stormwater management activities was virtually unchanged at \$52.5 million in fiscal year 2023. Net investment in storm water capital assets increased \$2.0 million to \$36.6 million.

Solid Waste - Net position for the solid waste function in fiscal year 2023 was \$7.7 million which represents a 4.4% increase from 2022. Net investment in capital assets used to provide solid waste services was \$7.6 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 2023, unassigned fund balance of the General Fund was \$28.2 million, while total fund balance was \$94.1 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund



balance to total fund expenditures and transfers out. Unassigned fund balance represents 14.4% of total General Fund expenditures and transfers out, while total fund balance represents 47.5% percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an available fund balance of at least 8 percent of annual General Fund expenditures. The City 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 decreased by \$1.1 million during the current fiscal year. This decrease can be primarily attributed to an increase in expenses supporting operations for police, fire, and parks, recreation and cultural services, and increased debt service payments:

- Overall General Fund revenues increased \$10.0 million in fiscal year 2023. Ad valorem tax increased \$1.0 million from the previous year, sales tax increased \$4.4 million, unrestricted grants and contributions increased by \$3.3 million, and interest earned on investments increased \$3.7 million.
- At \$178.8 million, General Fund expenditures increased \$11.8 million in 2023. Debt service principal and interest payments increased \$1.2 million. Operations expenditures for police and fire increased by \$5.4 million related to salary and benefits increases and purchases of vehicles. Parks, recreation and cultural expenditures increased \$3.5 million primarily due to restarting programs and activities after lifting Covid restrictions. Transportation expenditures for staff management of municipal agreement projects, road upgrades and other transportation improvements increased by \$1.2 million.
- Net other financing sources and uses during the year:
 - Installment financing decreased by \$1.9 million.
 - Lease and subscription liabilities issued decreased by \$14.2 million, due to implementation of GASB 87 and 96 in fiscal year 2022.

At June 30, 2023, the governmental funds of the City reported a combined fund balance of \$151.6 million, reflecting an decrease in fund balance of \$9.2 million. The decrease is due to the non-major governmental fund balance decrease in fiscal year 2023 of \$9.2 million, compared to the increase in fiscal year 2022 from issuance of other financing sources of bond proceeds and installment financings. The Federal and State Financial Assistance ending fund balance is \$9.0 million, an increase of \$1.1 million due to a decrease in expenditures related to closing FEMA projects.



General Fund Budgetary Highlights

The City Council approved a \$189.2 million General Fund budget for fiscal year 2023 which represented an \$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.

In fiscal year 2023 the City continued to focus on our strategic plan and Vision 2032 Statement that establishes that we are striving to be an attractive, culturally diverse and inclusive city that is safe, prosperous, innovative and unified. The 2023 fiscal year budget provided for continuation of municipal services, improvements to service delivery and technology, and addressed the results of the compensation study commissioned in 2022.

During the past year the City provided funds for a fire heavy rescue truck and two pumper trucks, continued progress on the construction project to relocate Fire Station 4, improvements to City streets, 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.

The most significant addition to the fiscal year 2023 budget in terms of cost and impact is the implementation of the compensation study for all City positions. The 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 2023 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.

The City continues to leverage the more than \$40 million in American Rescue and Recovery Act funding on priorities identified by City Council. 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. The voters overwhelmingly approved the \$97 million bond measure on the November 2022 ballot, supporting the City's plans to issue \$97 million in general obligation bonds and spend \$60 in support of projects related to public safety, \$25 million for infrastructure needs and \$12 million for housing.

Actual Revenues Compared to Final Budget – General Fund actual revenue was \$192.7 million and final budgeted revenue was \$183.0 million for fiscal year 2023.

Collections of the City's primary unrestricted revenue sources of Ad Valorem and Sales tax revenues continued to be very strong. Sales tax collections exceeded expectations again for fiscal year 2023 with revenues 6.6% above the budgeted amount. Ad Valorem collections were 2.1% higher than budgeted revenue.

The City's investments also performed better than budget expectations due to rising interest rates. Interest earned on investments totaled \$3.9 million.

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 \$14.1 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 \$9.8 million less than budget.
- Support services portfolio expenditures were \$1.9 million less than budget.
- Law enforcement officer's separation allowance expenditures were \$0.7 million less than budget.
- Other appropriations, excluding debt service, were \$0.4 million less than budget.
- Debt service expenditures were \$0.2 million less than budget.

Capital Asset and Debt Administration

Capital assets – The City's capital assets for its governmental and business-type activities as of June 30, 2023 total \$609.2 million net of accumulated depreciation and amortization. These assets include land, construction in progress, infrastructure, buildings and improvements, equipment, furniture and fixtures, computer software, vehicles, subscription based information technology agreements 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	
	2022	2023	2022	2023	2022	2023
Land and land rights	\$ 44,045	\$ 44,122	\$ 6,141	\$ 6,163	\$ 50,186	\$ 50,285
Construction in progress	35,442	40,329	33,071	5,636	68,513	45,965
Infrastructure	208,524	219,242	35,241	35,065	243,765	254,307
Buildings and improvements	109,849	113,075	60,529	86,283	170,378	199,358
Equipment, furniture and fixtures	5,845	4,788	2,158	2,795	8,003	7,583
Computer software	824	2,846	100	284	924	3,130
Vehicles	14,982	17,660	18,799	19,192	33,781	36,852
Intangible right to use subscription asset	9,975	7,352	283	207	10,258	7,559
Intangible right to use lease assets	4,676	4,138	56	28	4,732	4,166
Total	\$ 434,162	\$ 453,552	\$ 156,378	\$ 155,653	\$ 590,540	\$ 609,205

Major capital asset transactions during the year include the following for governmental activities:

- \$10.2 million in Transportation funds were used to resurface streets, construct sidewalks, construct and repair bridges and improve traffic systems throughout the City.
- \$8.9 million was spent to construct a new senior center, a tennis center, renovate parks, and upgrade recreation facilities.
- \$4.4 million was spent to construct the Day Resource Center.
- \$3.4 million on Fire Station #4
- \$2.1 million was spent on implementation of the financial and budget planning software.

Major capital asset transactions during the year include the following for business-type activities:

- The City of Fayetteville Airport spent \$4.8 million on terminal improvements, hangar construction and other upgrades. Projects were funded by federal grants, state grants and other revenue sources.
- \$0.6 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 construct concrete bus pads, concrete access pads, concrete sidewalks and Americans with Disability Act accessible wheelchair ramps with truncated domes.
- \$2.6 million was spent for stormwater drainage system improvement projects throughout the City.
- Solid waste spent \$2.5 million on trucks and equipment to provide residential solid waste and recycling services.

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

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Long-term Debt – The City issues debt to finance the acquisition and construction of many of its capital assets. As of June 30, 2023, the City had total outstanding debt of \$115.7 consisting of general obligation debt, limited obligation debt, leases and subscription debt, revenue bonded debt, installment agreements and notes payable. Long-term debt decreased \$15.1 million over 2022. The City completed \$1.3 million in installment financing for vehicle and equipment purchases in fiscal year 2023. A summary of total long-term debt is shown in Figure 5.

Outstanding Debt (dollars in thousands)

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
General obligation debt	\$ 33,720	\$ 31,580	\$ -	\$ -	\$ 33,720	\$ 31,580
Direct Placement:						
Limited obligation debt	44,930	42,120	-	-	44,930	42,120
Leases and subscription liability	14,854	11,673	341	238	15,195	11,911
Revenue bonds	-	-	3,720	2,935	3,720	2,935
Direct Borrowing:						
Installment agreements	29,682	24,648	3,422	2,354	33,104	27,002
Notes payable	-	-	200	175	200	175
Total long-term debt	<u>\$ 123,186</u>	<u>\$ 110,021</u>	<u>\$ 7,683</u>	<u>\$ 5,702</u>	<u>\$ 130,869</u>	<u>\$ 115,723</u>

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

- \$63.1 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.
- \$49.4 million net Other Postemployment Benefits (OPEB) liability, which is retiree healthcare benefits for employees hired before July 1, 2014.
- \$18.3 million net Law Enforcement Officers' Special Separation Allowance.
- \$9.4 million compensated absences, a liability for the estimated amount of vacation, compensatory time and banked holiday leave to ultimately be paid.
- \$5.1 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 \$210.2 million general fund budget for fiscal year 2024, which represented a \$21.0 million increase from the original budget for fiscal year 2023.

The general ad valorem tax rate of 53.95 cents per \$100 of assessed valuation, representing a slight increase of 0.04 cents to service the general obligation bonds approved in November of 2022. This adjustment will enable us to continue the Police, Fire, and 911 Communications employee pay step plans, with an adjustment to the step to maintain competitive increases. Additionally, all other employees will receive a 4% increase from their midpoint, and an additional 1% increase to their 401(k) contribution, bringing the city's contribution to 2%. Sworn police officers will continue to receive a mandatory 5% city contribution to a 401(k) deferred compensation plan.

For fiscal year 2024, real and personal property tax values, excluding vehicles, supporting general fund operating budgets are expected to grow by 4.94% over the values projected for the adopted fiscal year 2023 budget. This year-over-year growth projection serves as an indicator that the local economy continues to grow. Based on expected growth and the increased tax rate, general ad valorem tax revenues of \$84.7 million are projected for the general fund, an increase of 17.1 percent.

The City's other major unrestricted revenue is sales tax. The fiscal year 2024 sales taxes are expected to grow by 13.2%, with all of the growth above fiscal year 2022 revenues being returned to the County as part of the sales tax agreement. The value of this growth in fiscal year 2024 is \$8.3 million.

This budget provides for continuation of all municipal services at the same service levels as fiscal year 2023. 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 funding for studies for impact of gun violence and the relocation and opening of Fire Station 4. The City will continue the Corridor Revitalization program and fund incentives to add flight destinations or services at the Fayetteville Regional Airport. The budget funds \$4.85 million in annual pavement preservation and will sustain housing opportunity programs including Housing Trust Funds, repairs and renovation and homeownership support through grant and bond funding. Also included in the budget is funding for programs to address homelessness and mental health.

The general property tax rate of 53.95 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, 4.00 cents for the 2022 bond debt service, and 43.46 cents for general operations. 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 is adopted to increase to \$265 per year, additional minor fee adjustments are proposed with minimal expected revenue impacts. Bus fares will remain the same and other fee adjustments include minor adjustments to code enforcement, building permit and trade inspection fees to simplify the fee structure with negligible expected revenue impacts. Payment in lieu of taxes from the Public Works Commission (PWC) is projected to be \$10.2 million in FY 24, 17.43% less than FY 23 budgeted payment of \$12.4 million. This is due to the estimated withholding of \$2 million to repay an advance on the PWC's payments made during the COVID-19 pandemic.



The budget is balanced with a \$5.9 million General Fund appropriation, including \$0.6 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 \$0.5 million from fund balance reserved for Cape Fear Regional Theatre, \$0.4 million for Glenville Lake Trail, \$2.0 million for Martin Luther King, Jr. Park and \$0.4 million for Black Voices Museum Study. This represents a 28.9% decrease, or \$2.4 million, in the use of unassigned fund balance as compared to the \$8.3 million original fund balance appropriation for fiscal year 2023. 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 2024 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.

City of Fayetteville, North Carolina

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Annual
Comprehensive
**FINANCIAL
REPORT**

Fiscal Year
2023

Basic Financial Statements

Statement of Net Position
June 30, 2023

	Primary Government			
	Governmental Activities	Business Type Activities	Total Primary Government	Public Works Commission
Assets				
Cash and investments	\$ 118,179,692	\$ 46,040,504	\$ 164,220,196	\$ 137,986,115
Taxes receivable	1,203,824	-	1,203,824	-
Accounts receivable	13,758,055	3,095,996	16,854,051	49,807,207
Leases receivable	172,219	704,729	876,948	705,560
Assessments receivable	6,078,006	-	6,078,006	-
Due from other governments	29,488,200	-	29,488,200	-
Internal balances	302,463	(302,463)	-	-
Notes Receivable	159,371	-	159,371	-
Inventories	105,691	631,415	737,106	22,148,570
Prepaid expenses	2,734,989	18,084	2,753,073	-
Other current assets	-	-	-	13,778,310
Noncurrent portion of notes receivable	8,767,243	-	8,767,243	-
Restricted asset - cash and investments	68,076,749	4,704,310	72,781,059	193,681,592
Restricted asset - accounts receivable	337,390	2,585,802	2,923,192	9,898,563
Collateral pledged in lieu of deposits	-	-	-	796,968
Property held for resale	27,871	-	27,871	-
Leases receivable, noncurrent	5,440,302	4,834,126	10,274,428	3,793,545
Other assets	-	-	-	62,656
Capital assets:				
Intangible right to use lease assets, net of amortization	4,137,833	28,048	4,165,881	36,773
Intangible right to use subscription assets, net of amortization	7,352,278	206,760	7,559,038	5,041,308
Land and construction in progress	84,450,925	11,799,112	96,250,037	174,902,732
Other capital assets, net of depreciation and amortization	357,611,605	143,619,428	501,231,033	1,037,850,073
Total assets	708,384,706	217,965,851	926,350,557	1,650,489,972
Deferred Outflows of Resources				
Charge on refunding	-	-	-	653,696
OPEB deferrals	6,533,065	1,664,338	8,197,403	6,500,992
Pension deferrals	40,309,343	5,099,521	45,408,864	27,600,692
Total deferred outflow of resources	46,842,408	6,763,859	53,606,267	34,755,380
Liabilities				
Accounts payable and accrued expenses	19,906,563	2,681,354	22,587,917	38,072,242
Restricted liabilities - accounts payable	4,748,418	2,072,940	6,821,358	22,727,061
Restricted unearned deposits	799,608	1,341,868	2,141,476	-
Unearned deposits	-	-	-	814,290
Unearned revenues	34,941,339	2,683,461	37,624,800	-
Long-term liabilities:				
Due within one year	19,477,093	2,891,620	22,368,713	20,221,442
Due in more than one year	222,791,750	19,115,281	241,907,031	446,921,812
Total liabilities	302,664,771	30,786,524	333,451,295	528,756,847
Deferred Inflows of Resources				
Prepaid taxes	54,918	-	54,918	-
OPEB deferrals	10,615,331	1,864,800	12,480,131	5,554,397
Pension deferrals	4,870,204	162,940	5,033,144	144,690
Lease deferrals	5,375,710	5,411,342	10,787,052	4,360,532
Total deferred inflow of resources	20,916,163	7,439,082	28,355,245	10,059,619
Net position				
Net investment in capital assets	363,802,556	149,950,995	513,753,551	835,691,038
Restricted for:				
Operating projects	-	1,129	1,129	-
Capital projects	-	3,422,666	3,422,666	26,404,814
Stabilization by State Statute	23,103,346	-	23,103,346	-
Downtown	119,454	-	119,454	-
Recreational and cultural	21,709,030	-	21,709,030	-
Donations	49,441	-	49,441	-
Administration	5,280,929	-	5,280,929	-
Public safety	9,400,289	-	9,400,289	-
Transportation	4,339,164	-	4,339,164	-
Economic and physical development	2,725,340	-	2,725,340	-
Environmental protection	59,128	-	59,128	-
Renewable energy	-	-	-	7,257,559
Other internal restrictions	-	-	-	126,973,013
Unrestricted	1,057,503	33,129,314	34,186,817	150,102,462
Total net position	\$ 431,646,180	\$ 186,504,104	\$ 618,150,284	\$ 1,146,428,886

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

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Public Works Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Administration	\$ 48,952,419	\$ 4,406,766	\$ 13,421,103	\$ -	\$ (31,124,550)	\$ -	\$ (31,124,550)	\$ -
Public safety	101,943,643	7,792,954	3,916,012	-	(90,234,677)	-	(90,234,677)	-
Environmental protection	2,523,298	29,100	1,462,443	-	(1,031,755)	-	(1,031,755)	-
Transportation	22,787,727	1,815,650	6,063,305	7,180,039	(7,728,733)	-	(7,728,733)	-
Economic and physical development	4,729,127	-	2,975,910	4,209,382	2,456,165	-	2,456,165	-
Recreation and community facilities	21,388,242	1,814,063	4,532,737	2,461,858	(12,579,584)	-	(12,579,584)	-
Interest and other debt service	4,107,142	-	-	-	(4,107,142)	-	(4,107,142)	-
Total governmental activities	206,431,598	15,858,533	32,371,510	13,851,279	(144,350,276)	-	(144,350,276)	-
Business-type activities:								
Stormwater management	11,115,325	11,530,386	(18,019)	34,428	-	431,470	431,470	-
Transit	14,696,947	265,061	3,935,501	1,574,533	-	(8,921,852)	(8,921,852)	-
Airport	10,834,113	3,576,065	2,649,833	3,837,047	-	(771,168)	(771,168)	-
Solid waste	14,909,905	14,398,051	530,785	-	-	18,931	18,931	-
Total business-type activities	51,556,290	29,769,563	7,098,100	5,446,008	-	(9,242,619)	(9,242,619)	-
Total primary government	\$ 257,987,888	\$ 45,628,096	\$ 39,469,610	\$ 19,297,287	(144,350,276)	(9,242,619)	(153,592,895)	-
Component Unit								
Public Works Commission	\$ 351,663,071	\$ 353,064,742	\$ 5,249,725	\$ 18,458,499	\$ -	\$ -	\$ -	\$ 25,109,895
Total component unit	\$ 351,663,071	\$ 353,064,742	\$ 5,249,725	\$ 18,458,499	\$ -	\$ -	\$ -	\$ 25,109,895
General revenues:								
Ad valorem taxes					73,650,346	-	73,650,346	-
Other taxes								
Sales tax					63,591,544	-	63,591,544	-
Utilities sales tax					10,474,604	-	10,474,604	-
Telecommunications sales tax					671,064	-	671,064	-
Video franchise tax					1,761,157	-	1,761,157	-
Vehicle license tax					632,146	649,744	1,281,890	-
Vehicle gross receipts tax					852,176	-	852,176	-
Payment in lieu of taxes					11,072,379	-	11,072,379	-
Unrestricted grants and contributions					971,075	-	971,075	-
Interest earned on investments					7,045,829	1,795,658	8,841,487	7,163,913
Miscellaneous					772,648	523,743	1,296,391	-
Gain on sale of capital assets					125,522	17,398	142,920	-
Total general revenues not including transfers					171,620,490	2,986,543	174,607,033	7,163,913
Transfers					(6,930,780)	6,930,780	-	-
Total general revenues and transfers					164,689,710	9,917,323	174,607,033	7,163,913
Change in net position					20,339,434	674,704	21,014,138	32,273,808
Net position - beginning					411,306,746	185,829,400	597,136,146	1,114,155,078
Net position - ending					\$ 431,646,180	\$ 186,504,104	\$ 618,150,284	\$ 1,146,428,886

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

Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds			
	General	Federal and State Financial Assistance	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 73,591,644	\$ -	\$ 14,280,944	\$ 87,872,588
Taxes receivable	1,038,780	-	-	1,038,780
Accounts receivable	5,643,951	2,793,845	6,465,768	14,903,564
Due from other governments	20,936,675	2,442,696	5,802,457	29,181,828
Interfund receivable	3,593,259	-	7,394,587	10,987,846
Assessments receivable	925,969	-	5,599,917	6,525,886
Prepaid items	2,491,166	-	-	2,491,166
Lease receivable	5,612,521	-	-	5,612,521
Inventories	105,691	-	-	105,691
Restricted cash and investments	3,460,396	28,063,673	36,552,680	68,076,749
Restricted accounts receivable	337,390	-	-	337,390
Notes receivable	-	6,730,778	-	6,730,778
Property held for resale	-	27,871	-	27,871
Total assets	\$ 117,737,442	\$ 40,058,863	\$ 76,096,353	\$ 233,892,658
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 11,992,571	\$ 621,520	\$ 2,686,685	\$ 15,300,776
Interfund payables	-	3,290,796	7,394,587	10,685,383
Restricted unearned deposits	799,608	-	-	799,608
Unearned revenue	97,831	24,650,005	10,166,143	34,913,979
Restricted accounts payable and accrued expenses	-	2,446,533	2,301,885	4,748,418
Total liabilities	12,890,010	31,008,854	22,549,300	66,448,164
Deferred inflows of resources:				
Taxes receivable	1,038,780	-	-	1,038,780
Accounts receivable	3,121,910	-	-	3,121,910
Assessments receivable	1,155,558	-	5,129,136	6,284,694
Lease receivable	5,375,710	-	-	5,375,710
Prepaid taxes	54,918	-	-	54,918
Total deferred inflows of resources	10,746,876	-	5,129,136	15,876,012
Fund balances:				
Nonspendable				
Inventories	105,691	-	-	105,691
Prepays	2,491,166	-	-	2,491,166
Leases	236,811	-	-	236,811
Restricted				
Stabilization by State Statute	33,738,606	-	50,123	33,788,729
For downtown	119,454	-	-	119,454
For county recreation	2,838,957	-	-	2,838,957
For donations	49,441	-	-	49,441
Administration	-	3,921,202	1,359,727	5,280,929
Public safety	-	1,912,856	7,487,433	9,400,289
Transportation	-	713,382	3,625,782	4,339,164
Economic and physical development	-	793,036	1,932,304	2,725,340
Recreation and community facilities	-	448,420	18,421,653	18,870,073
Environmental protection	-	-	59,128	59,128
Committed				
Administration	-	198,911	4,351,827	4,550,738
Public safety	-	1,361,687	782,903	2,144,590
Transportation	-	-	4,276,363	4,276,363
Economic and physical development	-	8,119,768	347,581	8,467,349
Recreation and community facilities	-	8,330	5,848,671	5,857,001
Environmental protection	-	2,306,492	-	2,306,492
Law Enforcement Officers' Special Separation Allowance	10,340,293	-	-	10,340,293
Assigned				
For subsequent year's expenditures	5,928,086	-	-	5,928,086
For special purpose	3,300,000	-	-	3,300,000
For capital projects	6,748,577	-	-	6,748,577
Unassigned (deficit)	28,203,474	(10,734,075)	(125,578)	17,343,821
Total fund balances	94,100,556	9,050,009	48,417,917	151,568,482
Total liabilities, deferred inflows of resources and fund balances	\$ 117,737,442	\$ 40,058,863	\$ 76,096,353	\$ 233,892,658

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2023**

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

Ending fund balance - governmental funds	\$	149,761,292
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and Construction in Process	\$	84,450,925
Capital Assets being depreciated, net	357,611,605	
	<u>\$</u>	<u>442,062,530</u>
		442,062,530
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		11,490,111
Deferred inflows of resources for taxes and receivables.		10,445,384
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.		165,044
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.		26,704,773
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(390,405)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		9,402
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	\$	(31,580,000)
Unamortized premium	(3,331,245)	
Limited obligation bonds	(42,120,000)	
Installment agreements	(24,647,775)	
Lease and subscription liabilities	(11,673,414)	
Assessments due PWC	(5,129,136)	
Compensated absences liability	(8,424,359)	
Net pension liability (LGERS)	(54,466,822)	
Net pension liability (LEOSSA)	(18,264,026)	
Total OPEB liability	(41,614,001)	
	<u>\$</u>	<u>(241,250,778)</u>
		(241,250,778)
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	\$	9,592,424
LEOSSA pension plan	710,894	
OPEB plan	1,010,969	
	<u>\$</u>	<u>11,314,287</u>
		11,314,287
Pension (LGERS) related deferrals		25,063,985
Pension (LEOSSA) related deferrals		(469,988)
OPEB related deferrals		(5,068,655)
Net position of governmental activities	<u>\$</u>	<u>429,838,990</u>

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			
	General	Federal and State Financial Assistance	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 73,856,911	\$ -	\$ -	\$ 73,856,911
Other taxes and fees	1,502,107	-	-	1,502,107
Unrestricted intergovernmental	88,541,823	-	-	88,541,823
Restricted intergovernmental	12,454,591	19,814,674	9,450,660	41,719,925
Permits and fees	3,308,455	-	-	3,308,455
Sales and services	5,592,546	-	-	5,592,546
Miscellaneous	3,591,182	(90,230)	1,912,569	5,413,521
Interest earned on investments	3,880,103	406,524	1,692,992	5,979,619
Total revenues	<u>192,727,718</u>	<u>20,130,968</u>	<u>13,056,221</u>	<u>225,914,907</u>
Expenditures				
Current:				
Administration	31,074,444	13,298,864	1,760,226	46,133,534
Public safety	96,484,379	2,137,190	459,872	99,081,441
Environmental protection	418,468	1,707,239	-	2,125,707
Transportation	10,647,649	-	-	10,647,649
Economic and physical development	2,576,931	2,177,914	-	4,754,845
Recreation and community facilities	17,376,425	8,528	-	17,384,953
Debt service:				
Principal	16,125,426	-	-	16,125,426
Interest	4,107,142	-	-	4,107,142
Debt issuance costs	28,375	-	-	28,375
Capital outlay	1,807,191	-	30,188,101	31,995,292
Total expenditures	<u>180,646,430</u>	<u>19,329,735</u>	<u>32,408,199</u>	<u>232,384,364</u>
Revenues over (under) expenditures	<u>12,081,288</u>	<u>801,233</u>	<u>(19,351,978)</u>	<u>(6,469,457)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	128,342	-	-	128,342
Transfers in	1,111,000	352,260	10,085,579	11,548,839
Transfers out	(17,458,158)	-	(30,000)	(17,488,158)
Proceeds from long term debt	1,265,000	-	-	1,265,000
Lease and subscription liabilities issued	1,807,191	-	-	1,807,191
Total other financing sources (uses)	<u>(13,146,625)</u>	<u>352,260</u>	<u>10,055,579</u>	<u>(2,738,786)</u>
Net change in fund balance	<u>(1,065,337)</u>	<u>1,153,493</u>	<u>(9,296,399)</u>	<u>(9,208,243)</u>
Fund balance				
Beginning	<u>95,165,893</u>	<u>7,896,516</u>	<u>57,714,316</u>	<u>160,776,725</u>
Ending	<u>\$ 94,100,556</u>	<u>\$ 9,050,009</u>	<u>\$ 48,417,917</u>	<u>\$ 151,568,482</u>

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

**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, 2023**

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

Net change in fund balances - total governmental funds	\$	(9,208,243)
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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 or amortization expense. This is the amount by which capital outlays exceeded depreciation or amortization in the current period:

Capital outlays	43,108,988	
Depreciation and amortization expense	<u>(27,784,510)</u>	15,324,478

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		(340,096)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Amount of donated assets	4,548,722	
Decrease in deferred taxes	412,970	
Increase in accrued interest receivable	(32,011)	
Decrease in accrued tax penalties	(6,687)	
Other miscellaneous	<u>(711,138)</u>	4,211,856

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.

Proceeds from installment purchase agreements		(1,265,000)
Lease and subscription liabilities issued		(1,807,191)
Principal repayments		16,237,098
Change in assessments due PWC		(468,761)
Change in compensated absences		(265,398)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		9,592,424
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Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities.		710,894
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		1,010,970
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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:

OPEB expense		(226,591)
LGERS pension expense		(13,006,111)
LEOSSA pension expense		(1,851,697)
Change in accrued interest payable		(358,778)
Amortization of bond premium		202,217

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.

Change in net position of governmental activities	\$	<u>20,339,434</u>
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**Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual**

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget -
	Original	Final	Amounts	Positive(Negative)
Revenues				
Ad valorem taxes	\$ 72,327,343	\$ 72,344,274	\$ 73,856,911	\$ 1,512,637
Other taxes	1,738,947	1,738,947	1,502,107	(236,840)
Unrestricted intergovernmental	85,485,434	85,485,434	88,541,823	3,056,389
Restricted intergovernmental	12,244,121	12,244,121	12,454,591	210,470
Permits and fees	2,491,406	2,491,406	3,308,455	817,049
Sales and services	5,439,033	5,450,054	5,592,546	142,492
Miscellaneous	3,119,297	3,128,827	3,591,182	462,355
Interest earned on investments	121,195	121,195	3,880,103	3,758,908
Total revenues	182,966,776	183,004,258	192,727,718	9,723,460
Expenditures				
Current:				
Community investment	6,973,175	7,505,316	6,647,891	857,425
Operations	122,311,639	130,793,318	120,998,761	9,794,557
Support services and administration	18,962,807	21,067,021	19,138,111	1,928,910
Other appropriations	12,849,214	14,785,212	14,369,325	415,887
Parking	905,662	978,889	867,473	111,416
Central business tax district	296,125	346,125	199,730	146,395
Law enforcement officers' special separation allowance	3,148,800	2,148,800	1,492,757	656,043
Debt Service:				
Principal	11,695,159	11,341,184	11,249,503	91,681
Interest	1,376,536	3,930,511	3,847,313	83,198
Bond issuance costs	26,000	26,000	28,375	(2,375)
Total expenditures	178,545,117	192,922,376	178,839,239	14,083,137
Revenues over (under) expenditures	4,421,659	(9,918,118)	13,888,479	23,806,597
Other financing sources (uses)				
Sale of capital assets	175,400	175,400	128,342	(47,058)
Transfers in from other funds	1,222,000	1,222,000	1,111,000	(111,000)
Transfers out to other funds	(11,267,124)	(15,711,333)	(17,458,158)	(1,746,825)
Installment purchase obligations issued	1,235,743	1,235,743	1,265,000	29,257
Appropriated fund balance	4,212,322	22,996,308	-	(22,996,308)
Total other financing sources (uses)	(4,421,659)	9,918,118	(14,953,816)	(24,871,934)
Revenues and other financing sources (uses) over (under) financing (uses)	\$ -	\$ -	(1,065,337)	\$ (1,065,337)
Fund balance				
Beginning			95,165,893	
Ending			<u>94,100,556</u>	
Adjustments to Modified Accrual GAAP				
Capital outlay - leases and subscriptions			(1,807,191)	
Lease and subscription liabilities issued			1,807,191	
Lease and subscription liabilities expenditures			(5,135,752)	
Lease and subscription liabilities principal payments			4,875,923	
Lease and subscription liabilities interest payments			<u>259,829</u>	
Fund balance			<u>\$ 94,100,556</u>	

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

	Function:						
Portfolio:	Administration	Public Safety	Environmental Protection	Transportation	Economic and Physical Development	Recreation and Community Facilities	Total
Community investment	\$ 247,586	\$ 4,023,104	\$ -	\$ -	\$ 2,377,201	\$ -	\$ 6,647,891
Operations	2,455,174	90,968,518	418,468	9,780,176	-	17,376,425	120,998,761
Support services	19,138,111	-	-	-	-	-	19,138,111
Other appropriations	14,369,325	-	-	-	-	-	14,369,325
Parking	-	-	-	867,473	-	-	867,473
Central business tax district	-	-	-	-	199,730	-	199,730
Law enforcement officer's special separation allowance	-	1,492,757	-	-	-	-	1,492,757
Totals by function	\$ 36,210,196	\$ 96,484,379	\$ 418,468	\$ 10,647,649	\$ 2,576,931	\$ 17,376,425	\$ 163,714,048

Statement of Fund Net Position
Proprietary Funds
June 30, 2023

	Enterprise Funds					Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Total	
Assets						
Current assets						
Cash and investments	\$ 18,383,374	\$ 537,109	\$ 22,776,126	\$ 4,343,895	\$ 46,040,504	\$ 30,307,105
Accounts receivable	352,710	1,992,054	399,593	351,639	3,095,996	874,513
Leases receivable	-	61,068	643,661	-	704,729	-
Inventories	-	604,969	7,044	19,402	631,415	-
Prepaid expenses	-	-	13,584	4,500	18,084	243,823
Total unrestricted current assets	18,736,084	3,195,200	23,840,008	4,719,436	50,490,728	31,425,441
Restricted current assets						
Restricted cash and investments	1,340,012	73,029	3,291,269	-	4,704,310	-
Restricted accounts receivable	-	10,805	2,574,997	-	2,585,802	-
Total restricted current assets	1,340,012	83,834	5,866,266	-	7,290,112	-
Total current assets	20,076,096	3,279,034	29,706,274	4,719,436	57,780,840	31,425,441
Noncurrent assets						
Leases receivable	-	219,092	4,615,034	-	4,834,126	-
Capital assets	39,787,850	26,322,435	79,358,769	9,949,486	155,418,540	131,301
Right to use assets	3,979	52,620	168,747	9,462	234,808	2,562,709
Total noncurrent assets	39,791,829	26,594,147	84,142,550	9,958,948	160,487,474	2,694,010
Total assets	59,867,925	29,873,181	113,848,824	14,678,384	218,268,314	34,119,451
Deferred outflows of resources						
OPEB deferrals	203,604	500,196	142,669	817,869	1,664,338	18,229
Pension deferrals	829,190	2,280,274	621,894	1,368,163	5,099,521	559,705
Total deferred outflows of resources	1,032,794	2,780,470	764,563	2,186,032	6,763,859	577,934
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	1,144,362	662,054	308,608	566,330	2,681,354	4,215,382
Current portion of long term debt	954,593	339,596	170,858	1,426,573	2,891,620	167,505
Interfund payables	-	302,463	-	-	302,463	-
Total current liabilities	2,098,955	1,304,113	479,466	1,992,903	5,875,437	4,382,887
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	-	-	2,072,940	-	2,072,940	-
Unearned deposits	1,340,012	200	1,656	-	1,341,868	-
Total current liabilities to be paid from restricted assets	1,340,012	200	2,074,596	-	3,414,808	-
Total current liabilities	3,438,967	1,304,313	2,554,062	1,992,903	9,290,245	4,382,887
Noncurrent liabilities						
OPEB obligation	1,111,354	2,736,398	810,054	3,008,063	7,665,869	113,605
Net pension liability	1,261,536	3,469,224	946,152	2,081,535	7,758,447	851,537
Unearned revenues	-	1,972	2,679,727	1,762	2,683,461	4,460
Lease liabilities	-	-	-	-	-	2,543,608
Subscription lease liabilities	-	5,684	126,949	-	132,633	-
Long-term debt	2,280,179	-	-	1,278,153	3,558,332	-
Total noncurrent liabilities	4,653,069	6,213,278	4,562,882	6,369,513	21,798,742	3,513,210
Total liabilities	8,092,036	7,517,591	7,116,944	8,362,416	31,088,987	7,896,097
Deferred inflows of resources						
OPEB deferrals	270,348	665,656	197,053	731,743	1,864,800	42,813
Pension deferrals	26,495	72,859	19,870	43,716	162,940	17,882
Lease deferrals	-	266,636	5,144,706	-	5,411,342	-
Total deferred inflows of resources	296,843	1,005,151	5,361,629	775,459	7,439,082	60,695
Net position						
Net investment in capital assets	36,661,954	26,322,015	79,356,661	7,610,365	149,950,995	35,820
Restricted net position						
Operating projects	-	-	-	1,129	1,129	-
Capital projects	-	-	3,422,666	-	3,422,666	-
Unrestricted (deficit)	15,849,886	(2,191,106)	19,355,487	115,047	33,129,314	26,704,773
Total net position	\$ 52,511,840	\$ 24,130,909	\$ 102,134,814	\$ 7,726,541	\$ 186,504,104	\$ 26,740,593

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds					Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Total	
Operating revenues						
Charges for services	\$ 11,404,395	\$ 15,200	\$ 3,471,919	\$ 14,110,624	\$ 29,002,138	\$ -
Other revenue from operations	125,991	249,861	104,146	287,427	767,425	(20,417)
Interfund charges and employee contributions	-	-	-	-	-	32,507,583
Total operating revenues	<u>11,530,386</u>	<u>265,061</u>	<u>3,576,065</u>	<u>14,398,051</u>	<u>29,769,563</u>	<u>32,487,166</u>
Operating expenses						
Salaries and employee benefits	3,232,393	8,503,703	2,109,292	5,713,428	19,558,816	2,571,532
Other operating expenses	6,289,392	4,397,145	1,816,051	7,779,604	20,282,192	27,873,494
Depreciation and amortization	1,492,956	1,745,895	6,443,282	1,386,747	11,068,880	190,617
Total operating expenses	<u>11,014,741</u>	<u>14,646,743</u>	<u>10,368,625</u>	<u>14,879,780</u>	<u>50,909,889</u>	<u>30,635,643</u>
Operating income (loss)	<u>515,645</u>	<u>(14,381,682)</u>	<u>(6,792,560)</u>	<u>(481,729)</u>	<u>(21,140,326)</u>	<u>1,851,523</u>
Nonoperating revenues (expenses)						
Interest earned on investments	745,185	-	789,215	261,258	1,795,658	1,034,196
Interest on lease receivables	-	9,190	147,763	-	156,953	-
Federal and State grants	(18,019)	3,935,501	1,108,423	2,910	5,028,815	50
Passenger Facility Charges	-	-	692,366	-	692,366	-
Customer Facility Charge	-	-	849,044	-	849,044	-
Miscellaneous revenue	3,070	16,910	319,864	26,946	366,790	29,342
Gain (loss) on disposal of capital assets	-	(48,888)	-	17,398	(31,490)	5,913
County revenue	-	-	-	527,875	527,875	-
Vehicle fee revenue	-	649,744	-	-	649,744	-
Lease revenues	-	62,738	693,245	-	755,983	-
Interest expense	(100,584)	(1,316)	(2,634)	(27,709)	(132,243)	(81,310)
Miscellaneous expense	-	-	(462,854)	(2,416)	(465,270)	-
Total nonoperating revenues (expenses)	<u>629,652</u>	<u>4,623,879</u>	<u>4,134,432</u>	<u>806,262</u>	<u>10,194,225</u>	<u>988,191</u>
Income (loss) before contributions and transfers	<u>1,145,297</u>	<u>(9,757,803)</u>	<u>(2,658,128)</u>	<u>324,533</u>	<u>(10,946,101)</u>	<u>2,839,714</u>
Capital contributions	34,428	1,511,795	3,143,802	-	4,690,025	-
Transfers in	-	6,978,925	-	1,855	6,980,780	118,649
Transfers out	(50,000)	-	-	-	(50,000)	(1,111,000)
Change in net position	<u>1,129,725</u>	<u>(1,267,083)</u>	<u>485,674</u>	<u>326,388</u>	<u>674,704</u>	<u>1,847,363</u>
Total net position, beginning	<u>51,382,115</u>	<u>25,397,992</u>	<u>101,649,140</u>	<u>7,400,153</u>	<u>185,829,400</u>	<u>24,893,230</u>
Total net position, ending	<u>\$ 52,511,840</u>	<u>\$ 24,130,909</u>	<u>\$ 102,134,814</u>	<u>\$ 7,726,541</u>	<u>\$ 186,504,104</u>	<u>\$ 26,740,593</u>

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Enterprise Funds					Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Total	
Operating activities						
Cash received from customers	\$ 11,852,458	\$ 9,226,090	\$ 9,581,369	\$ 14,927,134	\$ 45,587,051	\$ 35,713,210
Cash received for insurance reimbursements	-	-	-	-	-	(20,417)
Cash paid to or on behalf of employees for services	(3,096,270)	(8,143,079)	(2,004,728)	(5,214,731)	(18,458,808)	(2,306,033)
Cash paid for goods and services	(6,746,372)	(13,205,440)	(3,954,447)	(7,929,171)	(31,835,430)	(28,270,619)
Net cash provided by (used in) operating activities	2,009,816	(12,122,429)	3,622,194	1,783,232	(4,707,187)	5,116,141
Noncapital financing activities						
Transfers in	-	6,978,925	-	1,855	6,980,780	118,649
Intergovernmental contributions	(18,019)	3,935,501	1,108,423	2,910	5,028,815	50
Transfers out	(50,000)	-	-	-	(50,000)	(1,111,000)
Vehicle revenue fees	-	649,744	-	-	649,744	-
Net cash provided (used) by noncapital financing activities	(68,019)	11,564,170	1,108,423	4,765	12,609,339	(992,301)
Capital and related financing activities						
Proceeds from sale of capital assets	-	6,560	-	17,398	23,958	5,913
Contributed capital received	34,428	1,511,795	3,143,802	-	4,690,025	-
Acquisition and construction of capital assets	(2,613,352)	(374,180)	(4,910,089)	(2,503,131)	(10,400,752)	(47,512)
Lease proceeds (payments)	(4,155)	24,038	795,043	(9,882)	805,044	(192,982)
Principal paid on debt maturities	(825,297)	-	-	(1,052,593)	(1,877,890)	-
Interest paid on debt maturities	(100,584)	(1,316)	(2,634)	(27,709)	(132,243)	-
Net cash provided (used) by capital and related financing activities	(3,508,960)	1,166,897	(973,878)	(3,575,917)	(6,891,858)	(234,581)
Investing activities						
Interest and dividends	745,185	-	789,215	261,258	1,795,658	1,034,196
Net cash provided by investing activities	745,185	-	789,215	261,258	1,795,658	1,034,196
Net increase (decrease) in cash and cash equivalents	(821,978)	608,638	4,545,954	(1,526,662)	2,805,952	4,923,455
Cash and cash equivalents						
Beginning of year	20,545,364	1,500	21,521,441	5,870,557	47,938,862	25,383,650
End of year	\$ 19,723,386	\$ 610,138	\$ 26,067,395	\$ 4,343,895	\$ 50,744,814	\$ 30,307,105
Unrestricted cash and cash equivalents	\$ 18,383,374	\$ 537,109	\$ 22,776,126	\$ 4,343,895	\$ 46,040,504	\$ 30,307,105
Restricted cash and cash equivalents	1,340,012	73,029	3,291,269	-	4,704,310	-
Total cash and cash equivalents	\$ 19,723,386	\$ 610,138	\$ 26,067,395	\$ 4,343,895	\$ 50,744,814	\$ 30,307,105

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2023

	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)	\$ 515,645	\$ (14,381,682)	\$ (6,792,560)	\$ (481,729)	\$ (21,140,326)	\$ 1,851,523
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,492,956	1,745,895	6,443,282	1,386,747	11,068,880	190,617
Nonoperating payments for goods and services	-	-	(462,854)	(2,416)	(465,270)	-
Nonoperating receipts from customers	3,070	16,910	1,861,274	554,821	2,436,075	29,342
Change in assets, liabilities and deferrals:						
(Increase) decrease in accounts receivable	81,880	8,639,484	3,281,671	(27,275)	11,975,760	3,176,571
(Increase) decrease in inventory	-	(33,881)	(4,694)	25,018	(13,557)	-
(Increase) decrease in prepaid expenses	-	-	(13,584)	-	(13,584)	44,844
Increase (decrease) in unearned revenues	237,122	2,172	862,359	1,537	1,103,190	(286)
Increase (decrease) in accounts payable and accrued liabilities	(456,980)	(8,471,951)	(1,657,264)	(172,168)	(10,758,363)	(441,969)
Increase (decrease) in accrued compensated absences	1,020	(3,834)	9,410	(12,850)	(6,254)	18,530
Increase (decrease) LGERS expense	114,427	314,674	85,817	188,808	703,726	262,619
Increase (decrease) Net OPEB expense	20,676	49,784	9,337	322,739	402,536	(15,650)
Total adjustments	<u>1,494,171</u>	<u>2,259,253</u>	<u>10,414,754</u>	<u>2,264,961</u>	<u>16,433,139</u>	<u>3,264,618</u>
Net cash provided by (used in) operating activities	<u>\$ 2,009,816</u>	<u>\$ (12,122,429)</u>	<u>\$ 3,622,194</u>	<u>\$ 1,783,232</u>	<u>\$ (4,707,187)</u>	<u>\$ 5,116,141</u>

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private-purpose Trusts	Custodial Funds
Assets		
Cash and cash equivalents	\$ 1,383,236	\$ -
Restricted cash	-	882,936
Total assets	<u>1,383,236</u>	<u>\$ 882,936</u>
Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
Net position		
Restricted for pension benefits and other purposes	1,383,236	-
Restricted by court order	-	882,936
Total net position	<u>\$ 1,383,236</u>	<u>\$ 882,936</u>

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private-purpose Trusts	Custodial Funds
Additions		
Other contributions	\$ 156,325	\$ -
Red Light Camera Program	-	669,030
Police Evidence fund deposits	-	635,275
Transfer in	-	890
Investment earnings	46,502	-
Total additions	<u>202,827</u>	<u>1,305,195</u>
Deductions		
Benefit payments and premiums	199,320	-
Payments to schools	-	669,920
Police Evidence fund releases	-	26,631
Total deductions	<u>199,320</u>	<u>696,551</u>
Change in net position	3,507	608,644
Total net position - beginning	<u>1,379,729</u>	<u>274,292</u>
Total net position - ending	<u><u>\$ 1,383,236</u></u>	<u><u>\$ 882,936</u></u>

City of Fayetteville, North Carolina

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Annual
Comprehensive
**FINANCIAL
REPORT**

Fiscal Year
2023

Notes to Financial Statements

City of Fayetteville, North Carolina

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NOTES TO FINANCIAL STATEMENTSJune 30, 2023

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, 2023

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, 2023

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, economic and physical development, 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.

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 and downtown development. The Recreational and Cultural Fund and the Bond Fund accounts for resources used for the acquisition, construction and improvements 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, 2023

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 budgetary 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, 2023

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, 2023

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 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, 2023

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, 2022.

Receivables

The receivables in the general fund consist primarily of sales taxes and utility taxes due from the State, which total \$16,380,514 and \$2,745,526, respectively. In addition, motor vehicle ad valorem taxes totaling \$867,164 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 \$1,442,868 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, 2023

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, 2023:

General Fund	
Taxes receivable	\$ 477,181
Accounts receivable	877,525
Assessments receivable	914,340
Special Revenue Funds	
Notes receivable	1,442,868
Assessments receivable	375,155
Enterprise Funds	
Transit Fund - Accounts receivable	139,578
Airport Fund - Accounts receivable	190,910
Solid Waste Recycling Fund - Accounts receivable	32,584
Stormwater Management Fund - Accounts receivable	17,196
	<u> </u>
Total	<u><u>\$ 4,467,337</u></u>

Interfund Receivables and Payables

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2023, are recorded as prepaid expenses. The costs of governmental fund-type prepaid expenses are recorded as expenditures when they are consumed rather than when they are purchased. The costs of enterprise fund-type prepaid expenses are expensed when used rather than when purchased.

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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

<u>Governmental Activities</u>	<u>Externally Restricted</u>
Restricted Cash and Investments	
General Fund	
For downtown	\$ 212,022
For county recreation	2,838,957
For capital financing	409,417
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	28,063,673
Public Safety Fund	
Unexpended debt proceeds	6,494,387
Transportation Fund	
Unexpended grant proceeds	2,608,294
Economic and Physical Development Fund	
For economic and physical development	728,125
Unexpended grant proceeds	1,031,966
Recreational and Cultural Bond Fund	
Unexpended debt proceeds	18,230,397
Unexpended grant proceeds	556,332
Recreational and Cultural Fund	
Unexpended grant proceeds	6,903,179
Total governmental activities - restricted cash and investments	<u>\$ 68,076,749</u>
Restricted Receivables	
General Fund	
For county recreation	\$ 337,390
Total governmental activities - restricted accounts receivable	<u>\$ 337,390</u>
Restricted Unearned Deposits (general fund)	<u>\$ 799,608</u>
Restricted Accounts Payable - amounts to be paid from restricted assets	
Federal and State Financial Assistance Fund	\$ 2,446,533
Recreational and Cultural Bond Fund	1,265,574
Recreational and Cultural Fund	105,993
Public Safety Fund	446,855
Transportation Fund	132,068
Economic and Physical Development Fund	351,395
Total governmental activities - restricted accounts payable	<u>\$ 4,748,418</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

	Externally Restricted
<u>Business-type Activities</u>	
Restricted Cash and Investments	
Stormwater Fund	
Restricted stormwater deposits	\$ 1,340,012
Transit Fund	
Unexpended grant proceeds	73,029
Airport Fund	
Unexpended grant proceeds and passenger facility charges	3,291,269
Total business-type activities - restricted cash and investments	<u>\$ 4,704,310</u>
Restricted Accounts Receivable - amounts due from federal and state granting agencies	
Transit Fund	\$ 10,805
Airport Fund	2,574,997
Total business-type activities - restricted accounts receivable	<u>\$ 2,585,802</u>
Restricted Unearned Deposits	
Stormwater Fund	\$ 1,340,012
Transit Fund	200
Airport Fund	1,656
Total business-type activities - restricted unearned deposits	<u>\$ 1,341,868</u>
Restricted Accounts Payable - to be paid from restricted assets (Airport Fund)	<u>\$ 2,072,940</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 reviews assets for impairment at year end, no assets were impaired on June 30, 2023.

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 Lease Assets

The City has recorded right to use lease assets as a result of implementing GASB 87 and GASB 96. The right to use lease 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

plus ancillary charges necessary to place the lease into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several 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 assets 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 five items that meet the criterion for this category - taxes receivable, accounts receivable, assessments receivable, leases 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, 2023

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.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 that is restricted by revenue source and encumbrances related to transportation activities outstanding at the end of the fiscal year.

Restricted for economic and physical development – portion of fund balance restricted by revenue source for economic and physical development activities 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 and encumbrances related to recreation and community facility 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, 2023

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 2023 - 2024 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, 2023

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. 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 are effective for financial statements starting with the fiscal year that ends June 30, 2023, and did not have a material effect on operating fund balance or net position.

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 report assets and liabilities related to PPP's consistently and disclose important information about PPP transactions. The requirements of this Statement are effective for financial statements starting with the fiscal year that ends June 30, 2023, and did not have a material effect on operating fund balance or net position.

GASB Statement No. 99, "Omnibus 2022." Statement No. 99, "Omnibus 2022." The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

derivative instruments within the scope of Statement 53 took effect for financial statements starting with the fiscal year that ends June 30, 2023, and did not have a material effect on operating fund balance or net position .

H – Upcoming Pronouncements

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 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

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 this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2025.

GASB Statement No. 102, “Certain Risk Disclosures.” The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the City's demand deposits had a carrying amount of \$14,523,768 and a bank balance of \$21,918,470. 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 \$1,383,236.

The City had \$11,325 in the petty cash and change funds.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the City investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2023	Maturity	Rating*
US Government Treasuries	Fair Value Level 1	\$ 4,881,700	< 1 year	AA+
US Government Agencies	Fair Value Level 2	4,976,650	< 1 year	AA+
Truist Capital Markets - Commercial Paper	Fair Value Level 2	87,209,318	< 1 year	A1/P1
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	126,292,162	N/A	AAAm
Total:		\$223,359,830		

*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. The City's investment in Commercial Paper has an A1/P1 rating as of June 30, 2023. US Government Treasuries and US Government Agencies both hold an AA+ rating by Standard & Poor's.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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)	\$ 223,359,830
Cash (demand deposits)	14,523,767
Firefighter's Relief Fund CDs	1,372,505
Petty cash	11,325
Total cash and investments	<u>\$ 239,267,427</u>

Totals per Statement of Net Position and Fiduciary Net Position

Cash and investments - unrestricted	\$ 164,220,196
Cash and investments - restricted	72,781,059
Agency	882,936
Private-purpose trust cash and investments	1,383,236
Total cash and investments	<u>\$ 239,267,427</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 2023 to 2047. As of June 30, 2023, the City reported principal lease receivables of \$5,572,009 and \$5,526,762 for its Governmental and Business-type activities, respectively. As a result, the City also reported deferred inflows of resources of \$5,375,710 and \$5,411,342 for its Governmental and Business-type activities, respectively, at June 30, 2023. Minimum lease provisions at June 30, 2023 will result in rental income for future years as follows:

Governmental activities

Year(s) Ending	Principal Payments	Interest Payments	Total
2024	\$ 131,707	\$ 169,597	\$ 301,304
2025	136,183	165,121	301,304
2026	139,262	160,989	300,251
2027	143,138	156,762	299,900
2028	172,069	152,831	324,900
2029-2047	4,849,650	1,670,900	6,520,550
	<u>\$ 5,572,009</u>	<u>\$ 2,476,200</u>	<u>\$ 8,048,209</u>

Business-type activities

Year(s) Ending	Principal Payments	Interest Payments	Total
2024	\$ 692,635	\$ 141,421	\$ 834,057
2025	712,340	123,069	835,409
2026	521,108	107,266	628,374
2027	524,959	94,260	619,219
2028	212,957	84,894	297,850
2029-2047	2,862,763	705,742	3,568,504
	<u>\$ 5,526,762</u>	<u>\$ 1,256,652</u>	<u>\$ 6,783,414</u>

In the fiscal year 2023, the City recognized \$233,174 of lease revenue and \$172,250 of interest revenue for the Governmental activities leases and \$755,983 of lease revenue and \$156,953 of interest revenue for the Business-type activities leases.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 3 - Capital Assets

A – Capital assets

Capital asset activity for the year ended June 30, 2023, was as follows:

Primary Government

	Balance June 30, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 44,045,474	\$ 76,475	\$ -	\$ -	\$ 44,121,949
Construction in progress	35,441,825	25,982,435	-	(21,095,284)	40,328,976
Total capital assets not being depreciated	79,487,299	26,058,910	-	(21,095,284)	84,450,925
Capital assets being depreciated or amortized:					
Infrastructure	524,147,319	11,914,852	-	10,568,760	546,630,931
Buildings and improvements	185,379,620	773,279	-	8,353,939	194,506,838
Equipment, furniture and fixtures	38,287,786	1,139,593	-	-	39,427,379
Computer software	7,140,755	233,791	-	2,172,585	9,547,131
Vehicles	43,956,360	5,777,607	(882,981)	-	48,850,986
Intangible right to use subscription assets	13,291,353	1,283,873	(444,726)	-	14,130,500
Intangible right to use lease assets	5,629,368	523,318	-	-	6,152,686
Total capital assets being depreciated and amortized	817,832,561	21,646,313	(1,327,707)	21,095,284	859,246,451
Less accumulated depreciation and amortization for:					
Infrastructure	(315,622,852)	(11,765,735)	-	-	(327,388,587)
Buildings and improvements	(75,531,304)	(5,900,414)	-	-	(81,431,718)
Equipment, furniture and fixtures	(32,443,057)	(2,195,771)	-	-	(34,638,828)
Computer software	(6,316,734)	(384,835)	-	-	(6,701,569)
Vehicles	(28,973,648)	(3,097,471)	880,161	-	(31,190,958)
Intangible right to use subscription assets	(3,316,102)	(3,462,120)	107,450	-	(6,670,772)
Intangible right to use lease assets	(953,522)	(1,168,781)	-	-	(2,122,303)
Total accumulated depreciation and amortization	(463,157,219)	\$ (27,975,127)	\$ 987,611	\$ -	(490,144,735)
Total capital assets being depreciated, net	354,675,342				369,101,716
General governmental activity capital assets, net	\$ 434,162,641				\$ 453,552,641

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

Administration	\$ 4,466,943
Public safety	5,475,429
Environmental protection	343,501
Transportation	13,035,992
Economic and physical development	345,921
Recreation and community facilities	4,307,341
Total depreciation and amortization expense	\$ 27,975,127

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 3 - Capital Assets (continued)

	Balance June 30, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Business-type activities:					
Capital assets not being depreciated					
Land and land rights	\$ 6,140,858	\$ 22,085	\$ -	\$ -	\$ 6,162,943
Construction in progress	33,071,365	6,178,450	-	(33,613,646)	5,636,169
Total capital assets not being depreciated	39,212,223	6,200,535	-	(33,613,646)	11,799,112
Capital assets being depreciated or amortized:					
Buildings and improvements	135,635,654	-	(162,287)	32,498,058	167,971,425
Equipment, furniture and fixtures	10,989,014	971,046	-	280,695	12,240,755
Computer software	729,752	308,890	-	-	1,038,642
Vehicles	36,586,455	2,888,307	-	-	39,474,762
Infrastructure	57,170,042	31,974	-	834,893	58,036,909
Intangible right to use subscription assets	356,124	-	-	-	356,124
Intangible right to use lease assets	84,144	-	-	-	84,144
Total capital assets being depreciated and amortized	241,551,184	4,200,217	(162,287)	33,613,646	279,202,761
Less accumulated depreciation and amortization for:					
Buildings and improvements	(75,106,824)	(6,686,299)	105,486	-	(81,687,637)
Equipment, furniture and fixtures	(8,831,489)	(614,358)	-	-	(9,445,847)
Computer software	(630,069)	(124,574)	-	-	(754,643)
Vehicles	(17,787,491)	(2,494,986)	-	-	(20,282,477)
Infrastructure	(21,928,551)	(1,043,910)	-	-	(22,972,461)
Intangible right to use subscription assets	(72,659)	(76,705)	-	-	(149,364)
Intangible right to use lease assets	(28,048)	(28,048)	-	-	(56,096)
Total accumulated depreciation and amortization	(124,385,131)	\$ (11,068,880)	\$ 105,486	\$ -	(135,348,525)
Total capital assets being depreciated, net	117,166,053				143,854,236
Business-type activity capital assets, net	\$ 156,378,276				\$ 155,653,348

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

Stormwater management	\$ 1,492,956
Transportation	1,745,895
Airport	6,443,282
Solid Waste	1,386,747
Total depreciation and amortization expense	<u>\$ 11,068,880</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3 - Capital Assets (continued)

PWC (discretely presented component unit)

	Balance June 30, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
PWC:					
Capital assets not being depreciated:					
Land and land rights	\$ 23,799,686	\$ 1,000	\$ -	\$ 68,331	\$ 23,869,017
Construction in progress	123,173,403	89,374,984	(2,779,254)	(58,735,418)	151,033,715
Total capital assets not being depreciated	146,973,089	89,375,984	(2,779,254)	(58,667,087)	174,902,732
Capital assets being depreciated or amortized:					
Electric utility system	526,731,147	3,608,566	(5,472,452)	28,680,410	553,547,671
Water system	458,660,951	-	(255,111)	12,095,713	470,501,553
Sewer system	711,473,660	-	(2,459)	17,219,332	728,690,533
Buildings	70,409,721	191,753	-	-	70,601,474
Equipment and machinery	36,365,608	1,086,093	(584,957)	576,030	37,442,774
Intangibles	46,665,959	7,437	-	95,602	46,768,998
Computer equipment	12,480,663	69,725	(110,174)	-	12,440,214
Vehicles	23,508,069	2,038,614	(352,354)	-	25,194,329
Office equipment	1,729,520	-	(34,354)	-	1,695,166
Intangible right to use subscription assets	6,213,442	1,209,310	(341,842)	-	7,080,910
Intangible right to use lease assets	48,633	-	-	-	48,633
Total capital assets being depreciated and amortized	1,894,287,373	8,211,498	(7,153,703)	58,667,087	1,954,012,255
Less accumulated depreciation and amortization for:					
Electric utility system	(290,581,602)	(15,432,367)	4,862,277	-	(301,151,692)
Water system	(189,498,854)	(11,666,205)	215,874	-	(200,949,185)
Sewer system	(260,622,276)	(15,406,241)	-	-	(276,028,517)
Buildings	(35,609,612)	(1,904,574)	-	-	(37,514,186)
Equipment and machinery	(25,069,941)	(1,334,919)	537,404	-	(25,867,456)
Intangibles	(37,714,122)	(2,799,843)	-	-	(40,513,965)
Computer equipment	(10,974,450)	(531,837)	110,174	-	(11,396,113)
Vehicles	(12,709,623)	(1,561,364)	307,372	-	(13,963,615)
Office equipment	(1,655,891)	(25,868)	33,849	-	(1,647,910)
Intangible right to use subscription assets	(898,528)	(1,463,140)	322,066	-	(2,039,602)
Intangible right to use lease assets	(2,134)	(9,726)	-	-	(11,860)
Total accumulated depreciation and amortization:	(865,337,033)	\$ (52,136,084)	\$ 6,389,016	\$ -	(911,084,101)
Total capital assets being depreciated, net	1,028,950,340				1,042,928,154
PWC capital assets, net	\$ 1,175,923,429				\$ 1,217,830,886

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, 2023

Note 3 - Capital Assets (continued)

B – Intangible right to use assets

The City has entered into right to use 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 assets are amortized on a straight-line basis over the terms of the related leases.

Intangible right to use asset activities for the City for fiscal year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities				
Intangible right to use assets				
Leased buildings	\$ 4,948,849	\$ 152,552	\$ -	\$ 5,101,401
Leased vehicles	164,026	301,791	-	465,817
Leased equipment	516,493	68,975	-	585,468
Subscription software	13,291,353	1,283,873	(444,726)	14,130,500
Total intangible right to use assets	18,920,721	1,807,191	(444,726)	20,283,186
Less accumulated amortization for:				
Leased buildings	(579,459)	(614,196)	-	(1,193,655)
Leased vehicles	(116,852)	(285,878)	-	(402,730)
Leased equipment	(257,211)	(268,707)	-	(525,918)
Subscription software	(3,316,102)	(3,462,120)	107,450	(6,670,772)
Total accumulated amortization	(4,269,624)	(4,630,901)	107,450	(8,793,075)
Intangible right to use assets, net	\$ 14,651,097	\$ (2,823,709)	\$ (337,276)	\$ 11,490,111
Business-type activities				
Intangible right to use assets				
Leased equipment	\$ 84,144	\$ -	\$ -	\$ 84,144
Subscription software	356,124	-	-	356,124
Total intangible right to use assets	440,268	-	-	440,268
Less accumulated amortization for:				
Leased equipment	(28,048)	(28,048)	-	(56,096)
Subscription software	(72,659)	(76,705)	-	(149,364)
Total accumulated amortization	(100,707)	(104,753)	-	(205,460)
Intangible right to use assets, net	\$ 339,561	\$ (104,753)	\$ -	\$ 234,808

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following at June 30, 2023:

Governmental activities

	General	Federal and State Financial Assistance	Nonmajor Governmental	Internal Service	Subtotal
Accounts payable	\$ 6,788,634	\$ 3,061,843	\$ 4,002,455	\$ 573,647	\$ 14,426,579
Incurred but not reported	-	-	-	3,573,317	3,573,317
Interest payable	-	-	-	6,336	6,336
Retainage payable	-	3,884	986,115	-	989,999
Salaries and benefits payable	5,203,937	2,326	-	62,082	5,268,345
Total	\$ 11,992,571	\$ 3,068,053	\$ 4,988,570	\$ 4,215,382	24,264,576

Adjustment for interest payable	390,405
	<u>\$ 24,654,981</u>

Reconciliation to accounts payable on the financial statements:

Unrestricted	\$ 11,992,571	\$ 621,520	\$ 2,686,685	\$ 4,215,382	\$ 19,516,158
Restricted	-	2,446,533	2,301,885	-	4,748,418
	<u>\$ 11,992,571</u>	<u>\$ 3,068,053</u>	<u>\$ 4,988,570</u>	<u>\$ 4,215,382</u>	<u>24,264,576</u>

Adjustment for interest payable	390,405
	<u>\$ 24,654,981</u>

Business-type activities

	Transit	Airport	Stormwater Management	Solid Waste	Subtotal
Accounts payable	\$ 374,352	\$ 802,177	\$ 1,002,419	\$ 398,730	\$ 2,577,678
Interest payable	51	186	38,257	6,694	45,188
Retainage payable	-	1,517,397	-	-	1,517,397
Salaries and benefits payable	287,651	61,788	103,686	160,906	614,031
Total	<u>\$ 662,054</u>	<u>\$ 2,381,548</u>	<u>\$ 1,144,362</u>	<u>\$ 566,330</u>	<u>\$ 4,754,294</u>

Reconciliation to accounts payable on the financial statements:

Unrestricted	\$ 662,054	\$ 308,608	\$ 1,144,362	\$ 566,330	\$ 2,681,354
Restricted	-	2,072,940	-	-	2,072,940
	<u>\$ 662,054</u>	<u>\$ 2,381,548</u>	<u>\$ 1,144,362</u>	<u>\$ 566,330</u>	<u>\$ 4,754,294</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023 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%.	\$ 730,000
 \$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%.	 12,800,000
 \$19,000,000 Parks and Recreation Bonds, Series 2022 due in various annual installments through June 1, 2042; interest at various rates between 3.25% and 5.0%.	 18,050,000
	31,580,000
Add: Unamortized Premium	2,982,444
Total governmental general obligation bonds and premiums	\$ 34,562,444

Interest expense related to the general obligation bonds totaled \$1,427,268 for the year ended June 30, 2023.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023 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%.	\$ 37,870,000
\$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%.	2,065,000
\$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%.	2,185,000
	42,120,000
Add: Unamortized Premium	348,801
	<u>\$ 42,468,801</u>

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, 2023

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, 2023 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%.	\$ 2,935,000
Total revenue bonds	\$ 2,935,000

Interest expense related to the direct placement revenue bonds totaled \$110,509 for the year ended June 30, 2023.

Revenue bond debt service requirements to maturity are as follows:

Stormwater revenue bonds

Year(s) Ending	Principal	Interest	Total
2024	\$ 805,000	\$ 85,742	\$ 890,742
2025	835,000	60,270	895,270
2026	855,000	33,936	888,936
2027	440,000	6,897	446,897
	<u>\$ 2,935,000</u>	<u>\$ 186,845</u>	<u>\$ 3,121,845</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5 - Long-Term Obligations (continued)

The total principal and interest remaining to be paid on the outstanding direct placement revenue bonds was \$3,121,847 as of June 30, 2023. 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, 2023) 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, 2023

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service	
Stormwater fee revenues	\$ 11,404,395
Other operating revenues	125,991
Nonoperating revenue (expense)	748,255
Less/plus adjustments for:	
Interest expense	(100,584)
Total revenues	\$ 12,178,057
Operating expenses	11,014,741
Less adjustments for:	
Depreciation	(1,492,956)
Change in OPEB accrual	(20,676)
Total current expenses	9,501,109
Income Available for Debt Service	2,676,948
Unrestricted Cash, 6/30/22 (prior year)	20,545,364
15% of unrestricted cash	3,081,805
Total resources available for debt service	<u>\$ 5,758,753</u>
Parity Indebtedness Debt Service Requirement	
Series 2011 Revenue Bonds – Principal	\$ 785,000
Series 2011 Revenue Bonds – Interest	110,509
	<u>\$ 895,509</u>
Total Available Resources Debt Service Coverage – Parity Indebtedness	6.43
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	785,000
Series 2011 Revenue Bonds – Interest	110,509
	<u>\$ 920,539</u>
Income Available for Debt Service Debt Service Coverage – All Indebtedness	2.91
Revenue Bond Covenant Requirement	1.00

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, 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.	\$ 81,288
\$268,346 direct borrowing Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	<u>93,921</u>
Total business-type notes payable	<u>\$ 175,209</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, 2023

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

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 \$221,045 in 2024 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.	1,065,451
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 \$93,894 in 2024 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.	553,190
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 \$67,069 in 2024 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.	1,617,035
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 \$122,625 in 2024 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.	3,206,250
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 \$424,003 in 2024 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.	13,167,581
In 2022, the City entered into a \$3,136,876 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$404,087 in 2024 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.	2,424,108
In 2023, the City entered into a \$1,265,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$171,020 in 2024 including interest of 3.70%. 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.	1,369,328

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5 - Long-Term Obligations (continued)

Governmental activities (continued)

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 \$378,228 in 2024 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.

378,228

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 \$426,755 in 2024 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.

853,510

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 \$1,095,612 in 2024 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.

4,383,243

29,017,924

Less: amount representing interest

4,370,149

Present value of the minimum installment payments

\$ 24,647,775

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5 - Long-Term Obligations (continued)

Business-type activities

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 2024 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.

678,594

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 \$31,012 in 2024 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.

31,012

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 \$418,466 in 2024 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.

1,674,164

2,383,770

Less: amount representing interest

29,333

Present value of the minimum installment payments

2,354,437

Total Installment Obligations

\$ 27,002,212

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, 2023:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 4,923,278	\$ 3,306,418	\$ 1,616,860
Vehicles	13,322,798	7,644,357	5,678,441
Buildings and Improvement	17,544,788	5,113,149	12,431,639
	<u>\$ 35,790,864</u>	<u>\$ 16,063,924</u>	<u>\$ 19,726,940</u>

Interest expense related to the installment agreements totaled \$655,908 for the year ended June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 1.3 to 3.7% 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 \$11,673,414 and \$237,706 for its Governmental and Business-type Activities, respectively, at June 30, 2023.

Governmental activities

Year(s) Ending	Principal Payments	Interest Payments	Total
2024	\$ 3,824,546	\$ 255,252	\$ 4,079,798
2025	2,648,987	174,454	2,823,441
2026	1,727,696	118,236	1,845,932
2027	1,174,212	82,334	1,256,546
2028	285,923	63,037	348,960
2029-2039	2,012,050	354,474	2,366,524
	<u>\$ 11,673,414</u>	<u>\$ 1,047,787</u>	<u>\$ 12,721,201</u>

Business-type activities

Year(s) Ending	Principal Payments	Interest Payments	Total
2024	\$ 105,073	\$ 2,686	\$ 107,759
2025	47,433	1,422	48,855
2026	42,314	841	43,155
2027	42,886	268	43,154
	<u>\$ 237,706</u>	<u>\$ 5,217</u>	<u>\$ 242,923</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023.

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

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Governmental activities					
General obligation debt	\$ 33,720,000	\$ -	\$ 2,140,000	\$ 31,580,000	\$ 2,140,000
Direct placement:					
Limited obligation debt	44,930,000	-	2,810,000	42,120,000	2,800,000
Plus: Unamortized premium	3,533,462	-	202,217	3,331,245	-
Direct borrowing:					
Installment agreements	29,682,278	1,265,000	6,299,503	24,647,775	5,833,845
PWC assessment	5,597,897	996,176	1,464,937	5,129,136	-
Lease and subscription liability	14,853,818	1,807,191	4,987,595	11,673,414	3,824,546
Compensated absences	8,193,353	7,874,861	7,590,932	8,477,282	4,878,702
Net pension liability (LGERS)	14,653,379	40,664,980	-	55,318,359	-
Net pension liability (LEOSSA)	21,729,345	-	3,465,319	18,264,026	-
OPEB liability	46,469,832	-	4,742,226	41,727,606	-
Total governmental activities	<u>\$ 223,363,364</u>	<u>\$ 52,608,208</u>	<u>\$ 33,702,728</u>	<u>\$ 242,268,843</u>	<u>\$ 19,477,093</u>
Business-type activities					
Direct placement:					
Revenue bonds	\$ 3,720,000	\$ -	\$ 785,000	\$ 2,935,000	\$ 805,000
Direct borrowing:					
Notes payable	200,239	-	25,030	175,209	25,030
Installment agreements	3,422,297	-	1,067,860	2,354,437	1,076,285
Lease and subscription liability	340,918	-	103,212	237,706	105,073
Compensated absences	886,487	1,134,317	1,140,571	880,233	880,232
Net pension liability (LGERS)	2,055,149	5,703,298	-	7,758,447	-
OPEB liability	8,537,073	-	871,204	7,665,869	-
Total Liability	<u>\$ 19,162,163</u>	<u>\$ 6,837,615</u>	<u>\$ 3,992,877</u>	<u>\$ 22,006,901</u>	<u>\$ 2,891,620</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Business-type activities					
Direct placement:					
Revenue bonds	\$ 347,595,000	\$ -	\$ 14,310,000	\$ 333,285,000	\$ 13,025,000
Plus: Unamortized premium	25,187,593	-	1,415,570	23,772,023	-
Notes payable	37,369,863	6,761,639	2,281,758	41,849,744	2,281,758
Unearned deposits	958,567	874,642	1,018,919	814,290	-
Compensated absences	4,719,890	5,415,724	4,719,890	5,415,724	3,508,072
Lease and subscription liability	5,310,043	1,209,311	1,584,816	4,934,538	1,406,612
Net pension liability (LGERS)	9,451,408	24,797,701	-	34,249,109	-
Net OPEB liability	26,693,679	2,226,317	5,282,880	23,637,116	-
Total business-type activities	<u>\$ 457,286,043</u>	<u>\$ 41,285,334</u>	<u>\$ 30,613,833</u>	<u>\$ 467,957,544</u>	<u>\$ 20,221,442</u>

The Commission has pledged future electric, water and wastewater customer 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 2023. 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 \$464,177,714. Principal and interest paid for the current year and total customer revenues were \$26,898,244 and \$353,045,792 respectively.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage. The Commission is in compliance with all such significant covenants at June 30, 2023.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, PWC assessments, compensated absences, pension liabilities, and net OPEB liability).

Governmental activities

Year(s) Ending	General Obligation Bonds		Limited Obligation Bonds from Direct Placements	
	Principal	Interest	Principal	Interest
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	1,750,000	872,625	2,790,000	1,279,939
2029-2042	22,100,000	4,962,438	28,145,000	6,500,188
	<u>\$ 31,580,000</u>	<u>\$ 10,254,063</u>	<u>\$ 42,120,000</u>	<u>\$ 13,946,644</u>

Year(s) 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
2024	\$ 1,371,130	\$ 486,142	\$ 4,462,715	\$ 110,460	\$ 10,773,845	\$ 3,549,311
2025	1,371,130	437,981	3,280,807	61,835	9,541,937	3,245,961
2026	1,170,953	389,866	1,121,040	29,308	6,836,993	2,958,590
2027	796,000	357,772	333,000	9,250	5,669,000	2,714,269
2028	796,000	333,231	-	-	5,336,000	2,485,795
2029-2042	9,945,000	2,154,303	-	-	60,190,000	13,616,929
	<u>\$ 15,450,213</u>	<u>\$ 4,159,295</u>	<u>\$ 9,197,562</u>	<u>\$ 210,853</u>	<u>\$ 98,347,775</u>	<u>\$28,570,855</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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(s) Ending	Revenue Bonds from Direct Placements		Notes Payable from Direct Borrowings		Capitalized Leases from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	223,959	2,259
2027	440,000	6,897	25,030	-	-	-
2028	-	-	25,030	-	-	-
2029-2030	-	-	50,059	-	-	-
	<u>\$ 2,935,000</u>	<u>\$ 186,845</u>	<u>\$ 175,209</u>	<u>\$ -</u>	<u>\$ 2,354,437</u>	<u>\$ 29,333</u>

Year(s) Ending	Total Debt Due	
	Principal	Interest
2024	\$ 1,906,315	\$ 103,636
2025	1,914,223	69,450
2026	1,103,989	36,195
2027	465,030	6,897
2028	25,030	-
2029-2030	50,059	-
	<u>\$ 5,464,646</u>	<u>\$ 216,178</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, 2023, the City's legal debt limit was \$1,173,155,273. The outstanding debt subject to this limit was \$115,944,577 leaving a legal debt margin of \$1,057,210,696.

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

At June 30, 2023, the City had a total of \$97,000,000 in bonds authorized but un-issued, including \$60,000,000 for Public Safety, \$25,000,000 for Public Infrastructure, and \$12,000,000 for Housing Affordability.

At June 30, 2023, the City had no unused lines of credit.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5 - Long-Term Obligations (continued)

K – Net Investment in Capital Assets

	City		
	Government Activities	Business-Type Activities	PWC
Capital assets, net	442,062,530	155,418,540	1,212,752,805
Add: Intangible right to use assets	11,490,111	234,808	5,078,081
Less: Long term debt related to capital assets	(98,347,775)	(5,464,647)	(375,134,744)
Less: Unamortized bond premium	(3,331,245)	-	(23,772,022)
Less: Deferred loss related to unspent bond proceeds	-	-	(103,824)
Less: Retainage and payables related to capital assets	(1,854,673)	-	(8,359,263)
Add: Deferred loss on bond refunding	-	-	653,696
Less: Lease and subscription liabilities	(11,673,414)	(237,706)	(4,934,538)
Add: Unspent bond/lease proceeds	25,457,022	-	29,510,847
Total net investment in capital assets	363,802,556	149,950,995	835,691,038

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)	\$ 97,831
Unearned grant receipts (Special Revenue)	24,650,005
Unearned assessments (Special Revenue)	22,900
Unearned grant receipts (Capital Projects)	10,166,143
Prepaid retiree insurance premiums (Internal Service)	4,460
Unearned revenue (Enterprise)	2,683,461
Total	\$ 37,624,800

In addition, the City had \$799,608 and \$1,341,868 of restricted unearned deposits in the governmental funds and enterprise funds respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023.

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, 2023. The amounts reported totaled \$36,360,002 and \$5,099,521 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)	\$ 54,918
Taxes receivable, net (General)	1,038,780
Accounts and notes receivable (General)	3,121,910
Leases receivable (General)	5,375,710
Special assessments receivable, net (General)	1,155,558
PWC assessments receivable, net (Special revenue)	5,129,136
	<u>\$ 15,876,012</u>

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

	Outflows	Inflows
Prepaid taxes	\$ -	\$ 54,918
OPEB deferrals	8,197,403	12,480,131
Pension deferrals LGERS	41,459,523	1,324,709
Pension deferrals LEOSSA	3,949,341	3,708,435
Lease deferrals	-	10,787,052
	<u>\$ 53,606,267</u>	<u>\$ 28,355,245</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 \$16,221,540 for all employees for the policy period ending June 30, 2023), 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, 2023, a liability for incurred but not reported claims of \$3,573,317 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City is presented below.

	2023	2022
Liability, beginning	\$ 3,363,318	\$ 4,206,571
Current year claims and changes in estimate	18,225,076	16,827,299
Actual claim payments	(18,015,077)	(17,670,552)
Liability, ending	<u>\$ 3,573,317</u>	<u>\$ 3,363,318</u>

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 \$1,000,000. 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, 2023

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 \$431.9 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, 2023, cumulative expenditures to date totaled approximately \$321.6 million leaving an unexpended balance of \$110.3 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, 2023

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, 2023, was 13.04% of compensation for law enforcement officers and 12.15% 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 \$11,108,771 for the year ended June 30, 2023.

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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the City reported a liability of \$63,076,806 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022 (measurement date), the City's proportion was 1.1181%, which was an increase of 0.0286% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$16,830,096. At June 30, 2023, 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	\$ 2,717,922	\$ 266,477
Changes of assumptions	6,293,651	-
Net difference between projected and actual earnings on pension plans investments	20,847,545	-
Changes in proportion and differences between City contributions and proportionate share of contributions	491,634	1,058,232
City contributions subsequent to the measurement date	11,108,771	-
Total	<u>\$ 41,459,523</u>	<u>\$ 1,324,709</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10 - Employee Retirement Systems (continued)

The City reported \$11,108,771 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 next fiscal year. 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	
2024	\$ 8,697,489
2025	7,885,724
2026	2,510,669
2027	9,932,161
	<u>\$ 29,026,043</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021, 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 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. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021, 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
		<u>Real Rate of Return</u>
Fixed Income	33.00%	0.90%
Global Equity	38.00%	6.50%
Real Estate	8.00%	5.90%
Alternatives	8.00%	8.20%
Credit	7.00%	5.00%
Inflation Protection	6.00%	2.70%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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 6.5%. 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	\$ 113,845,512	\$ 63,076,806	\$ 21,240,445

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, 2023

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, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	69
Active plan members	<u>387</u>
Total	<u>456</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, 2021, valuation. The total pension liability in the December 31, 2021, 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	4.31%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 \$1,292,132 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, 2023, the City reported a total pension liability of \$18,264,026. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$1,851,697.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,440	\$ 707,147
Changes of assumptions	3,035,007	3,001,288
City benefit payments and plan administrative expense made subsequent to the measurement date	710,894	-
Total	<u>\$ 3,949,341</u>	<u>\$ 3,708,435</u>

\$710,894 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 next fiscal year.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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
2024	\$ 1,185,289	\$ 892,681	\$ 292,608
2025	1,103,019	798,996	304,023
2026	950,139	798,783	151,356
2027	-	743,837	(743,837)
2028	-	474,138	(474,138)
	<u>\$ 3,238,447</u>	<u>\$ 3,708,435</u>	<u>\$ (469,988)</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 4.31%, 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 (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	1% Decrease 3.31%	Current Discount Rate 4.31%	1% Increase 5.31%
Total pension liability	\$ 19,688,295	\$ 18,264,026	\$ 16,968,548

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2021, 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

	2023
Beginning balance	\$ 21,729,345
Service cost	945,922
Interest on the total pension liability	474,374
Differences between expected and actual experience in the measurement of the total pension liability	(508,499)
Changes of assumptions or other inputs	(3,084,984)
Benefit payments	(1,292,132)
Ending balance of the total pension liability	<u>\$ 18,264,026</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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	\$ 16,830,096	\$ 1,851,697	\$ 18,681,793
Pension liability	63,076,806	18,264,026	81,340,832
Proportionate share of the net pension liability	1.11810%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	2,717,922	203,440	2,921,362
Changes of assumptions	6,293,651	3,035,007	9,328,658
Net difference between projected and actual earnings on plan investments	20,847,545	-	20,847,545
Changes in proportion and differences between contributions and proportionate share of contributions	491,634	-	491,634
Benefit payments and administrative costs paid subsequent to the measurement date	11,108,771	710,894	11,819,665
Deferred inflows of resources			
Differences between expected and actual experience	266,477	707,147	973,624
Changes of assumptions	-	3,001,288	3,001,288
Changes in proportion and differences between contributions and proportionate share of contributions	1,058,232	-	1,058,232

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 \$1,213,246 for the year ended June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 \$612,735 for the year ended June 30, 2023.

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 Officers	Firefighters	General Employees	Total
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 \$49,393,475 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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	2.16%
Measurement date	3.54%
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, 2023

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 55,006,905
Changes for the year:	
Service cost	1,683,019
Interest	1,210,309
Change in benefit terms	-
Difference between expected and actual experience	(798,589)
Changes of assumptions or other inputs	(6,386,945)
Benefit payments	(1,321,224)
Other	-
Net changes	(5,613,430)
Balance at June 30, 2023	\$ 49,393,475

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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
Total OPEB liability	\$ 53,919,642	\$ 49,393,475	\$ 45,354,229

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	\$ 44,545,756	\$ 49,393,475	\$ 55,003,352

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the City recognized OPEB expense of \$802,471. At June 30, 2023, 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	\$ 1,075,222	\$ 7,050,002
Changes of assumptions	5,457,553	4,965,465
City benefit payments and administrative costs made subsequent to the measurement date	1,199,964	-
Total	<u>\$ 7,732,739</u>	<u>\$ 12,015,467</u>

\$1,199,964 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 next fiscal year. 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:	
2024	\$ (1,766,332)
2025	(2,252,458)
2026	(1,463,902)
Total	<u>\$ (5,482,692)</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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	\$ 6,532,617	\$ 448	\$ 6,533,065
Stormwater fund	173,987	29,617	203,604
Transit fund	428,394	71,802	500,196
Airport fund	126,817	15,852	142,669
Solid Waste fund	470,924	346,945	817,869
	<u>\$ 7,732,739</u>	<u>\$ 464,664</u>	<u>\$ 8,197,403</u>
Deferred Inflows Reconciliation-OPEB	Per Actuary	Change in Fund	Total Deferred
Governmental activities	\$ 10,150,667	\$ 464,664	\$ 10,615,331
Stormwater fund	270,348	-	270,348
Transit fund	665,656	-	665,656
Airport fund	197,053	-	197,053
Solid Waste fund	731,743	-	731,743
	<u>\$ 12,015,467</u>	<u>\$ 464,664</u>	<u>\$ 12,480,131</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:

Year ended June 30:	Deferred Outflows/(Inflows) of Resources					Total
	Governmental Activities	Stormwater Fund	Transit Fund	Airport Fund	Solid Waste Fund	
2024	(464,220)	29,618	71,803	15,854	346,945	-
	<u>\$ (464,220)</u>	<u>\$ 29,618</u>	<u>\$ 71,803</u>	<u>\$ 15,854</u>	<u>\$ 346,945</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, 2023

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, 2023 as follows:

Interfund Receivables/Payables

Receivable Fund	Payable Fund	Amount
General Fund	Transit Fund	\$ 302,463
General Fund	Federal and State Financial Assistance Fund	3,290,796
Nonmajor Capital Projects Fund	Nonmajor Capital Projects Fund	7,394,587
Total Interfund Receivables and Payables		<u>\$ 10,987,846</u>

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, 2023, consist of the following:

Transfer out:	Transfer in:							Total
	General	Federal and State Assistance	Nonmajor Governmental	Transit	Solid Waste	Red Light Camera Program	Internal Service	
General	\$ -	\$ 302,260	\$ 10,055,579	\$ 6,978,925	\$ 1,855	\$ 890	\$ 118,649	\$ 17,458,158
Nonmajor Governmental	-	-	30,000	-	-	-	-	30,000
Stormwater	-	50,000	-	-	-	-	-	50,000
Internal Service	1,111,000	-	-	-	-	-	-	1,111,000
Totals	<u>\$ 1,111,000</u>	<u>\$ 352,260</u>	<u>\$ 10,085,579</u>	<u>\$ 6,978,925</u>	<u>\$ 1,855</u>	<u>\$ 890</u>	<u>\$ 118,649</u>	<u>\$ 18,649,158</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 \$10,357,839 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: \$4,700,000 for transportation projects including street resurfacing and improvements, and sidewalk and intersection improvements; \$4,437,700 for general government projects including major facility maintenance projects, computer replacements and technology enhancements and upgrades; \$280,000 for recreation and cultural projects including parks and trails; \$388,351 for public security system enhancements and records management system upgrade; \$187,500 for environmental protection projects. Transfers to special revenue funds of \$364,288 which included funds for operations in the Emergency Telephone System fund and for local match required for Federal and State funded programs.

The general fund transfers to enterprise funds consisted of support of transit system operations, planning functions and capital purchases in the amount of \$6,978,925 and local match required for a State funded recycling program \$1,855.

The general fund transferred \$890 to the Red Light Camera Program custodial fund for differences between payments received and refunds given, to close the program.

Transfers from internal service funds to the general fund in the amount of \$1,111,000 and transfers from the general fund to internal service funds in the amount of \$118,649 represent interfund loans and repayments.

The stormwater fund transferred \$50,000 to the special revenue fund for match required for Federal and State funded programs.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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	\$ 94,100,556
Less:	
Nonspendable	
Inventories	105,691
Prepays	2,491,166
Leases	236,811
Restricted	
Stabilization by State Statute	33,738,606
For downtown	119,454
For county recreation	2,838,957
Donations	49,441
Committed	
Law Enforcement Officer's Separation Allowance	10,340,293
Assigned	
Subsequent years expenditures	5,928,086
Specific purpose assignments	3,300,000
Capital funding plan	6,748,577
Unassigned	28,203,474
Working capital/fund balance policy	20,520,951
Remaining fund balance	\$ 7,682,523

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
\$ 33,944,705	\$ 6,295,977	\$ 7,788,896	\$ 19,859,832

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 \$2,147,915 in 2023. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions with PWC amounted to \$11,155,987 in 2023. Balances due to/from PWC at June 30, 2023, were as follows:

Receivables (due from PWC)	<u>\$ 649,230</u>
Payables (due to PWC)	\$ 60,351
Assessments (due to PWC)	5,129,136
Assessment interest (due to PWC)	<u>470,781</u>
Total due to PWC	<u>\$ 5,660,268</u>

Note 15 – Subsequent Events

Management has evaluated subsequent events through May 9, 2024, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

The City received notification from Cumberland County of its intent to change the sales tax distribution method from per capita basis to ad valorem basis beginning in fiscal year 2026. In addition, modification to the existing annexation payment agreement caps the City's sales tax revenue to the amount realized during fiscal year 2022 for fiscal years 2024 and 2025, repaying all growth to the County. The City is carefully analyzing and planning for the impact of this decision on future years revenue and expenditure projections in the budget and financial planning process.



Annual Comprehensive FINANCIAL REPORT

Fiscal Year
2023

Required Supplementary Information

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

- Law Enforcement Officers' Special Separation Allowance
 - Schedule of Changes in Total Pension Liability
- Law Enforcement Officers' Special Separation Allowance
 - Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Local Government Employee' Retirement System
 - Proportionate Share of Net Pension Liability (Asset)
- Local Government Employees' Retirement System
 - City of Fayetteville's Contributions
- Other Post-Employment Benefit Retiree Healthcare Plan
 - Schedule of Changes in the Total OPEB Liability and Related Ratios

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

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 21,729,345	\$ 22,389,920	\$ 16,619,221	\$ 15,458,716	\$ 15,352,794	\$ 13,966,229	\$ 13,773,620
Service cost	945,922	1,003,287	679,308	667,499	718,542	636,795	663,903
Interest on the total pension liability	474,374	420,589	524,602	544,971	471,047	524,852	480,452
Changes of benefit terms			-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(508,499)	(341,250)	(127,731)	430,533	400,850	56,460	-
Changes of assumptions or other inputs	(3,084,984)	(547,733)	5,748,819	491,465	(592,010)	906,489	(320,609)
Benefit payments	(1,292,132)	(1,195,468)	(1,054,299)	(973,963)	(892,507)	(738,031)	(631,137)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 18,264,026</u>	<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

	2023	2021	2021	2020	2019	2018	2017
Total pension liability	\$ 18,264,026	\$ 22,389,920	\$ 22,389,920	\$ 16,619,221	\$ 15,458,716	\$ 15,352,794	\$ 13,966,229
Covered-employee payroll	22,820,388	23,750,289	23,750,289	24,819,535	24,646,632	24,885,304	25,442,283
Total pension liability as a percentage of covered payroll	80.03%	94.27%	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 Ten Fiscal Years *
(unaudited)
Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	1.11810%	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) (\$)	\$ 63,076,806	\$ 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	\$ 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	\$ 104,285,543
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	76.02%	20.99%	52.93%	41.34%	40.75%	23.50%	38.83%	5.74%	-10.85%	21.51%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	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 will be the same percentage for all participant employers in the LGERS plan.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 11,108,771	\$ 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	11,108,771	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)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 90,088,736	\$ 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	12.33%	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.

Schedule of Changes in the Total OPEB Liability and Related Ratios
(unaudited)
June 30, 2023

Total OPEB Liability	2023	2022	2021	2020	2019	2018*
Service cost	\$ 1,683,019	\$ 2,300,829	\$ 1,704,683	\$ 1,686,605	\$ 1,739,025	\$ 1,871,877
Interest	1,210,309	1,352,062	1,847,285	1,659,402	1,511,364	1,287,302
Differences between expected and actual experience	(798,589)	(12,277,971)	(1,226,681)	5,012,551	(521,183)	273,055
Changes of assumption or other inputs	(6,386,945)	5,311,663	6,501,921	1,166,756	(1,340,403)	(2,314,880)
Benefit payments	(1,321,224)	(1,110,203)	(935,077)	(1,277,933)	(1,094,114)	(1,764,005)
Net change in total OPEB liability	(5,613,430)	(4,423,620)	7,892,131	8,247,381	294,689	(646,651)
Total OPEB liability - beginning	55,006,905	59,430,525	51,538,394	43,291,013	42,996,324	43,642,975
Total OPEB liability - ending	\$ 49,393,475	\$ 55,006,905	\$ 59,430,525	\$ 51,538,394	\$ 43,291,013	\$ 42,996,324
 Covered payroll	 \$ 43,865,202	 \$ 43,865,202	 \$ 50,949,158	 \$ 50,949,158	 \$ 55,195,292	 \$ 55,195,292
Total OPEB liability as a percentage of covered payroll	112.60%	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>
2023	3.54%
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.



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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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Annual Comprehensive FINANCIAL REPORT

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Governmental Funds

- General 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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Annual Comprehensive FINANCIAL REPORT

Fiscal Year
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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, 2023 and 2022

	2023	2022
Assets		
Cash and investments	\$ 73,591,644	\$ 67,137,291
Taxes receivable	1,038,780	1,244,084
Accounts receivable	5,643,951	4,018,860
Due from other governments	20,936,675	21,615,871
Assessments receivable	925,969	698,901
Interfund receivable	3,593,259	10,988,409
Lease receivable	5,612,521	5,816,031
Inventories	105,691	105,670
Prepaid items	2,491,166	2,291,866
Restricted accounts receivable	337,390	3,737,751
Restricted cash and investments	3,460,396	3,673,134
Total assets	\$ 117,737,442	\$ 121,327,868
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable and accrued expenses	\$ 11,992,571	\$ 14,061,540
Restricted unearned deposits	799,608	623,348
Unearned revenue	97,831	464,807
Total liabilities	12,890,010	15,149,695
Deferred inflows of resources		
Taxes receivable	1,038,780	1,256,443
Prepaid taxes	54,918	40,885
Accounts receivable	3,121,910	3,149,508
Leases receivable	5,375,710	5,683,340
Assessment receivable	1,155,558	882,104
Total deferred inflows of resources	10,746,876	11,012,280
Fund balance		
Nonspendable		
For inventories	105,691	105,670
For prepaids	2,491,166	2,291,866
For leases	236,811	132,691
Restricted		
Stabilization by State Statute	33,738,606	42,146,935
For downtown	119,454	130,198
For economic and physical development	-	8
For county recreation	2,838,957	213,394
For donations	49,441	25,355
Committed		
Law Enforcement Officers' Special Separation Allowance	10,340,293	8,530,243
Assigned		
For subsequent year's expenditures	5,928,086	3,969,112
For special purpose	3,300,000	7,107,310
For capital projects	6,748,577	7,935,797
Unassigned	28,203,474	22,577,314
Total fund balance	94,100,556	95,165,893
Total liabilities, deferred inflows of resources and fund balance	\$ 117,737,442	\$ 121,327,868

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

**For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	Budget	Variance Positive (Negative)	2023 Actuals	2022 Actuals
Revenues				
Ad Valorem Taxes				
Current year	\$ 71,557,884	\$ 1,593,017	\$ 73,150,901	\$ 71,978,681
Prior years	545,000	(174,289)	370,711	553,466
Interest and penalties	241,390	93,909	335,299	324,248
Total ad valorem taxes	<u>72,344,274</u>	<u>1,512,637</u>	<u>73,856,911</u>	<u>72,856,395</u>
Other Taxes				
Vehicle license tax	648,820	1,111	649,931	639,948
Gross receipts tax on rental property	1,090,127	(237,951)	852,176	949,329
Total Other Taxes	<u>1,738,947</u>	<u>(236,840)</u>	<u>1,502,107</u>	<u>1,589,277</u>
Unrestricted intergovernmental				
Local option sales tax	59,672,060	3,919,484	63,591,544	59,244,980
Payment in lieu of taxes	12,405,712	(1,333,333)	11,072,379	11,853,127
Utilities sales tax	10,755,713	389,955	11,145,668	10,815,734
Video franchise fee	1,805,049	(43,892)	1,761,157	1,870,127
Beer and wine tax	846,900	124,175	971,075	827,614
Total unrestricted intergovernmental	<u>85,485,434</u>	<u>3,056,389</u>	<u>88,541,823</u>	<u>84,611,582</u>
Restricted intergovernmental				
Federal	-	400,569	400,569	195,090
State	5,881,217	175,475	6,056,692	5,962,372
Local	6,362,904	(365,574)	5,997,330	5,521,597
Total restricted intergovernmental	<u>12,244,121</u>	<u>210,470</u>	<u>12,454,591</u>	<u>11,679,059</u>
Permits and Fees	<u>2,491,406</u>	<u>817,049</u>	<u>3,308,455</u>	<u>3,080,062</u>
Sales and Services				
Leases	451,374	14,316	465,690	470,874
Engineering services	385,800	9,113	394,913	371,835
Planning services	119,335	77,747	197,082	126,111
Public safety services	1,414,879	(14,132)	1,400,747	1,604,926
Recreation and cultural services	2,018,775	(200,148)	1,818,627	1,575,280
Parking revenues	637,443	132,162	769,605	816,239
Other fees and services	422,448	123,434	545,882	329,009
Total sales and services	<u>5,450,054</u>	<u>142,492</u>	<u>5,592,546</u>	<u>5,294,274</u>
Miscellaneous	<u>3,128,827</u>	<u>462,355</u>	<u>3,591,182</u>	<u>3,443,487</u>
Interest earned on investments	<u>121,195</u>	<u>3,758,908</u>	<u>3,880,103</u>	<u>174,921</u>
Total revenues	<u>183,004,258</u>	<u>9,723,460</u>	<u>192,727,718</u>	<u>182,729,057</u>
Expenditures				
Current				
Community Investment				
Economic and Community Development	1,699,428	390,605	1,308,823	1,336,687
Development Services	5,453,345	361,863	5,091,482	4,681,487
Human relations	352,543	104,957	247,586	260,633
Total Community Investment	<u>7,505,316</u>	<u>857,425</u>	<u>6,647,891</u>	<u>6,278,807</u>
Operations				
Fire	37,756,377	3,506,493	34,249,884	32,254,349
Parks, recreation and maintenance	24,987,700	2,836,500	22,151,200	18,696,531
Police	57,580,586	861,952	56,718,634	53,203,096
Public Services	10,468,655	2,589,612	7,879,043	9,463,724
Total Operations	<u>130,793,318</u>	<u>9,794,557</u>	<u>120,998,761</u>	<u>113,617,700</u>

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

**For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2023 Actuals</u>	<u>2022 Actuals</u>
Expenditures (continued)				
Support Services and Administration				
Budget and Evaluation	567,499	72,067	495,432	551,330
Marketing & Communications	1,016,775	99,778	916,997	976,712
City Manager's Office	3,187,641	572,733	2,614,908	2,541,117
City Attorney's Office	1,865,193	(145,579)	2,010,772	1,444,869
Finance	4,466,770	868,112	3,598,658	2,677,183
Human Resources Development	1,631,650	(63,103)	1,694,753	1,531,872
Information Technology	7,105,524	486,453	6,619,071	6,439,677
Mayor, Council and City Clerk	1,225,969	38,449	1,187,520	952,040
Total Support Services and Administration	21,067,021	1,928,910	19,138,111	17,114,800
Other Appropriations	14,785,212	415,887	14,369,325	13,783,161
Parking	978,889	111,416	867,473	829,949
Central business tax district	346,125	146,395	199,730	245,770
Law Enforcement Officers' Special Separation Allowance	2,148,800	656,043	1,492,757	1,319,715
Debt Service				
Operations				
Principal	1,750,000	-	1,750,000	800,000
Interest	1,371,269	1	1,371,268	564,000
Total debt service - operations	3,121,269	1	3,121,268	1,364,000
Other Appropriations				
Principal	9,591,184	91,681	9,499,503	10,082,006
Interest	2,559,242	83,197	2,476,045	2,366,123
Issuance cost	26,000	(2,375)	28,375	-
Total debt service - other appropriations	12,176,426	172,503	12,003,923	12,448,129
Total Debt Service	15,297,695	172,504	15,125,191	13,812,129
Total Expenditures	192,922,376	14,083,137	178,839,239	167,002,031
Revenues over (under) expenditures	(9,918,118)	23,806,597	13,888,479	15,727,026
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	175,400	(47,058)	128,342	316,985
Appropriated fund balance	22,996,308	(22,996,308)	-	-
Transfers in from other funds	1,222,000	(111,000)	1,111,000	1,515,000
Transfers (out) - Community Investment	(286,309)	-	(286,309)	(603,500)
Transfers (out) - Operations	(9,359,502)	335,845	(9,023,657)	(11,841,154)
Transfers (out) - Support Services & Administration	(995,200)	7,500	(987,700)	(2,183,719)
Transfers (out) - Other Appropriations	(5,070,322)	(2,090,170)	(7,160,492)	(3,990,491)
Proceeds from long term debt	1,235,743	29,257	1,265,000	3,136,876
Total Other Financing Sources (Uses)	9,918,118	(24,871,934)	(14,953,816)	(13,650,003)
Revenues and Other Financing Sources (Uses) Over (Under)				
Expenditures	\$ -	\$ (1,065,337)	(1,065,337)	2,077,023
Fund Balance				
Beginning			95,165,893	93,088,870
Ending			<u>\$ 94,100,556</u>	<u>\$ 95,165,893</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, 2023 and June 30, 2022

	2023	2022
Assets		
Accounts receivable	\$ 2,793,845	\$ 1,932,923
Due from other governments	2,442,696	2,791,492
Restricted cash and investments	28,063,673	17,790,809
Notes receivable	6,730,778	5,602,581
Property held for resale	27,871	27,871
Total assets	\$ 40,058,863	\$ 28,145,676
Liabilities, deferred inflows of resources and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 621,520	\$ 344,094
Unearned revenue	24,650,005	17,753,130
Restricted accounts payable and accrued expenses	2,446,533	-
Interfund payables	3,290,796	2,151,936
Total liabilities	31,008,854	20,249,160
Fund balances:		
Restricted		
Administration	3,921,202	-
Public safety	1,912,856	922,624
Transportation	713,382	-
Recreation and community facilities	448,420	283,616
Economic and physical development	793,036	1,166,847
Environmental protection	-	1,819,168
Committed		
Administration	198,911	18,638
Public safety	1,361,687	672,294
Recreation and community facilities	8,330	18,000
Economic and physical development	8,119,768	6,444,467
Environmental protection	2,306,492	3,201,467
Unassigned	(10,734,075)	(6,650,605)
Total fund balances	9,050,009	7,896,516
Total liabilities, deferred inflows of resources and fund balances	\$ 40,058,863	\$ 28,145,676

**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, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 85,560,141	\$ 41,219,808	\$ 19,267,952	\$ 60,487,760
State grants and contributions	12,595,190	4,715,049	534,947	5,249,996
Local	494,588	95,682	11,775	107,457
Total restricted intergovernmental	<u>98,649,919</u>	<u>46,030,539</u>	<u>19,814,674</u>	<u>65,845,213</u>
Miscellaneous	<u>7,001,755</u>	<u>631,671</u>	<u>(90,230)</u>	<u>541,441</u>
Interest earned on investments	<u>49,708</u>	<u>796,433</u>	<u>406,524</u>	<u>1,202,957</u>
Total revenues	<u>105,701,382</u>	<u>47,458,643</u>	<u>20,130,968</u>	<u>67,589,611</u>
Expenditures				
Current				
Administration	37,108,395	-	13,298,864	13,298,864
Public safety	10,243,825	5,965,566	2,137,190	8,102,756
Environmental protection	16,436,517	10,962,569	1,707,239	12,669,808
Economic and physical development	42,392,680	32,296,792	2,177,914	34,474,706
Recreation and community facilities	1,465,106	993,024	8,528	1,001,552
Total current	<u>107,646,523</u>	<u>50,217,951</u>	<u>19,329,735</u>	<u>69,547,686</u>
Debt service	<u>310,890</u>	<u>310,890</u>	<u>-</u>	<u>310,890</u>
Total expenditures	<u>107,957,413</u>	<u>50,528,841</u>	<u>19,329,735</u>	<u>69,858,576</u>
Revenues over (under) expenditures	<u>(2,256,031)</u>	<u>(3,070,198)</u>	<u>801,233</u>	<u>(2,268,965)</u>
Other financing sources (uses)				
Transfers in	2,263,247	2,057,208	352,260	2,409,468
Transfers out	(7,216)	(9,582)	-	(9,582)
Total other financing sources (uses)	<u>2,256,031</u>	<u>2,047,626</u>	<u>352,260</u>	<u>2,399,886</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (1,022,572)</u>	<u>1,153,493</u>	<u>\$ 130,921</u>
Fund balance				
Beginning			7,896,516	
Ending			<u>\$ 9,050,009</u>	



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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, 2023

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,372,764	\$ 12,908,180	\$ 14,280,944
Accounts receivable	30,297	6,435,471	6,465,768
Assessments receivable	5,599,917	-	5,599,917
Interfund receivable	-	7,394,587	7,394,587
Due from other governments	19,825	5,782,632	5,802,457
Restricted cash and investments	-	36,552,680	36,552,680
Total assets	<u>\$ 7,022,803</u>	<u>\$ 69,073,550</u>	<u>\$ 76,096,353</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 473,467	\$ 2,213,218	\$ 2,686,685
Unearned revenue	-	10,166,143	10,166,143
Restricted accounts payable and accrued expenses	-	2,301,885	2,301,885
Interfund payable	-	7,394,587	7,394,587
Total liabilities	<u>473,467</u>	<u>22,075,833</u>	<u>22,549,300</u>
Deferred inflows of resources:			
Assessments receivable	5,129,136	-	5,129,136
Total deferred inflows of resources	<u>5,129,136</u>	<u>-</u>	<u>5,129,136</u>
Fund balances:			
Restricted			
Stabilization by State Statute	50,123	-	50,123
Administration	-	1,359,727	1,359,727
Public safety	1,342,278	6,145,155	7,487,433
Transportation	-	3,625,782	3,625,782
Recreation and community facilities	27,799	18,393,854	18,421,653
Economic and physical development	-	1,932,304	1,932,304
Environmental protection	-	59,128	59,128
Committed			
Administration	-	4,351,827	4,351,827
Public safety	-	782,903	782,903
Transportation	-	4,276,363	4,276,363
Economic and physical development	-	347,581	347,581
Recreation and community facilities	-	5,848,671	5,848,671
Unassigned	-	(125,578)	(125,578)
Total fund balances	<u>1,420,200</u>	<u>46,997,717</u>	<u>48,417,917</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,022,803</u>	<u>\$ 69,073,550</u>	<u>\$ 76,096,353</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 363,581	\$ 9,087,079	\$ 9,450,660
Miscellaneous	1,506,677	405,892	1,912,569
Interest earned on investments	300,346	1,392,646	1,692,992
Total revenues	<u>2,170,604</u>	<u>10,885,617</u>	<u>13,056,221</u>
Expenditures			
Current			
Administration	1,760,226	-	1,760,226
Public safety	459,872	-	459,872
Capital Outlay	-	30,188,101	30,188,101
Total expenditures	<u>2,220,098</u>	<u>30,188,101</u>	<u>32,408,199</u>
Revenues over (under) expenditures	<u>(49,494)</u>	<u>(19,302,484)</u>	<u>(19,351,978)</u>
Other financing sources (uses)			
Transfers in	62,028	10,023,551	10,085,579
Transfers out	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>62,028</u>	<u>9,993,551</u>	<u>10,055,579</u>
Net change in fund balances	12,534	(9,308,933)	(9,296,399)
Fund balances			
Beginning	1,407,666	56,306,650	57,714,316
Ending	<u>\$ 1,420,200</u>	<u>\$ 46,997,717</u>	<u>\$ 48,417,917</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023

	Emergency Telephone System Fund	Linear Park Fund	PWC Assessment Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$ 1,344,965	\$ 27,799	\$ -	\$ 1,372,764
Accounts receivable	30,297	-	-	30,297
Assessments receivable	-	-	5,599,917	5,599,917
Due from other governments	19,825	-	-	19,825
Total assets	<u>\$ 1,395,087</u>	<u>\$ 27,799</u>	<u>\$ 5,599,917</u>	<u>\$ 7,022,803</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,686	\$ -	\$ 470,781	\$ 473,467
Total liabilities	<u>2,686</u>	<u>-</u>	<u>470,781</u>	<u>473,467</u>
Deferred inflows of resources				
Assessments receivable	-	-	5,129,136	5,129,136
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>5,129,136</u>	<u>5,129,136</u>
Fund balances:				
Restricted				
Stabilization by State Statute	50,123	-	-	50,123
Public safety	1,342,278	-	-	1,342,278
Recreation and community facilities	-	27,799	-	27,799
Total fund balances	<u>1,392,401</u>	<u>27,799</u>	<u>-</u>	<u>1,420,200</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,395,087</u>	<u>\$ 27,799</u>	<u>\$ 5,599,917</u>	<u>\$ 7,022,803</u>

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

For the Year Ended June 30, 2023

	Emergency Telephone System Fund	Linear Park Fund	PWC Assessment Fund	Total Nonmajor Special Revenue Funds
Revenues				
Restricted intergovernmental	\$ 363,581	\$ -	\$ -	\$ 363,581
Assessment revenue	-	-	1,506,677	1,506,677
Interest earned on investments	45,855	942	253,549	300,346
Total revenues	<u>409,436</u>	<u>942</u>	<u>1,760,226</u>	<u>2,170,604</u>
Expenditures				
Current:				
Administration	-	-	1,760,226	1,760,226
Public safety	459,872	-	-	459,872
Total expenditures	<u>459,872</u>	<u>-</u>	<u>1,760,226</u>	<u>2,220,098</u>
Revenues over (under) expenditures	<u>(50,436)</u>	<u>942</u>	<u>-</u>	<u>(49,494)</u>
Other financing sources (uses)				
Transfers in	62,028	-	-	62,028
Total other financing sources (uses)	<u>62,028</u>	<u>-</u>	<u>-</u>	<u>62,028</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>11,592</u>	<u>942</u>	<u>-</u>	<u>12,534</u>
Fund balances				
Beginning	1,380,809	26,857	-	1,407,666
Ending	<u>\$ 1,392,401</u>	<u>\$ 27,799</u>	<u>\$ -</u>	<u>\$ 1,420,200</u>

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

Year Ended June 30, 2023
(With Comparative Actual Amounts For Year Ended June 30, 2022)

	Budget	Variance Positive (Negative)	2023 Actual	2022 Actual
Revenues				
Restricted intergovernmental	\$ 959,725	\$ (596,144)	\$ 363,581	\$ 978,406
Interest earned on investments	441	45,414	45,855	2,050
Total revenues	<u>960,166</u>	<u>(550,730)</u>	<u>409,436</u>	<u>980,456</u>
Expenditures				
Current				
Public safety				
Other operating expenditures	1,479,210	1,019,338	459,872	458,272
Total expenditures	<u>1,479,210</u>	<u>1,019,338</u>	<u>459,872</u>	<u>458,272</u>
Revenues over (under) expenditures	<u>(519,044)</u>	<u>468,608</u>	<u>(50,436)</u>	<u>522,184</u>
Other financing sources (uses)				
Appropriated fund balance	519,044	(519,044)	-	-
Transfers in	-	62,028	62,028	-
Total other financing sources (uses)	<u>519,044</u>	<u>(457,016)</u>	<u>62,028</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 11,592</u>	<u>11,592</u>	<u>522,184</u>
Fund balance				
Beginning			1,380,809	858,625
Ending			<u>\$ 1,392,401</u>	<u>\$ 1,380,809</u>

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

From Inception And For Year Ended June 30, 2023

	<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>49,458</u>	<u>942</u>	<u>50,400</u>
Total revenues	<u>2,128,991</u>	<u>2,123,552</u>	<u>942</u>	<u>2,124,494</u>
Expenditures				
Current				
Recreational and community facilities				
Linear Park	2,179,070	2,146,774	-	2,146,774
Total expenditures	<u>2,179,070</u>	<u>2,146,774</u>	<u>-</u>	<u>2,146,774</u>
Revenues over (under) expenditures	<u>(50,079)</u>	<u>(23,222)</u>	<u>942</u>	<u>(22,280)</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>\$ 26,857</u>	<u>942</u>	<u>\$ 27,799</u>
Fund balance				
Beginning			26,857	
Ending			<u>\$ 27,799</u>	

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

Year Ended June 30, 2023
(With Comparative Actual Amounts For Year Ended June 30, 2022)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2023 Actual</u>	<u>2022 Actual</u>
Revenues				
Assessment revenue	\$ 2,160,000	\$ (653,323)	\$ 1,506,677	\$ 1,954,139
Interest earned on investments	360,000	(106,451)	253,549	325,743
Total revenues	<u>2,520,000</u>	<u>(759,774)</u>	<u>1,760,226</u>	<u>2,279,882</u>
Expenditures				
Current				
Administration				
Intergovernmental expense - assessment	2,520,000	759,774	1,760,226	2,279,882
Total expenditures	<u>2,520,000</u>	<u>759,774</u>	<u>1,760,226</u>	<u>2,279,882</u>
 Revenues over (under) expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 -	 <u>\$ -</u>
 Fund balance				
Beginning			-	-
Ending			<u>\$ -</u>	<u>\$ -</u>

City of Fayetteville, North Carolina

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Annual Comprehensive FINANCIAL REPORT

Fiscal Year
2023

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
- Recreational and Cultural Bond 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, 2023

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Environmental Protection Fund	Economic and Physical Development Fund	Total Nonmajor Capital Project Funds
Assets								
Cash and investments	\$ 5,468,725	\$ 955,117	\$ 970,503	\$ 4,744,831	\$ 769,004	\$ -	\$ -	\$ 12,908,180
Accounts receivable	121	-	766,963	-	36,900	4,910,685	720,802	6,435,471
Due from other governments	71,770	23,654	364,182	1,753,321	130,614	2,050,703	1,388,388	5,782,632
Restricted cash and investments	-	6,494,387	2,608,294	6,903,179	18,786,729	-	1,760,091	36,552,680
Interfund receivable	371,339	-	7,023,248	-	-	-	-	7,394,587
Total assets	<u>\$ 5,911,955</u>	<u>\$ 7,473,158</u>	<u>\$ 11,733,190</u>	<u>\$ 13,401,331</u>	<u>\$ 19,723,247</u>	<u>\$ 6,961,388</u>	<u>\$ 3,869,281</u>	<u>\$ 69,073,550</u>
Liabilities, deferred inflows of resources and fund balances								
Liabilities:								
Accounts payable and accrued expenses	\$ 200,401	\$ 98,245	\$ 1,332,763	\$ 68,906	\$ 487,186	\$ 4,590	\$ 21,127	\$ 2,213,218
Unearned revenue	-	-	2,366,214	6,616,824	337,570	-	845,535	10,166,143
Restricted accounts payable and accrued expenses	-	446,855	132,068	105,993	1,265,574	-	351,395	2,301,885
Interfund payables	-	-	-	-	-	7,023,248	371,339	7,394,587
Total liabilities	<u>200,401</u>	<u>545,100</u>	<u>3,831,045</u>	<u>6,791,723</u>	<u>2,090,330</u>	<u>7,027,838</u>	<u>1,589,396</u>	<u>22,075,833</u>
Fund balances:								
Restricted								
Administration	1,359,727	-	-	-	-	-	-	1,359,727
Public safety	-	6,145,155	-	-	-	-	-	6,145,155
Transportation	-	-	3,625,782	-	-	-	-	3,625,782
Economic and physical development	-	-	-	-	-	-	1,932,304	1,932,304
Recreation and community facilities	-	-	-	760,937	17,632,917	-	-	18,393,854
Environmental protection	-	-	-	-	-	59,128	-	59,128
Committed								
Administration	4,351,827	-	-	-	-	-	-	4,351,827
Public safety	-	782,903	-	-	-	-	-	782,903
Transportation	-	-	4,276,363	-	-	-	-	4,276,363
Economic and physical development	-	-	-	-	-	-	347,581	347,581
Recreation and community facilities	-	-	-	5,848,671	-	-	-	5,848,671
Unassigned	-	-	-	-	-	(125,578)	-	(125,578)
Total fund balances	<u>5,711,554</u>	<u>6,928,058</u>	<u>7,902,145</u>	<u>6,609,608</u>	<u>17,632,917</u>	<u>(66,450)</u>	<u>2,279,885</u>	<u>46,997,717</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,911,955</u>	<u>\$ 7,473,158</u>	<u>\$ 11,733,190</u>	<u>\$ 13,401,331</u>	<u>\$ 19,723,247</u>	<u>\$ 6,961,388</u>	<u>\$ 3,869,281</u>	<u>\$ 69,073,550</u>

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

For the Year Ended June 30, 2023

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Environmental Protection Fund	Economic and Physical Development Fund	Total Nonmajor Capital Project Funds
Revenues								
Restricted intergovernmental	\$ -	\$ -	\$ 2,631,317	\$ 799,197	\$ 1,662,661	\$ -	\$ 3,993,904	\$ 9,087,079
Miscellaneous	-	-	49,961	158,604	-	50,000	147,327	405,892
Interest earned on investments	36,903	1,023	120,323	202,263	971,282	-	60,852	1,392,646
Total revenues	<u>36,903</u>	<u>1,023</u>	<u>2,801,601</u>	<u>1,160,064</u>	<u>2,633,943</u>	<u>50,000</u>	<u>4,202,083</u>	<u>10,885,617</u>
Expenditures								
Capital outlay	2,590,053	3,574,380	10,233,929	1,227,261	7,629,513	803,750	4,129,215	30,188,101
Total expenditures	<u>2,590,053</u>	<u>3,574,380</u>	<u>10,233,929</u>	<u>1,227,261</u>	<u>7,629,513</u>	<u>803,750</u>	<u>4,129,215</u>	<u>30,188,101</u>
Revenues over (under) expenditures	<u>(2,553,150)</u>	<u>(3,573,357)</u>	<u>(7,432,328)</u>	<u>(67,197)</u>	<u>(4,995,570)</u>	<u>(753,750)</u>	<u>72,868</u>	<u>(19,302,484)</u>
Other financing sources (uses)								
Transfers in	1,167,700	388,351	4,700,000	3,580,000	-	187,500	-	10,023,551
Transfers out	-	-	-	-	-	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>1,167,700</u>	<u>388,351</u>	<u>4,700,000</u>	<u>3,580,000</u>	<u>-</u>	<u>187,500</u>	<u>(30,000)</u>	<u>9,993,551</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>(1,385,450)</u>	<u>(3,185,006)</u>	<u>(2,732,328)</u>	<u>3,512,803</u>	<u>(4,995,570)</u>	<u>(566,250)</u>	<u>42,868</u>	<u>(9,308,933)</u>
Fund balance								
Beginning	7,097,004	10,113,064	10,634,473	3,096,805	22,628,487	499,800	2,237,017	56,306,650
Ending	<u>\$ 5,711,554</u>	<u>\$ 6,928,058</u>	<u>\$ 7,902,145</u>	<u>\$ 6,609,608</u>	<u>\$ 17,632,917</u>	<u>\$ (66,450)</u>	<u>\$ 2,279,885</u>	<u>\$ 46,997,717</u>

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

From Inception And For Year Ended June 30, 2023

	<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	<u>142,812</u>	<u>142,812</u>	<u>-</u>	<u>142,812</u>
Interest earned on investments	<u>1,391</u>	<u>4,298</u>	<u>36,903</u>	<u>41,201</u>
Total revenues	<u>886,961</u>	<u>595,268</u>	<u>36,903</u>	<u>632,171</u>
Expenditures				
General government administration projects	<u>33,418,394</u>	<u>18,558,328</u>	<u>2,590,053</u>	<u>21,148,381</u>
Revenues over (under) expenditures	<u>(32,531,433)</u>	<u>(17,963,060)</u>	<u>(2,553,150)</u>	<u>(20,516,210)</u>
Other financing sources (uses)				
Issuance of debt	4,832,152	3,502,644	-	3,502,644
Transfers in	<u>27,699,281</u>	<u>21,557,420</u>	<u>1,167,700</u>	<u>22,725,120</u>
Total other financing sources (uses)	<u>32,531,433</u>	<u>25,060,064</u>	<u>1,167,700</u>	<u>26,227,764</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 7,097,004</u>	<u>(1,385,450)</u>	<u>\$ 5,711,554</u>
Fund balance				
Beginning			<u>7,097,004</u>	
Ending			<u>\$ 5,711,554</u>	

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

From Inception And For Year Ended June 30, 2023

	<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	35,001	-	35,001
Total miscellaneous	<u>35,000</u>	<u>35,001</u>	<u>-</u>	<u>35,001</u>
Interest earned on investments	<u>-</u>	<u>15,808</u>	<u>1,023</u>	<u>16,831</u>
Total revenues	<u>463,258</u>	<u>429,970</u>	<u>1,023</u>	<u>430,993</u>
Expenditures				
Public safety projects	<u>28,144,321</u>	<u>16,943,293</u>	<u>3,574,380</u>	<u>20,517,673</u>
Revenues over (under) expenditures	<u>(27,681,063)</u>	<u>(16,513,323)</u>	<u>(3,573,357)</u>	<u>(20,086,680)</u>
Other financing sources (uses)				
Issuance of debt	24,400,080	24,077,682	-	24,077,682
Transfers in	5,603,083	4,870,805	388,351	5,259,156
Transfers out	(2,322,100)	(2,322,100)	-	(2,322,100)
Total other financing sources (uses)	<u>27,681,063</u>	<u>26,626,387</u>	<u>388,351</u>	<u>27,014,738</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 10,113,064</u>	<u>(3,185,006)</u>	<u>\$ 6,928,058</u>
Fund balance				
Beginning			10,113,064	
Ending			<u>\$ 6,928,058</u>	

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

From Inception And For Year Ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants	\$ 6,640,547	\$ 3,918,640	\$ 32,703	\$ 3,951,343
State grants	6,048,848	1,177,881	2,598,614	3,776,495
Total restricted intergovernmental	<u>12,689,395</u>	<u>5,096,521</u>	<u>2,631,317</u>	<u>7,727,838</u>
Miscellaneous				
Owner contributions	402,737	450,305	49,961	500,266
Other	10,204	10,204	-	10,204
Total miscellaneous	<u>412,941</u>	<u>460,509</u>	<u>49,961</u>	<u>510,470</u>
Interest earned on investments	<u>6,524</u>	<u>12,464</u>	<u>120,323</u>	<u>132,787</u>
Total revenues	<u>13,108,860</u>	<u>5,569,494</u>	<u>2,801,601</u>	<u>8,371,095</u>
Expenditures				
Transportation projects	<u>57,768,898</u>	<u>34,403,043</u>	<u>10,233,929</u>	<u>44,636,972</u>
Revenues (over) under expenditures	<u>(44,660,038)</u>	<u>(28,833,549)</u>	<u>(7,432,328)</u>	<u>(36,265,877)</u>
Other financing sources (uses)				
Transfers in	45,756,656	40,564,639	4,700,000	45,264,639
Transfers out	(1,096,618)	(1,096,617)	-	(1,096,617)
Total other financing sources (uses)	<u>44,660,038</u>	<u>39,468,022</u>	<u>4,700,000</u>	<u>44,168,022</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 10,634,473</u>	<u>(2,732,328)</u>	<u>\$ 7,902,145</u>
Fund balance				
Beginning			10,634,473	
Ending			<u>\$ 7,902,145</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, 2023

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 1,414,629	\$ 1,282,865	\$ -	\$ 1,282,865
State grants and contributions	10,459,412	4,019,551	799,197	4,818,748
Local	18,750	3,995	-	3,995
Total restricted intergovernmental	<u>11,892,791</u>	<u>5,306,411</u>	<u>799,197</u>	<u>6,105,608</u>
Miscellaneous				
Other	659,385	865,725	8,404	874,129
Donations	565,671	383,388	150,200	533,588
Total miscellaneous	<u>1,225,056</u>	<u>1,249,113</u>	<u>158,604</u>	<u>1,407,717</u>
Interest earned on investments	<u>462,453</u>	<u>522,797</u>	<u>202,263</u>	<u>725,060</u>
Total revenues	<u>13,580,300</u>	<u>7,078,321</u>	<u>1,160,064</u>	<u>8,238,385</u>
Expenditures				
Recreational and cultural projects	<u>24,246,785</u>	<u>14,390,023</u>	<u>1,227,261</u>	<u>15,617,284</u>
Revenues over (under) expenditures	<u>(10,666,485)</u>	<u>(7,311,702)</u>	<u>(67,197)</u>	<u>(7,378,899)</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	6,845,626	6,592,347	3,580,000	10,172,347
Transfers out	(31,155)	(31,155)	-	(31,155)
Total other financing sources (uses)	<u>10,666,485</u>	<u>10,408,507</u>	<u>3,580,000</u>	<u>13,988,507</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,096,805</u>	<u>3,512,803</u>	<u>\$ 6,609,608</u>
Fund balance				
Beginning			3,096,805	
Ending			<u>\$ 6,609,608</u>	

**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, 2023

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Restricted intergovernmental				
State grants and contributions	\$ 2,250,000	\$ 250,000	\$ 1,662,661	\$ 1,912,661
Local	100,000	-	-	-
Total restricted intergovernmental	<u>2,350,000</u>	<u>250,000</u>	<u>1,662,661</u>	<u>1,912,661</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>265,274</u>	<u>971,282</u>	<u>1,236,556</u>
Total revenues	<u>2,644,151</u>	<u>583,174</u>	<u>2,633,943</u>	<u>3,217,117</u>
Expenditures				
Recreational bond projects	<u>41,697,906</u>	<u>17,030,461</u>	<u>7,629,513</u>	<u>24,659,974</u>
Revenues over (under) expenditures	<u>(39,053,755)</u>	<u>(16,447,287)</u>	<u>(4,995,570)</u>	<u>(21,442,857)</u>
Other financing sources (uses)				
Issuance of debt	35,000,000	35,000,000	-	35,000,000
Premium/Discount on bonds	3,115,755	3,137,774	-	3,137,774
Transfers in	938,000	938,000	-	938,000
Total other financing sources (uses)	<u>39,053,755</u>	<u>39,075,774</u>	<u>-</u>	<u>39,075,774</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 22,628,487</u>	<u>(4,995,570)</u>	<u>\$ 17,632,917</u>
Fund balance				
Beginning			22,628,487	
Ending			<u>\$ 17,632,917</u>	

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

From Inception And For Year Ended June 30, 2023

	<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	\$ 6,299,584	\$ -	\$ 6,299,584
State grants and contributions	2,243,376	2,099,861	-	2,099,861
Total restricted intergovernmental	<u>8,973,504</u>	<u>8,399,445</u>	<u>-</u>	<u>8,399,445</u>
Miscellaneous				
Other	50,000	-	50,000	50,000
Total miscellaneous	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
 Total revenues	 <u>9,023,504</u>	 <u>8,399,445</u>	 <u>50,000</u>	 <u>8,449,445</u>
Expenditures				
Capital outlay				
Environmental protection				
Environmental protection projects	<u>9,642,493</u>	<u>7,999,645</u>	<u>803,750</u>	<u>8,803,395</u>
Revenues over (under) expenditures	<u>(618,989)</u>	<u>399,800</u>	<u>(753,750)</u>	<u>(353,950)</u>
Other financing sources (uses)				
Transfers in	<u>618,989</u>	<u>100,000</u>	<u>187,500</u>	<u>287,500</u>
Total other financing sources (uses)	<u>618,989</u>	<u>100,000</u>	<u>187,500</u>	<u>287,500</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 499,800</u>	<u>(566,250)</u>	<u>\$ (66,450)</u>
Fund balance				
Beginning			499,800	
Ending			<u>\$ (66,450)</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, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants	\$ 4,990,000	\$ 1,154,270	\$ 3,835,730	\$ 4,990,000
State grants	1,250,000	250,000	157,589	407,589
County	250,243	250,242	-	250,242
Local	242,105	75,633	585	76,218
Total restricted intergovernmental	<u>6,732,348</u>	<u>1,730,145</u>	<u>3,993,904</u>	<u>5,724,049</u>
Miscellaneous				
Segra Stadium capital maintenance & improve.	380,000	672,627	147,327	819,954
Contributions and donations - all other	1,118,517	791,183	-	791,183
Total miscellaneous	<u>1,498,517</u>	<u>1,463,810</u>	<u>147,327</u>	<u>1,611,137</u>
Interest earned on investments	<u>661,788</u>	<u>665,029</u>	<u>60,852</u>	<u>725,881</u>
Total revenues	<u>8,892,653</u>	<u>3,858,984</u>	<u>4,202,083</u>	<u>8,061,067</u>
Expenditures				
Capital outlay				
Economic and development projects	<u>81,394,627</u>	<u>74,183,942</u>	<u>4,129,215</u>	<u>78,313,157</u>
Revenues over (under) expenditures	<u>(72,501,974)</u>	<u>(70,324,958)</u>	<u>72,868</u>	<u>(70,252,090)</u>
Other financing sources (uses)				
Issuance of debt	53,140,000	53,140,000	-	53,140,000
Transfers in	19,431,974	19,461,975	-	19,461,975
Transfers out	(70,000)	(40,000)	(30,000)	(70,000)
Total other financing sources (uses)	<u>72,501,974</u>	<u>72,561,975</u>	<u>(30,000)</u>	<u>72,531,975</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,237,017</u>	42,868	<u>\$ 2,279,885</u>
Fund balance				
Beginning			2,237,017	
Ending			<u>\$ 2,279,885</u>	



Annual Comprehensive FINANCIAL REPORT

Fiscal Year
2023

Proprietary Funds

- Enterprise Funds
- Internal Service Funds

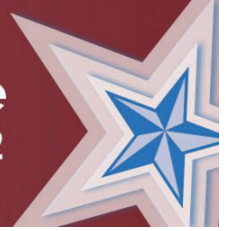
Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private enterprises — where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through 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)
Stormwater Management Fund

For the Year Ended June 30, 2023
(With Comparative Actual Amounts for Year Ended June 30, 2022)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2023 Actual</u>	<u>2022 Actual</u>
Operating revenues				
Charges for services	\$ 11,432,940	\$ (28,545)	\$ 11,404,395	\$ 11,351,225
Other revenue from operations	129,191	(3,200)	125,991	125,991
Total operating revenues	<u>11,562,131</u>	<u>(31,745)</u>	<u>11,530,386</u>	<u>11,477,216</u>
Operating expenditures				
Salaries and employee benefits	3,852,788	756,518	3,096,270	3,041,826
Other operating expenditures	2,218,501	211,426	2,007,075	1,660,269
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>6,146,289</u>	<u>967,944</u>	<u>5,178,345</u>	<u>4,777,095</u>
Operating income (loss)	<u>5,415,842</u>	<u>936,199</u>	<u>6,352,041</u>	<u>6,700,121</u>
Nonoperating revenues (expenditures)				
Federal grants	-	(18,318)	(18,318)	1,051
State grants	-	299	299	-
Miscellaneous	-	3,070	3,070	2,000
Interest earned on investments	3,320	157,186	160,506	8,022
Debt service - principal payment	(825,298)	1	(825,297)	(795,065)
Interest expense	(111,065)	21,148	(89,917)	(116,265)
Nonoperating revenues (expenditures)	<u>(933,043)</u>	<u>163,386</u>	<u>(769,657)</u>	<u>(900,257)</u>
Revenues over (under) expenditures	<u>4,482,799</u>	<u>1,099,585</u>	<u>5,582,384</u>	<u>5,799,864</u>
Other financing sources (uses)				
Transfers out	(9,531,000)	112,500	(9,418,500)	(4,591,922)
Appropriated fund balance	5,048,201	(5,048,201)	-	-
Total other financing sources (uses)	<u>(4,482,799)</u>	<u>(4,935,701)</u>	<u>(9,418,500)</u>	<u>(4,591,922)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (3,836,116)</u>	<u>\$ (3,836,116)</u>	<u>\$ 1,207,942</u>
Reconciliation of change in net position				
Total revenues			\$ 11,675,943	\$ 11,488,289
Total expenditures			15,512,059	10,280,347
Subtotal			<u>(3,836,116)</u>	<u>1,207,942</u>
Depreciation and amortization			(1,492,956)	(1,399,348)
Change in accrued vacation			(1,020)	15,301
Net OPEB expense			(20,676)	(77,250)
LGERS expense			(114,427)	67,551
Lease principal payments			4,155	4,155
Principal payment			825,297	795,065
Bad debt expense			(6,345)	(5,092)
Accrued interest			(10,667)	(9,625)
Subtotal			<u>(816,639)</u>	<u>(609,243)</u>
Change in net position			<u>\$ (4,652,755)</u>	<u>\$ 598,699</u>

**Schedule of Changes in the Status of
Stormwater Management Capital Project Fund
From Inception And For Year Ended June 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants	\$ 10,550,000	\$ -	\$ -	\$ -
State grants	309,500	309,500	34,428	343,928
Total restricted intergovernmental	<u>10,859,500</u>	<u>309,500</u>	<u>34,428</u>	<u>343,928</u>
Interest earned on investments	207,325	836,770	584,679	1,421,449
Total revenues	<u>11,066,825</u>	<u>1,146,270</u>	<u>619,107</u>	<u>1,765,377</u>
Expenditures				
Current				
Environmental Protection				
Stormwater capital projects	51,821,662	17,644,818	6,818,479	24,463,297
Total expenditures	<u>51,821,662</u>	<u>17,644,818</u>	<u>6,818,479</u>	<u>24,463,297</u>
Revenues over (under) expenditures	<u>(40,754,837)</u>	<u>(16,498,548)</u>	<u>(6,199,372)</u>	<u>(22,697,920)</u>
Other financing sources (uses)				
Transfers in	40,693,837	31,241,499	9,368,500	40,609,999
Capital leases	61,000	60,644	-	60,644
Total other financing sources (uses)	<u>40,754,837</u>	<u>31,302,143</u>	<u>9,368,500</u>	<u>40,670,643</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 14,803,595</u>	<u>\$ 3,169,128</u>	<u>\$ 17,972,723</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ 3,169,128	
Capital outlay			6,818,479	
Non-capitalizable items			(4,205,127)	
Change in net position			<u>\$ 5,782,480</u>	

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

For the Year Ended June 30, 2023
(With Comparative Actual Amounts for Year Ended June 30, 2022)

	Budget	Variance Positive (Negative)	2023 Actual	2022 Actual
Operating revenues				
Charges for services	\$ 929,407	\$ (914,207)	\$ 15,200	\$ 1,151
Other revenues from operations	346,164	(96,303)	249,861	88,512
Total operating revenues	<u>1,275,571</u>	<u>(1,010,510)</u>	<u>265,061</u>	<u>89,663</u>
Operating expenditures				
Salaries and employee benefits	8,632,475	489,396	8,143,079	6,833,678
Other operating expenditures	4,221,975	347,406	3,874,569	3,409,929
Capital outlay	61,078	61,078	-	16,000
Total operating expenditures	<u>12,915,528</u>	<u>897,880</u>	<u>12,017,648</u>	<u>10,259,607</u>
Operating loss	<u>(11,639,957)</u>	<u>(112,630)</u>	<u>(11,752,587)</u>	<u>(10,169,944)</u>
Nonoperating revenues (expenditures)				
Interest on lease receivables	-	9,190	9,190	10,853
Federal grants	6,051,526	(3,155,988)	2,895,538	5,779,422
State grants	781,023	(35,000)	746,023	746,023
Vehicle fee revenue	649,750	(6)	649,744	639,490
Miscellaneous	1,750	15,160	16,910	150,176
Interest expense	-	(1,316)	(1,316)	(1,952)
Total nonoperating revenues (expenditures)	<u>7,484,049</u>	<u>(3,167,960)</u>	<u>4,316,089</u>	<u>7,324,012</u>
Revenues over (under) expenditures	<u>(4,155,908)</u>	<u>(3,280,590)</u>	<u>(7,436,498)</u>	<u>(2,845,932)</u>
Other financing sources (uses)				
Transfers in	5,070,322	1,908,603	6,978,925	2,858,671
Transfers out	(945,325)	(35,000)	(980,325)	-
Proceeds from sale of capital assets	-	6,560	6,560	19,183
Lease revenues	-	62,738	62,738	62,738
Fund balance appropriation	30,911	(30,911)	-	-
Total other financing sources (uses)	<u>4,155,908</u>	<u>1,911,990</u>	<u>6,067,898</u>	<u>2,940,592</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (1,368,600)</u>	<u>\$ (1,368,600)</u>	<u>\$ 94,660</u>
Reconciliation of change in net position:				
Total revenues			\$ 11,630,689	\$ 10,356,219
Total expenditures			12,999,289	10,261,559
Subtotal			<u>(1,368,600)</u>	<u>94,660</u>
Depreciation and amortization			(1,745,895)	(1,579,780)
Net OPEB expense			(49,784)	(189,082)
Net LGERS expense			(314,674)	185,766
Change in inventory			(30,681)	22,675
Decrease (increase) in accrued vacation			3,834	(47,827)
Bad debt expense			(16,880)	(17,338)
Lease principal payments			47,890	-
Capital outlay			-	16,000
Proceeds from sale of assets			(6,560)	(19,183)
Gain (loss) on disposal of assets			(48,888)	(3,823)
Subtotal			<u>(2,161,638)</u>	<u>(1,632,592)</u>
Change in net position			<u>\$ (3,530,238)</u>	<u>\$ (1,537,932)</u>

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

From Inception and for Year Ended June 30, 2023

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Federal grants	\$ 23,852,519	\$ 16,231,693	\$ 1,466,456	\$ 17,698,149
State grants	1,622,321	1,410,294	45,339	1,455,633
Miscellaneous	-	43,000	-	43,000
Total revenues	<u>25,474,840</u>	<u>17,684,987</u>	<u>1,511,795</u>	<u>19,196,782</u>
Expenditures				
Transit capital projects	29,203,213	20,670,735	581,247	21,251,982
Total expenditures	<u>29,203,213</u>	<u>20,670,735</u>	<u>581,247</u>	<u>21,251,982</u>
Revenues over (under) expenditures	<u>(3,728,373)</u>	<u>(2,985,748)</u>	<u>930,548</u>	<u>(2,055,200)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	6,250	-	6,250
Transfers in	4,759,648	4,467,509	920,325	5,387,834
Transfers out	(1,031,275)	(1,031,275)	-	(1,031,275)
Total other financing sources (uses)	<u>3,728,373</u>	<u>3,442,484</u>	<u>920,325</u>	<u>4,362,809</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 456,736</u>	<u>\$ 1,850,873</u>	<u>\$ 2,307,609</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ 1,850,873	
Capital outlay			581,247	
Non-capitalizable items			(207,067)	
Change in net position			<u>\$ 2,225,053</u>	

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

From Inception and for Year Ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Intergovernmental				
Federal grants	\$ 2,792,978	\$ 1,443,646	\$ 293,940	\$ 1,737,586
Total intergovernmental	<u>2,792,978</u>	<u>1,443,646</u>	<u>293,940</u>	<u>1,737,586</u>
Total revenues	<u>2,792,978</u>	<u>1,443,646</u>	<u>293,940</u>	<u>1,737,586</u>
Expenditures				
Current				
Transportation	3,048,915	1,728,717	315,838	2,044,555
Total expenditures	<u>3,048,915</u>	<u>1,728,717</u>	<u>315,838</u>	<u>2,044,555</u>
 Revenues over (under) expenditures	<u>(255,937)</u>	<u>(285,071)</u>	<u>(21,898)</u>	<u>(306,969)</u>
 Other financing sources (uses)				
Transfers in	255,937	259,798	60,000	319,798
Total other financing sources (uses)	<u>255,937</u>	<u>259,798</u>	<u>60,000</u>	<u>319,798</u>
 Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (25,273)</u>	<u>\$ 38,102</u>	<u>\$ 12,829</u>
 Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			<u>38,102</u>	
Change in net position			<u>\$ 38,102</u>	

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

For the Year Ended June 30, 2023
(With Comparative Actual Amounts for Year Ended June 30, 2022)

	Budget	Variance Positive (Negative)	2023 Actual	2022 Actual
Operating revenues				
Charges for services	\$ 4,091,212	\$ (619,293)	\$ 3,471,919	\$ 4,011,929
Other revenues from operations	38,870	65,276	104,146	98,519
Total operating revenues	<u>4,130,082</u>	<u>(554,017)</u>	<u>3,576,065</u>	<u>4,110,448</u>
Operating expenditures				
Salaries and employee benefits	2,140,830	136,102	2,004,728	1,872,525
Other operating expenditures	2,794,279	1,061,473	1,732,806	1,650,619
Capital outlay	438,772	175,210	263,562	47,998
Total operating expenditures	<u>5,373,881</u>	<u>1,372,785</u>	<u>4,001,096</u>	<u>3,571,142</u>
Operating income (loss)	<u>(1,243,799)</u>	<u>818,768</u>	<u>(425,031)</u>	<u>539,306</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	5,920	388,151	394,071	16,950
Interest on lease receivables	-	147,763	147,763	131,946
Miscellaneous	225,610	94,254	319,864	175,981
Federal and State grants	187,651	920,772	1,108,423	3,174,418
Interest expense	-	(2,634)	(2,634)	(3,245)
Public safety reimbursements	-	(462,854)	(462,854)	(476,018)
Total nonoperating revenues	<u>419,181</u>	<u>1,085,452</u>	<u>1,504,633</u>	<u>3,020,032</u>
Revenues over (under) expenditures	<u>(824,618)</u>	<u>1,904,220</u>	<u>1,079,602</u>	<u>3,559,338</u>
Other financing sources (uses)				
Transfers out	(821,326)	-	(821,326)	(460,000)
Lease revenues	-	693,245	693,245	430,005
Appropriated fund balance	1,645,944	(1,645,944)	-	-
Total other financing sources (uses)	<u>824,618</u>	<u>(952,699)</u>	<u>(128,081)</u>	<u>(29,995)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 951,521</u>	<u>\$ 951,521</u>	<u>\$ 3,529,343</u>
Reconciliation of change in net position				
Total revenues			\$ 6,239,431	\$ 8,039,748
Total expenditures			5,287,910	4,510,405
Subtotal			<u>951,521</u>	<u>3,529,343</u>
Depreciation and amortization			(6,443,282)	(5,371,955)
Decrease (increase) in accrued vacation			(9,410)	(20,421)
Net OPEB expense			(9,337)	(50,573)
Net LGERS expense			(85,817)	50,663
Change in inventory			4,695	(3,767)
Capital outlay			263,562	47,998
Lease principal payments			45,965	45,965
Capital asset transfer from General Fund			-	12,514
Subtotal			<u>(6,233,624)</u>	<u>(5,289,576)</u>
Change in net position			<u>\$ (5,282,103)</u>	<u>\$ (1,760,233)</u>

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

From Inception and for Year Ended June 30, 2023

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Federal grants	\$ 36,260,773	\$ 30,898,274	\$ 1,495,404	\$ 32,393,678
State grants	12,776,315	8,495,281	1,648,398	10,143,679
Passenger facility charges	6,671,487	6,166,281	692,366	6,858,647
Customer facility charges	1,200,000	6,733,235	849,044	7,582,279
Investment income	311,091	927,208	395,144	1,322,352
Total revenues	<u>57,219,666</u>	<u>53,220,279</u>	<u>5,080,356</u>	<u>58,300,635</u>
Expenditures				
Airport capital projects	71,404,761	55,338,613	4,780,432	60,119,045
Total expenditures	<u>71,404,761</u>	<u>55,338,613</u>	<u>4,780,432</u>	<u>60,119,045</u>
Revenues over (under) expenditures	<u>(14,185,095)</u>	<u>(2,118,334)</u>	<u>299,924</u>	<u>(1,818,410)</u>
Other financing sources (uses)				
Transfers in	14,185,095	13,792,233	821,326	14,613,559
Proceeds from sale of capital assets	-	1,934	-	1,934
Total other financing sources (uses)	<u>14,185,095</u>	<u>13,794,167</u>	<u>821,326</u>	<u>14,615,493</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 11,675,833</u>	<u>\$ 1,121,250</u>	<u>\$ 12,797,083</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ 1,121,250	
Capital outlay			4,780,432	
Non-capitalizable items			<u>(133,905)</u>	
Change in net position			<u>\$ 5,767,777</u>	

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

For the Year Ended June 30, 2023
(With Comparative Actual Amounts for Year Ended June 30, 2022)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2023 Actual</u>	<u>2022 Actual</u>
Operating revenues				
Charges for services	\$ 14,003,231	\$ 107,393	\$ 14,110,624	\$ 14,013,974
Other revenue from operations	235,976	51,451	287,427	235,300
Total operating revenues	<u>14,239,207</u>	<u>158,844</u>	<u>14,398,051</u>	<u>14,249,274</u>
Operating expenditures				
Personnel	5,410,361	195,630	5,214,731	4,514,783
Other operating expenditures	7,623,503	(140,833)	7,764,336	10,201,733
Capital outlay	3,208,801	705,670	2,503,131	1,926,620
Total operating expenditures	<u>16,242,665</u>	<u>760,467</u>	<u>15,482,198</u>	<u>16,643,136</u>
Operating income (loss)	<u>(2,003,458)</u>	<u>919,311</u>	<u>(1,084,147)</u>	<u>(2,393,862)</u>
Nonoperating revenues (expenditures)				
Federal and State grants	-	(8,590)	(8,590)	9,184
County revenue	470,392	57,483	527,875	464,072
Miscellaneous	-	1,946	1,946	100
Donations	25,000	-	25,000	25,000
Interest earned on investments	3,490	257,768	261,258	16,488
Payments to agencies	(3,715)	1,299	(2,416)	(3,008)
Interest expense	(26,256)	(64)	(26,320)	(27,027)
Debt service - principal payment	(1,059,034)	6,441	(1,052,593)	(1,178,337)
Nonoperating revenues (expenditures)	<u>(590,123)</u>	<u>316,283</u>	<u>(273,840)</u>	<u>(693,528)</u>
Revenues over (under) expenditures	<u>(2,593,581)</u>	<u>1,235,593</u>	<u>(1,357,988)</u>	<u>(3,087,390)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	35,700	(18,302)	17,398	29,356
Transfers in	-	-	-	-
Transfers out	(140,289)	1,145	(139,144)	-
Proceeds from loans	-	-	-	878,124
Appropriated fund balance	2,698,170	(2,698,170)	-	-
Total other financing sources (uses)	<u>2,593,581</u>	<u>(2,715,327)</u>	<u>(121,746)</u>	<u>907,480</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (1,479,733)</u>	<u>\$ (1,479,733)</u>	<u>\$ (2,179,910)</u>
Reconciliation of change in net position				
Total revenues			\$ 15,222,938	\$ 15,671,598
Total expenditures			16,702,672	17,851,508
Subtotal			<u>(1,479,733)</u>	<u>(2,179,910)</u>
Depreciation and amortization			(1,386,747)	(1,140,849)
Decrease (increase) in accrued vacation			12,850	(35,970)
Net OPEB expense			(322,739)	(475,869)
Net LGERS expense			(188,808)	111,460
Change in inventory			(2,891)	(30,551)
Bad debt expense			(7,050)	(9,595)
Capital outlay			2,503,131	1,926,620
Debt principal payment			1,052,593	1,178,337
Lease principal payments			9,882	9,882
Proceeds from loans			-	(878,124)
Accrued interest			(1,389)	4,459
Subtotal			<u>1,668,832</u>	<u>659,800</u>
Change in net position			<u>\$ 189,099</u>	<u>\$ (1,520,110)</u>

**Schedule of Changes in the Status of
Solid Waste Capital Project Fund**

From Inception And For Year Ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
State grants	\$ 11,500	\$ -	\$ 11,500	\$ 11,500
Total revenues	<u>11,500</u>	<u>-</u>	<u>11,500</u>	<u>11,500</u>
Expenditures				
Cart Management System	137,289	-	-	-
Recycling Project	15,210	-	15,210	15,210
Total expenditures	<u>152,499</u>	<u>-</u>	<u>15,210</u>	<u>15,210</u>
Revenues over (under) expenditures	<u>(140,999)</u>	<u>-</u>	<u>(3,710)</u>	<u>(3,710)</u>
Other financing sources (uses)				
Transfers in	140,999	-	140,999	140,999
Total other financing sources (uses)	<u>140,999</u>	<u>-</u>	<u>140,999</u>	<u>140,999</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,289</u>	<u>\$ 137,289</u>
Reconciliation of modified accrual basis to full accrual basis:				
Excess of revenues over expenditures			\$ 137,289	
Capital outlay			15,210	
Non-capitalizable items			<u>(15,210)</u>	
Change in net position			<u>\$ 137,289</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, 2023

	Risk Management Fund	Fleet Maintenance Fund	Total
Assets			
Current assets			
Cash and investments	\$ 29,937,793	\$ 369,312	\$ 30,307,105
Accounts receivable	580,887	293,626	874,513
Prepaid expenses	243,823	-	243,823
Total current assets	<u>30,762,503</u>	<u>662,938</u>	<u>31,425,441</u>
Noncurrent assets			
Capital assets	-	131,301	131,301
Right to use leased assets	-	2,562,709	2,562,709
Total noncurrent assets	<u>-</u>	<u>2,694,010</u>	<u>2,694,010</u>
Total assets	<u>30,762,503</u>	<u>3,356,948</u>	<u>34,119,451</u>
Deferred outflows of resources			
OPEB deferrals	18,229	-	18,229
Pension deferrals	145,110	414,595	559,705
Total deferred outflows of resources	<u>163,339</u>	<u>414,595</u>	<u>577,934</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	3,484,447	730,935	4,215,382
Current portion of long term debt	6,127	46,796	52,923
Lease liability	-	114,582	114,582
Total current liabilities	<u>3,490,574</u>	<u>892,313</u>	<u>4,382,887</u>
Noncurrent liabilities			
OPEB obligation	113,605	-	113,605
Net pension liability	220,769	630,768	851,537
Unearned revenues	4,460	-	4,460
Lease liability	-	2,543,608	2,543,608
Total noncurrent liabilities	<u>338,834</u>	<u>3,174,376</u>	<u>3,513,210</u>
Total liabilities	<u>3,829,408</u>	<u>4,066,689</u>	<u>7,896,097</u>
Deferred inflows of resources			
OPEB deferrals	42,813	-	42,813
Pension deferrals	4,635	13,247	17,882
Total deferred inflows of resources	<u>47,448</u>	<u>13,247</u>	<u>60,695</u>
Net position			
Net investment in capital assets	-	35,820	35,820
Unrestricted	27,048,986	(344,213)	26,704,773
Total net position	<u>\$ 27,048,986</u>	<u>\$ (308,393)</u>	<u>\$ 26,740,593</u>

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

For the Year Ended June 30, 2023

	Risk Management Fund	Fleet Maintenance Fund	Total
Operating Revenues			
Other revenue from operations	\$ (20,417)	\$ -	\$ (20,417)
Interfund charges and employee contributions	24,850,568	7,657,015	32,507,583
Total operating revenues	<u>24,830,151</u>	<u>7,657,015</u>	<u>32,487,166</u>
Operating expenses			
Salaries and employee benefits	469,490	2,102,042	2,571,532
Other operating expenses	22,274,432	5,742,167	28,016,599
Capital outlay	-	47,512	47,512
Total operating expenses	<u>22,743,922</u>	<u>7,891,721</u>	<u>30,635,643</u>
Operating income (loss)	<u>2,086,229</u>	<u>(234,706)</u>	<u>1,851,523</u>
Nonoperating revenues (expenses)			
Federal grants	50	-	50
Interest earned on investments	1,034,196	-	1,034,196
Interest - leases	-	(81,310)	(81,310)
Miscellaneous revenue	26,070	3,272	29,342
Total nonoperating revenues (expenses)	<u>1,060,316</u>	<u>(78,038)</u>	<u>982,278</u>
Income (loss) before transfers	<u>3,146,545</u>	<u>(312,744)</u>	<u>2,833,801</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	5,913	5,913
Transfers in	118,649	-	118,649
Transfers out	(1,111,000)	-	(1,111,000)
Total other financing sources (uses)	<u>(992,351)</u>	<u>5,913</u>	<u>(986,438)</u>
Change in net position	2,154,194	(306,831)	1,847,363
Total net position - beginning	<u>24,894,792</u>	<u>(1,562)</u>	<u>24,893,230</u>
Total net position - ending	<u><u>\$ 27,048,986</u></u>	<u><u>\$ (308,393)</u></u>	<u><u>\$ 26,740,593</u></u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management Fund	Fleet Maintenance Fund	Total
Operating activities			
Cash received from customers	\$ 28,234,381	\$ 7,478,829	\$ 35,713,210
Cash received for insurance reimbursements	(20,417)	-	(20,417)
Cash paid to or on behalf of employees for services	(464,127)	(1,841,906)	(2,306,033)
Cash paid for goods and services	(22,349,132)	(5,921,487)	(28,270,619)
Net cash provided by operating activities	<u>5,400,705</u>	<u>(284,564)</u>	<u>5,116,141</u>
Noncapital financing activities			
Transfers in	118,649	-	118,649
Intergovernmental contributions	50	-	50
Transfers out	(1,111,000)	-	(1,111,000)
Net cash provided (used) in noncapital financing activities	<u>(992,301)</u>	<u>-</u>	<u>(992,301)</u>
Capital and related financing activities			
Proceeds from sale of capital assets	-	5,913	5,913
Acquisition and construction of capital assets	-	(47,512)	(47,512)
Lease proceeds (payments)	-	(192,982)	(192,982)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(234,581)</u>	<u>(234,581)</u>
Investing activities			
Interest and dividends	1,034,196	-	1,034,196
Net cash provided by investing activities	<u>1,034,196</u>	<u>-</u>	<u>1,034,196</u>
Net increase in cash and cash equivalents	<u>5,442,600</u>	<u>(519,145)</u>	<u>4,923,455</u>
Cash and cash equivalents			
Beginning of year	24,495,193	888,457	25,383,650
End of year	<u>\$ 29,937,793</u>	<u>\$ 369,312</u>	<u>\$ 30,307,105</u>
Unrestricted cash and cash equivalents	\$ 29,937,793	\$ 369,312	\$ 30,307,105
Total cash and cash equivalents	<u>\$ 29,937,793</u>	<u>\$ 369,312</u>	<u>\$ 30,307,105</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,086,229	\$ (234,706)	\$ 1,851,523
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	190,617	190,617
Nonoperating receipts from customers	26,070	3,272	29,342
Change in assets, liabilities and deferrals:			
(Increase) decrease in accounts receivable	3,358,029	(181,458)	3,176,571
(Increase) decrease in prepaid expenses	44,844	-	44,844
Increase (decrease) in unearned revenues	(286)	-	(286)
Increase (decrease) in accounts payable and accrued liabilities	(119,544)	(322,425)	(441,969)
Increase (decrease) in accrued compensated absences	992	17,538	18,530
Increase (decrease) LGERS expense	20,021	242,598	262,619
Increase (decrease) Net OPEB expense	(15,650)	-	(15,650)
Total adjustments	<u>3,314,476</u>	<u>(49,858)</u>	<u>3,264,618</u>
Net cash provided by operating activities	<u>\$ 5,400,705</u>	<u>\$ (284,564)</u>	<u>\$ 5,116,141</u>

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

For the Year Ended June 30, 2023
(With Comparative Actual Amounts for Year Ended June 30, 2022)

	Financial Plan	Variance Positive (Negative)	2023 Actual	2022 Actual
Operating revenues				
Other revenues from operations	\$ 165,000	\$ (185,417)	\$ (20,417)	\$ 546,936
Interfund charges and employee contributions	25,853,940	(1,003,372)	24,850,568	22,966,006
Total operating revenues	<u>26,018,940</u>	<u>(1,188,789)</u>	<u>24,830,151</u>	<u>23,512,942</u>
Operating expenditures				
Salaries and employee benefits	569,706	105,579	464,127	459,197
Other operating expenditures	24,815,028	2,533,651	22,281,377	21,559,384
Total operating expenditures	<u>25,384,734</u>	<u>2,639,230</u>	<u>22,745,504</u>	<u>22,018,581</u>
Operating income (loss)	<u>634,206</u>	<u>1,450,441</u>	<u>2,084,647</u>	<u>1,494,361</u>
Nonoperating revenues (expenditures)				
Federal grants	-	50	50	(104)
Interest earned on investments	220,400	813,796	1,034,196	144,825
Miscellaneous	32,893	(6,823)	26,070	30,460
Total nonoperating revenues (expenditures)	<u>253,293</u>	<u>807,023</u>	<u>1,060,316</u>	<u>175,181</u>
Revenues over (under) expenditures	<u>887,499</u>	<u>2,257,464</u>	<u>3,144,963</u>	<u>1,669,542</u>
Other financing sources (uses)				
Transfers in	118,649	-	118,649	351,820
Transfers out	(1,222,000)	111,000	(1,111,000)	(1,515,000)
Appropriated fund balance	215,852	(215,852)	-	-
Total other financing sources (uses)	<u>(887,499)</u>	<u>(104,852)</u>	<u>(992,351)</u>	<u>(1,163,180)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,152,612</u>	<u>2,152,612</u>	<u>506,362</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues			\$ 26,009,116	\$ 24,039,943
Total expenditures			23,856,504	23,533,581
Subtotal			<u>2,152,612</u>	<u>506,362</u>
Decrease (increase) in accrued vacation			(992)	5,205
Change in net OPEB expense			15,650	9,864
Decrease (increase) in insurance liability			6,945	897,659
LGERS expense			(20,021)	11,821
Subtotal			<u>1,582</u>	<u>924,549</u>
Change in net position			<u>\$ 2,154,194</u>	<u>\$ 1,430,911</u>

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

For the Year Ended June 30, 2023
(With Comparative Actual Amounts for Year Ended June 30, 2022)

	Financial Plan	Variance Positive (Negative)	2023 Actual	2022 Actual
Operating revenues				
Interfund charges	\$ 8,078,763	\$ (421,748)	\$ 7,657,015	\$ 6,693,885
Total operating revenues	<u>8,078,763</u>	<u>(421,748)</u>	<u>7,657,015</u>	<u>6,693,885</u>
Operating expenditures				
Salaries and employee benefits	2,354,262	512,356	1,841,906	1,496,773
Other operating expenditures	5,676,989	(115,055)	5,792,044	5,030,125
Capital outlay	47,512	-	47,512	54,149
Total operating expenditures	<u>8,078,763</u>	<u>397,301</u>	<u>7,681,462</u>	<u>6,581,047</u>
Operating income (loss)	<u>-</u>	<u>(24,447)</u>	<u>(24,447)</u>	<u>112,838</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	-	-	(23)
Interest - leases	-	(81,310)	(81,310)	(84,369)
Miscellaneous	-	3,272	3,272	245
Total nonoperating revenues (expenditures)	<u>-</u>	<u>(78,038)</u>	<u>(78,038)</u>	<u>(84,147)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(102,485)</u>	<u>(102,485)</u>	<u>28,691</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	5,913	5,913	168,169
Total other financing sources (uses)	<u>-</u>	<u>5,913</u>	<u>5,913</u>	<u>168,169</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (96,572)</u>	<u>\$ (96,572)</u>	<u>\$ 196,860</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues			\$ 7,666,200	\$ 6,777,907
Total expenditures			7,762,772	6,581,047
Subtotal			<u>(96,572)</u>	<u>196,860</u>
Depreciation and amortization			(190,617)	(180,308)
Net LGERS expense			(242,598)	33,776
Change in inventory			-	(317,598)
Decrease (increase) in accrued vacation			(17,538)	(21,180)
Capital outlay			47,512	54,149
Lease principal payments			192,982	192,982
Subtotal			<u>(210,259)</u>	<u>(238,179)</u>
Change in net position			<u>\$ (306,831)</u>	<u>\$ (41,319)</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.



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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

Combining Statement of Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2023

	Police Benefit Trust Fund	Firefighters' Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 642	\$ 1,382,594	\$ 1,383,236
Total assets	<u>642</u>	<u>1,382,594</u>	<u>1,383,236</u>
Net position			
Restricted for benefits and other purposes	<u>642</u>	<u>1,382,594</u>	<u>1,383,236</u>
Total net position	<u><u>\$ 642</u></u>	<u><u>\$ 1,382,594</u></u>	<u><u>\$ 1,383,236</u></u>

Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2023

	Police Benefit Trust Fund	Firefighters' Benefit Trust Fund	Total
Additions			
Contributions	\$ -	\$ 156,325	\$ 156,325
Investment earnings	-	46,502	46,502
Total additions	-	202,827	202,827
Deductions			
Benefit payments and premiums	-	199,320	199,320
Total deductions	-	199,320	199,320
Change in net position	-	3,507	3,507
Total net position - beginning	642	1,379,087	1,379,729
Total net position - ending	\$ 642	\$ 1,382,594	\$ 1,383,236

Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	<u>Red Light Camera Program</u>	<u>Police Evidence Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash	-	882,936	882,936
Total assets	<u>-</u>	<u>882,936</u>	<u>882,936</u>
Liabilities			
Intergovernmental payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Restricted by	-	-	-
Restricted by court order	-	882,936	882,936
Total net position	<u>\$ -</u>	<u>\$ 882,936</u>	<u>\$ 882,936</u>

**Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2023**

	<u>Red Light Camera Program</u>	<u>Police Evidence Fund</u>	<u>Total</u>
Additions			
Red Light Program Revenue	\$ 669,030	\$ -	\$ 669,030
Transfer in	890	-	890
Police Evidence fund deposits	-	635,275	635,275
Total additions	<u>669,920</u>	<u>635,275</u>	<u>1,305,195</u>
Deductions			
Payments to school	669,920	-	669,920
Police Evidence fund releases	-	26,631	26,631
Total deductions	<u>669,920</u>	<u>26,631</u>	<u>696,551</u>
Change in net position	-	608,644	608,644
Total net position - beginning	<u>-</u>	<u>274,292</u>	<u>274,292</u>
Total net position - ending	<u><u>\$ -</u></u>	<u><u>\$ 882,936</u></u>	<u><u>\$ 882,936</u></u>



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Other Supplemental Financial Data

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, 2023

	<u>Total Property Valuation</u>	<u>Rate Per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
General Fund (Including VTS)	\$ 14,671,332,623	\$ 0.4995	\$ 73,283,306	\$ 64,643,644	\$ 8,639,662
Late Listing Penalties:					
General Fund			57,614	57,614	-
Subtotal			<u>73,340,920</u>	<u>64,701,258</u>	<u>8,639,662</u>
Discoveries:					
General Fund	64,937,461	0.4995	324,363	324,363	-
Late Listing Penalties:					
General Fund			22,280	22,280	-
Subtotal			<u>346,643</u>	<u>346,643</u>	<u>-</u>
Releases					
General Fund	(71,829,167)	0.4995	(358,787)	(358,787)	-
Late Listing Penalties:					
General Fund			(10,433)	(10,433)	-
Subtotal			<u>(369,220)</u>	<u>(369,220)</u>	<u>-</u>
Adjusted Tax Levy			<u>73,318,343</u>	<u>64,678,681</u>	<u>8,639,662</u>
Uncollected Current Year Taxes at 6/30/2023			<u>(326,157)</u>	<u>(326,157)</u>	<u>-</u>
City-wide Current Year's Taxes Collected			<u>\$ 72,992,186</u>	<u>\$ 64,352,524</u>	<u>\$ 8,639,662</u>
City-wide Current Levy Collection Percentage			<u>99.56%</u>	<u>99.50%</u>	<u>100.00%</u>

Schedule of Taxes Receivable

June 30, 2023

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2023</u>
2023	\$ -	\$ 73,318,343	\$ 72,992,186	\$ 326,157
2022	383,460	(11,357)	240,321	131,782
2021	159,719	(2,784)	54,462	102,473
All Prior	<u>1,175,597</u>	<u>(216,727)</u>	<u>72,970</u>	<u>885,900</u>
	1,718,776	<u>\$ 73,087,475</u>	<u>\$ 73,359,939</u>	1,446,312
Less: Allowance for Uncollectible Taxes				
General Fund	<u>(570,343)</u>			<u>(531,157)</u>
	<u>\$ 1,148,433</u>			<u>\$ 915,155</u>
General Fund Taxes Receivable per the fund financial statements				\$ 950,454
Less: CBTD Taxes Receivable				(2,356)
Less: Vehicle License Fee Receivable				<u>(32,943)</u>
General Fund Ad Valorem Taxes Receivable				<u>\$ 915,155</u>

Reconciliations of collections and credit with revenues

Ad Valorem Taxes per the fund financial statements	\$ 73,856,911
Less Penalties & Interest	(335,299)
Less Taxes - CBTD	(159,628)
Less collection of amounts not reported by County	<u>(2,045)</u>
General Fund Ad Valorem Taxes	<u>\$ 73,359,939</u>

**Emergency Telephone System Unspent Fund
PSAP Reconciliation**

June 30, 2023

Net Change in Fund Balance, reported on Budget to Actual	\$ 11,592
Beginning Balance, PSAP Revenue-Expenditure Report	1,410,356
Net Change in Fund Balance, PSAP Revenue-Expenditure Report	(20,656)
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 1,389,700</u>
Ending Fund Balance, reported on Budget to Actual	1,392,401
Amount to be adjusted in (next fiscal year)	\$ (2,701)

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

**For the Year Ended June 30, 2023
With Comparative Actual Statements for the Year Ended June 30, 2022**

	Budget	Variance Positive Positive (Negative)	2023 Actual	2022 Actual
Revenues				
Restricted intergovernmental	\$ 959,725	\$ (596,144)	\$ 363,581	\$ 978,406
Interest earned on investments	441	45,414	45,855	2,050
Total revenues	<u>960,166</u>	<u>(550,730)</u>	<u>409,436</u>	<u>980,456</u>
Expenditures				
Current				
Public Safety				
Other operating expenditures	1,479,210	1,019,338	459,872	458,272
Total public safety	<u>1,479,210</u>	<u>1,019,338</u>	<u>459,872</u>	<u>458,272</u>
Total expenditures	<u>1,479,210</u>	<u>1,019,338</u>	<u>459,872</u>	<u>458,272</u>
Revenues over (under) expenditures	<u>(519,044)</u>	<u>468,608</u>	<u>(50,436)</u>	<u>522,184</u>
Other financing sources (uses)				
Appropriated fund balance	519,044	(519,044)	-	-
Transfers in		62,028	62,028	-
Total other financing sources (uses)	<u>519,044</u>	<u>(457,016)</u>	<u>62,028</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 11,592</u>	<u>11,592</u>	<u>522,184</u>
Fund balance				
Beginning			1,380,809	858,625
Ending			<u>\$ 1,392,401</u>	<u>\$ 1,380,809</u>



Annual
Comprehensive
**FINANCIAL
REPORT**

Fiscal Year
2023

Statistical Section

City of Fayetteville, North Carolina

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Annual Comprehensive FINANCIAL REPORT

Fiscal Year
2023

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)

Schedule 1

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Investment in capital assets	\$ 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	\$ 363,802,556
Restricted for:										
Other purposes	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	66,786,121
Grant compliance	162,574	1,930,863	801,855	349,930	-	-	-	-	-	-
Unrestricted	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	1,057,503
Total governmental activities net position	<u>\$ 407,307,620</u>	<u>\$ 403,056,715</u>	<u>\$ 407,640,484</u>	<u>\$ 391,209,055</u>	<u>\$ 380,949,462</u>	<u>\$ 388,297,306</u>	<u>\$ 393,668,459</u>	<u>\$ 397,524,229</u>	<u>\$ 411,306,746</u>	<u>\$ 431,646,180</u>
Business-type activities										
Investment in capital assets	\$ 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	\$ 149,950,995
Restricted for:										
Operating projects	-	-	-	-	-	-	-	-	-	1,129
Capital projects	1,081,334	63,903,304	1,336,609	-	3,146,639	2,736,638	3,240,358	3,219,178	3,715,377	3,422,666
Debt service	108,014	1,920,080	-	-	-	-	-	-	-	-
Other purposes	1,020	1,020	1,020	-	1,020	1,020	-	-	-	-
Unrestricted	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	33,129,314
Total business-type activities net position	<u>\$ 941,731,817</u>	<u>\$ 964,741,089</u>	<u>\$ 121,250,411</u>	<u>\$ 131,607,730</u>	<u>\$ 132,675,185</u>	<u>\$ 152,581,869</u>	<u>\$ 160,023,523</u>	<u>\$ 175,919,265</u>	<u>\$ 185,829,410</u>	<u>\$ 186,504,104</u>
Primary government										
Investment in capital assets	\$ 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	\$ 513,753,551
Restricted for:										
Operating projects	-	-	-	-	-	-	-	-	-	1,129
Capital projects	1,081,334	63,903,304	1,336,609	-	3,146,639	2,736,638	3,240,358	3,219,178	3,715,377	3,422,666
Debt service	108,014	1,920,080	-	-	-	-	-	-	-	-
Other purposes	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	66,786,121
Grant compliance	162,574	1,930,863	801,855	349,930	-	-	-	-	-	-
Unrestricted	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	34,186,817
Total primary government net position	<u>\$ 1,349,039,437</u>	<u>\$ 1,367,797,804</u>	<u>\$ 528,890,895</u>	<u>\$ 522,816,785</u>	<u>\$ 513,624,647</u>	<u>\$ 540,879,175</u>	<u>\$ 553,691,982</u>	<u>\$ 573,443,494</u>	<u>\$ 597,136,156</u>	<u>\$ 618,150,284</u>

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

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

Schedule 2

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities										
Administration	\$ 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	\$ 48,952,419
Public safety	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	101,943,643
Environmental protection	477,470	458,342	536,121	757,612	1,968,606	1,055,261	543,604	9,445,358	2,443,253	2,523,298
Transportation	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	22,787,727
Economic and physical development	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	4,729,127
Recreation and community facilities	13,974,381	13,905,171	14,997,725	15,921,506	16,080,896	17,299,901	17,454,989	18,293,574	18,264,188	21,388,242
Debt service: Interest and fees	960,294	811,174	708,588	604,659	845,337	2,662,901	3,309,552	3,052,371	3,260,018	4,107,142
Total governmental activities	143,425,333	143,751,077	156,533,946	159,820,321	168,208,978	168,193,268	175,832,968	187,884,168	196,517,520	206,431,598
Business-type activities										
Electric	212,158,021	203,441,960	-	-	-	-	-	-	-	-
Water and wastewater	70,015,544	75,205,401	-	-	-	-	-	-	-	-
Stormwater management	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	11,115,325
Transit	8,339,679	8,886,160	9,401,907	10,449,142	11,294,000	11,560,359	12,206,930	12,375,100	12,434,235	14,696,947
Airport	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	10,834,113
Solid waste	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	14,909,905
Total business-type activities	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	51,556,290
Total primary government	\$ 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	\$ 257,987,888
Program Revenues										
Governmental activities										
Administration										
Charges for services	\$ 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	\$ 4,406,766
Operating grants and contributions	32,545	8,485	4,610	5,893,754	804,547	695,832	809,180	711,890	2,000	13,421,103
Capital grants and contributions	-	-	-	-	50,869	39,380	181,520	17,984	-	-
Public Safety										
Charges for services	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	7,792,954
Operating grants and contributions	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	3,916,012
Capital grants and contributions	79,929	302,007	649,569	1,583,563	225,345	99,114	199,172	44,878	455	-
Environmental Protection										
Charges for services	59,335	36,020	45,075	-	36,165	57,560	72,505	56,260	75,660	29,100
Operating grants and contributions	-	6,098	-	-	854,225	319,733	107,560	106,878	1,694,340	1,462,443
Capital grants and contributions	-	-	-	-	483,445	1,607,220	3,539,088	576,073	1,592,213	-
Transportation										
Charges for services	1,276,526	1,337,933	907,196	150,317	1,115,587	1,338,267	924,635	882,498	901,265	1,815,650
Operating grants and contributions	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	6,063,305
Capital grants and contributions	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	7,180,039
Economic and physical development										
Charges for services	422,997	376,160	479,286	510,298	305,422	-	-	-	-	-
Operating grants and contributions	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	2,975,910
Capital grants and contributions	-	-	3,114	149,452	199,741	779,753	430,109	195,400	1,482,226	4,209,382
Recreation and community facilities										
Charges for services	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	1,814,063
Operating grants and contributions	149,587	218,258	418,295	2,432,942	408,590	669,909	454,957	8,226,114	4,069,511	4,532,737
Capital grants and contributions	882,480	1,179,024	1,409,404	33,564	577,221	256,490	533,430	1,830,180	74,100	2,461,858
Interest and fees										
Operating grants and contributions	104,110	88,737	-	-	-	-	-	-	-	-
Total governmental activities programs	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	62,081,322

Business-type activities

Electric

Charges for services	\$ 217,853,786	\$ 223,663,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,297,052	96,819	-	-	-	-	-	-	-	-	-

Water and wastewater

Charges for services	74,492,496	76,820,546	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	8,143,723	7,708,126	-	-	-	-	-	-	-	-	-

Stormwater management

Charges for services	5,283,676	6,224,941	6,792,851	6,866,159	7,873,798	11,191,384	11,251,367	11,326,022	11,477,216	11,530,386	
Operating grants and contributions	-	-	131,991	42,261	33,451	68,169	10,572	36,357	1,051	(18,019)	
Capital grants and contributions	-	-	-	177,509	-	409,530	488,542	-	-	34,428	

Transit

Charges for services	1,245,135	1,349,877	1,394,009	1,373,694	1,303,820	1,280,317	1,080,959	274,435	89,663	265,061	
Operating grants and contributions	2,539,161	2,725,732	3,004,558	3,497,224	3,421,241	3,613,076	5,656,620	6,652,266	6,938,851	3,935,501	
Capital grants and contributions	2,102,218	2,278,449	5,698,273	5,618,316	480,798	1,106,100	2,604,204	171,920	4,159,431	1,574,533	

Airport

Charges for services	4,196,444	4,316,716	4,380,202	4,724,908	4,504,547	5,077,961	3,821,146	3,367,131	4,110,448	3,576,065	
Operating grants and contributions	108,430	110,580	107,080	2,242,093	2,319,477	2,271,723	3,366,372	4,156,101	4,701,090	2,649,833	
Capital grants and contributions	2,000,263	5,918,190	6,057,017	3,148,014	3,685,139	11,034,310	2,737,016	11,328,237	9,097,519	3,837,047	

Solid waste

Charges for services	2,824,521	2,949,501	3,211,073	2,938,196	6,883,837	11,957,664	12,005,824	14,215,982	14,249,274	14,398,051	
Operating grants and contributions	133,637	135,815	135,056	2,560,822	444,840	3,376,440	506,300	617,330	473,256	530,785	
Capital grants and contributions	-	-	-	-	-	-	-	353,641	-	-	

Total business-type activities programs	<u>322,220,542</u>	<u>334,299,124</u>	<u>30,912,110</u>	<u>33,189,196</u>	<u>30,950,948</u>	<u>51,386,674</u>	<u>43,528,922</u>	<u>52,499,422</u>	<u>55,297,799</u>	<u>42,313,671</u>	
Total primary government programs	<u>\$ 347,023,076</u>	<u>\$ 360,303,703</u>	<u>\$ 65,086,789</u>	<u>\$ 58,000,332</u>	<u>\$ 69,013,087</u>	<u>\$ 87,328,736</u>	<u>\$ 81,216,042</u>	<u>\$ 94,384,907</u>	<u>\$ 107,851,173</u>	<u>\$ 104,394,993</u>	

Net (expense)/revenue

Governmental activities	\$ (118,622,799)	\$ (117,746,498)	\$ (122,359,267)	\$ (135,009,185)	\$ (130,146,839)	\$ (132,251,206)	\$ (138,145,848)	\$ (145,998,683)	\$ (143,964,146)	\$ (144,350,276)	
Business-type activities	11,048,193	25,640,345	(747,592)	(1,222,896)	(4,518,288)	13,074,866	2,538,139	8,442,871	5,780,589	(9,242,619)	
Total primary government net expense	<u>\$ (107,574,606)</u>	<u>\$ (92,106,153)</u>	<u>\$ (123,106,859)</u>	<u>\$ (136,232,081)</u>	<u>\$ (134,665,127)</u>	<u>\$ (119,176,340)</u>	<u>\$ (135,607,709)</u>	<u>\$ (137,555,812)</u>	<u>\$ (138,183,557)</u>	<u>\$ (153,592,895)</u>	

General Revenues and Other Changes in Net Position

Governmental activities

Ad valorem taxes	\$ 64,702,217	\$ 68,090,990	\$ 68,907,943	\$ 72,112,845	\$ 69,226,879	\$ 70,312,277	\$ 70,904,252	\$ 72,172,159	\$ 72,478,217	\$ 73,650,346	
Other taxes	48,709,791	53,005,270	53,902,375	54,832,387	56,057,367	58,466,738	59,592,005	66,556,778	73,501,492	77,982,691	
Payment in lieu of taxes	-	-	9,487,800	9,966,765	10,428,117	10,938,256	11,098,087	11,450,867	11,853,127	11,072,379	
Unrestricted grants and contributions	914,579	1,003,800	916,625	1,536,981	904,062	896,930	1,899,042	3,886,429	844,186	971,075	
Interest earned on investments	818,792	468,468	514,449	810,961	1,594,656	3,364,326	2,503,187	764,112	726,704	7,045,829	
Miscellaneous	541,010	385,836	501,294	3,593,019	920,408	563,803	922,672	428,531	888,903	772,648	
Gain on sale of capital assets	142,765	178,557	144,204	(133,937)	-	-	-	590,233	312,704	125,522	
Transfers	(6,720,827)	(26,001)	(10,758,599)	(10,367,645)	(5,863,929)	(4,943,280)	(3,402,244)	(5,994,657)	(2,858,671)	(6,930,780)	
Total governmental activities	<u>109,108,327</u>	<u>123,106,920</u>	<u>123,616,091</u>	<u>132,351,376</u>	<u>133,267,560</u>	<u>139,599,050</u>	<u>143,517,001</u>	<u>149,854,452</u>	<u>157,746,662</u>	<u>164,689,710</u>	

Business-type activities

Other taxes	839,060	638,129	632,073	636,467	630,806	642,073	630,563	669,937	639,490	649,744	
Interest earned on investments	3,070,459	1,600,725	141,069	179,472	414,760	771,987	587,796	69,048	105,983	1,795,658	
Miscellaneous	466,103	466,468	439,571	403,307	386,524	377,556	282,493	685,629	496,056	523,743	
Transfers	6,720,827	26,001	10,758,599	10,367,645	5,863,929	4,943,280	3,402,244	5,994,657	2,858,671	6,930,780	
Gain on sale of capital assets	158,907	38,470	1,694	(6,681)	154,043	96,922	419	33,600	29,356	17,398	
Total business-type activities	<u>11,255,356</u>	<u>2,769,793</u>	<u>11,973,006</u>	<u>11,580,210</u>	<u>7,450,062</u>	<u>6,831,818</u>	<u>4,903,515</u>	<u>7,452,871</u>	<u>4,129,556</u>	<u>9,917,323</u>	
Total primary government	<u>\$ 120,363,683</u>	<u>\$ 125,876,713</u>	<u>\$ 135,589,097</u>	<u>\$ 143,931,586</u>	<u>\$ 140,717,622</u>	<u>\$ 146,430,868</u>	<u>\$ 148,420,516</u>	<u>\$ 157,307,323</u>	<u>\$ 161,876,218</u>	<u>\$ 174,607,033</u>	

Change in Net Position

Governmental activities	\$ (9,514,472)	\$ 5,360,422	\$ 1,256,824	\$ (2,657,809)	\$ 3,120,721	\$ 7,347,844	\$ 5,371,153	\$ 3,855,769	\$ 13,782,516	\$ 20,339,434	
Business-type activities	22,303,549	28,410,138	11,225,414	10,357,314	2,931,774	19,906,684	7,441,654	15,895,742	9,910,145	674,704	
Total primary government	<u>\$ 12,789,077</u>	<u>\$ 33,770,560</u>	<u>\$ 12,482,238</u>	<u>\$ 7,699,505</u>	<u>\$ 6,052,495</u>	<u>\$ 27,254,528</u>	<u>\$ 12,812,807</u>	<u>\$ 19,751,511</u>	<u>\$ 23,692,661</u>	<u>\$ 21,014,138</u>	

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

Schedule 3

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 124,837	\$ 117,022	\$ 72,638	\$ 1,173,189	\$ 1,192,169	\$ 273,969	\$ 85,790	\$ 2,048,090	\$ 2,530,227	\$ 2,833,668
Restricted	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	36,746,458
Committed	-	-	3,774,601	4,672,755	5,433,945	6,164,494	6,789,253	7,250,083	8,530,243	10,340,293
Assigned	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	15,976,663
Unassigned	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	28,203,474
Total General Fund	<u>\$ 52,048,137</u>	<u>\$ 60,536,708</u>	<u>\$ 61,868,417</u>	<u>\$ 64,307,533</u>	<u>\$ 69,168,478</u>	<u>\$ 75,936,690</u>	<u>\$ 82,576,939</u>	<u>\$ 93,088,870</u>	<u>\$ 95,165,893</u>	<u>\$ 94,100,556</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,105,578</u>	<u>\$ 3,475,374</u>	<u>\$ 2,588,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Federal and State Financial Assistance Fund²										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,844,263	\$ 4,192,255	\$ 7,788,896
Committed	-	-	-	-	-	-	-	17,625,604	10,354,866	11,995,188
Unassigned	-	-	-	-	-	-	-	(11,654,849)	(6,650,605)	(10,734,075)
Total Federal and State Financial Assistance Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,815,018</u>	<u>\$ 7,896,516</u>	<u>\$ 9,050,009</u>
Recreational and Cultural Bond Fund³										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,628,487	\$ -
Committed	-	-	-	-	-	-	-	-	-	-
Total Recreational and Cultural Bond Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,628,487</u>	<u>\$ -</u>
All other governmental funds										
Nonspendable	\$ 3,937,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	8,697,672	22,959,252	17,498,500	26,996,482	25,430,435	45,422,911	34,726,067	19,123,560	22,337,786	32,936,150
Committed	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	15,607,345
Unassigned	(876,336)	(1,598,518)	(704,521)	(7,108,571)	(7,586,331)	(8,795,974)	(14,585,548)	(8,726,581)	(181,247)	(125,578)
Total all other governmental funds	<u>\$ 19,265,671</u>	<u>\$ 28,667,854</u>	<u>\$ 23,432,048</u>	<u>\$ 26,310,999</u>	<u>\$ 23,980,853</u>	<u>\$ 39,018,380</u>	<u>\$ 40,364,046</u>	<u>\$ 33,167,647</u>	<u>\$ 35,085,830</u>	<u>\$ 48,417,917</u>

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 was reported as a non-major fund in all fiscal years except 2022.

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

Schedule 4

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Ad valorem taxes	\$ 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	\$ 73,856,911
Other taxes	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	1,502,107
Intergovernmental										
Unrestricted intergovernmental	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	88,541,823
Restricted intergovernmental	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	41,719,925
Local	-	-	2,102	595,893	2,086,287	2,573,170	1,287,214	2,173,775	-	-
Other functional										
Permits and fees	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	3,308,455
Sales and services	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	5,592,546
Miscellaneous	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	5,413,521
Interest earned on investments	494,849	531,400	507,858	512,557	1,517,086	2,712,051	2,030,016	596,789	528,333	5,979,619
Total revenues	<u>140,349,233</u>	<u>149,782,014</u>	<u>164,634,136</u>	<u>166,065,361</u>	<u>170,216,695</u>	<u>178,073,470</u>	<u>181,324,757</u>	<u>194,728,015</u>	<u>210,640,266</u>	<u>225,914,907</u>
Expenditures										
Administration	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	41,917,528
Public safety	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	94,044,468
Environmental protection	32,980	291,281	335,188	524,951	1,737,096	829,058	253,573	9,090,119	2,108,117	2,171,347
Transportation	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	9,617,796
Economic and physical development	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	4,335,903
Recreation and community facilities	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	16,927,391
Capital outlay	10,362,652	14,351,276	19,966,233	15,906,532	38,046,963	64,924,053	24,447,823	21,190,311	47,505,360	43,108,988
Debt service										
Principal	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	16,125,426
Interest and fees	1,083,442	975,588	875,040	630,308	677,172	2,625,437	3,352,404	3,142,133	2,930,123	4,107,142
Issuance costs	-	-	-	70,738	-	29,471	27,884	11,439	-	28,375
Total expenditures	<u>139,077,622</u>	<u>145,819,799</u>	<u>162,813,514</u>	<u>154,981,245</u>	<u>182,800,072</u>	<u>218,243,737</u>	<u>176,378,465</u>	<u>187,915,194</u>	<u>234,646,406</u>	<u>232,384,364</u>
Excess (deficiency) of revenues over (under) expenditures	1,271,611	3,962,215	1,820,622	11,084,116	(12,583,377)	(40,170,267)	4,946,292	6,812,821	(24,006,140)	(6,469,457)
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	3,072,191
Transfers in	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	11,548,839
Transfers out	(24,095,295)	(26,960,636)	(24,879,567)	(21,303,731)	(19,677,171)	(17,516,732)	(17,056,914)	(18,647,084)	(18,618,864)	(17,488,158)
Proceeds from sale of capital assets	114,013	168,430	140,302	169,922	5,564,030	306,689	115,312	696,088	316,985	128,342
Payment to refund bond escrow agent	-	-	-	-	-	(2,500,000)	-	-	-	-
Premium on bonds	-	-	-	-	-	2,300,109	-	-	1,487,054	-
Total other financing sources (uses)	<u>5,795,166</u>	<u>5,009,450</u>	<u>(9,051,663)</u>	<u>(5,617,509)</u>	<u>59,219,753</u>	<u>21,345,803</u>	<u>2,153,233</u>	<u>3,728,746</u>	<u>48,711,334</u>	<u>(2,738,786)</u>
Net change in fund balances	<u>\$ 7,066,777</u>	<u>\$ 8,971,665</u>	<u>\$ (7,231,041)</u>	<u>\$ 5,466,607</u>	<u>\$ 46,636,376</u>	<u>\$ (18,824,464)</u>	<u>\$ 7,099,525</u>	<u>\$ 10,541,567</u>	<u>\$ 24,705,194</u>	<u>\$ (9,208,243)</u>
Debt service as a percentage of noncapital expenditures	<u>5.00%</u>	<u>4.90%</u>	<u>5.47%</u>	<u>3.68%</u>	<u>6.35%</u>	<u>7.44%</u>	<u>7.86%</u>	<u>7.45%</u>	<u>7.38%</u>	<u>10.69%</u>

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

Schedule 5

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes ¹	Vehicle License Tax	Privilege License	Beer and Wine Tax	Rental Property Gross Receipts	Total
2023	\$ 73,856,911	\$ 63,591,544	\$ 12,906,825	\$ 649,931	\$ 14,527	\$ 971,075	\$ 852,176	\$ 152,842,989
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	139,686,913
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

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 Actual Taxable Value	Sales Assessment Ratio ³
2023	\$ 14,282,863,108	\$ 2,347,347,180	\$ 197,829,761	\$ 2,163,599,132	\$ 14,664,440,917	0.4995	\$ 16,003,042,706	75.89%
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%

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 Rate²	Overlapping Rates ¹
				Cumberland County
				County wide
2023	0.4995	0.100	-	0.799
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

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

Taxpayer	2023 ¹			2014 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 155,125,668	1	1.09%	\$ 113,194,500	1	0.80%
Fayetteville VA Co LLC	91,139,174	2	0.64%			
Wal-Mart	84,459,873	3	0.59%	39,554,465	4	0.28%
Project Bronco Fayetteville LLC	78,540,439	4	0.55%			
Piedmont Natural Gas	69,593,464	5	0.49%	42,052,419	3	0.30%
Campbell Soup Supply Co LLC	41,743,908	6	0.29%			
Spectrum Southeast LLC	39,767,383	7	0.28%			
Westlake at Morganton LLC	27,968,620	8	0.20%	28,107,800	5	0.20%
Independence Place West Fayetteville	25,913,600	9	0.18%	26,605,101	6	0.19%
Hidden Creek Village	23,711,795	10	0.17%	24,803,500	7	0.18%
Carolina Telephone				50,272,818	2	0.36%
DDRM Fayetteville Pavilion LLC				23,862,500	8	0.17%
Cape Fear Multifamily LLC				23,086,399	9	0.16%
Eagle Point Village Apartments				22,919,500	10	0.16%
	<u>\$ 637,963,924</u>		<u>4.48%</u>	<u>\$ 394,459,002</u>		<u>2.80%</u>

¹ Assessed valuations are as of January 1, 2022 and the associated tax levies were due in the fiscal year ended June 30, 2023.

² Assessed valuations are as of January 1, 2013 and the associated tax levies were due in the fiscal year ended June 30, 2014.

Source: Cumberland County Tax Office

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

Schedule 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2023	\$ 73,318,343	\$ 72,992,186	99.56%	\$ -	\$ 72,992,186	99.56%
2022	72,203,354	71,819,894	99.47%	238,780	72,058,674	99.80%
2021	71,832,074	71,226,078	99.16%	484,883	71,710,961	99.83%
2020	70,544,316	69,884,651	99.06%	532,412	70,417,063	99.82%
2019	70,051,209	69,549,403	99.28%	300,931	69,850,334	99.71%
2018	68,869,870	68,409,559	99.33%	426,325	68,835,884	99.95%
2017	71,686,530	71,209,890	99.34%	423,566	71,633,456	99.93%
2016	68,718,397	68,299,578	99.39%	343,653	68,643,231	99.89%
2015	67,898,129	67,458,548	99.35%	369,169	67,827,717	99.90%
2014	64,477,068	63,626,991	98.68%	833,052	64,460,043	99.97%

¹ Schedule reflects the general tax levy only.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina

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

Schedule 10

Fiscal Year ²	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Limited Obligation Bonds	Installment Agreements	Notes Payable	Leases ⁴	General Obligation Bonds	Revenue Bonds	Notes Payable	Installment Agreements	Leases ⁴			
2023	\$ 34,562,444	\$ 42,468,801	\$ 24,647,775	\$ -	\$ 11,673,414	\$ -	\$ 2,935,000	\$ 175,209	\$ 2,354,437	\$ 237,706	\$ 119,054,786	N/A	\$559
2022	36,886,413	45,297,049	29,682,277	-	14,853,818	-	3,720,000	200,239	3,422,298	340,918	134,403,012	0.867%	627
2021	17,699,936	48,120,896	23,001,510	-	-	-	4,475,000	225,269	3,738,444	-	97,261,055	0.617%	459
2020	18,974,835	50,940,213	19,618,019	-	-	-	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	-	-	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	-	-	6,615,000	300,359	2,232,018	-	85,368,808	0.662%	411
2017	3,517,147	-	20,094,321	225,000	-	-	7,280,000	325,389	1,295,460	-	32,737,317	0.263%	157
2016 ³	4,396,267	-	19,419,617	300,000	-	-	7,925,000	350,419	434,563	-	32,825,866	0.265%	158
2015	8,577,821	-	20,606,769	375,000	-	2,741,682	242,101,959	34,167,522	575,942	-	309,146,695	2.548%	1,484
2014	11,346,847	-	19,165,621	450,000	-	3,411,254	136,627,576	26,275,105	19,070	-	197,295,473	1.672%	937

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 Beginning fiscal year 2013, the 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

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

Schedule 11

General Bonded Debt Outstanding						
Fiscal Year ⁴	General Obligation Bonds	Limited Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Actual Total Assessed Value of Property¹	Per Capita²
2023	\$ 34,562,444	\$ 42,468,801	\$ 2,935,000	\$ 79,966,245	0.55%	375
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	2,971,717	50,520,000	6,615,000	60,106,717	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

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.

⁴ Beginning fiscal year 2013, the outstanding debt presented is net of premiums and discounts as reported in the basic financial statements and the notes to the financial statements.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2023
(Unaudited)

Schedule 12

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 48,143,511	58.80%	\$ 28,308,403
Subtotal, overlapping debt			28,308,403
City of Fayetteville direct debt			98,347,775
Total direct and overlapping debt			\$ 126,656,178

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Limit	\$ 1,128,954,748	\$ 1,117,502,006	\$ 1,129,758,664	\$ 1,148,407,468	\$ 1,101,893,334	\$ 1,119,988,912	\$ 1,128,437,883	\$ 1,149,811,673	\$ 1,155,163,674	\$ 1,173,155,273
Total net debt applicable to limit	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	115,944,577
Legal debt margin	<u>\$ 1,068,286,851</u>	<u>\$ 1,051,257,222</u>	<u>\$ 1,105,267,496</u>	<u>\$ 1,123,295,554</u>	<u>\$ 1,023,443,943</u>	<u>\$ 1,027,508,778</u>	<u>\$ 1,040,108,090</u>	<u>\$ 1,057,250,886</u>	<u>\$ 1,024,680,900</u>	<u>\$ 1,057,210,696</u>
Total net debt applicable to the limit as a percentage of debt limit	5.37%	5.93%	2.17%	2.19%	7.12%	8.26%	7.83%	8.05%	11.30%	9.88%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed Value	\$ 14,664,440,917
Debt Limit (8% of total assessed value)	1,173,155,273
Debt applicable to limit:	
Bonded debt	34,562,444
Limited obligation bonds	42,468,801
Lease and subscription obligations (Governmental and Business)	11,911,120
Installment agreements (Governmental and Business)	<u>27,002,212</u>
Subtotal	115,944,577
Authorized and unissued debt	<u>97,000,000</u>
Total Gross Debt	212,944,577
Less: Statutory deductions	
Bonds authorized but unissued	<u>(97,000,000)</u>
Total Debt Applicable to Limit	<u>115,944,577</u>
Legal Debt Margin	<u><u>\$ 1,057,210,696</u></u>

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

Schedule 14

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses ¹	Net Available Revenue	Debt Service Requirements ⁴			Coverage ³
				Principal	Interest ²	Total	
2023	\$ 11,404,395	\$ 9,521,785	\$ 1,882,610	\$ 785,000	\$ 110,509	\$ 895,509	2.10
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

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
2023	213,032	5.3%	N/A	N/A	50,246	\$6.118
2022	214,255	5.5%	15,496,282,000	46,024	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

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. 2023 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 Ten Years Ago
(Unaudited)**

Schedule 16

Employer	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian) ¹	10,999	1	9.07%	14,515	1	11.21%
Cape Fear Valley Health System	7,500	2	6.19%	5,400	3	4.17%
Cumberland County Board of Education	6,013	3	4.96%	6,625	2	5.12%
Goodyear Tire & Rubber Company	2,900	4	2.39%	2,500	5	1.93%
Veterans Administration	2,331	5	1.92%			0.00%
Wal-Mart Associates, Inc.	2,000	6	1.65%	2,860	4	2.21%
City of Fayetteville	1,954	7	1.61%	2,100	7	1.62%
Cumberland County Government	1,951	8	1.61%	2,350	6	1.81%
Food Lion	1,334	9	1.10%			0.00%
Fayetteville Technical Community College	1,251	10	1.03%	1,390	8	1.07%
US Postal Service				1,225	9	0.95%
Purolator				1,000	10	0.77%
Total Employment (Ten Largest Civilian Employers)	38,233		31.53%	39,965		30.86%

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	108	117	125	121	104	133	134	126	121	130
Public Safety	911	930	950	915	951	940	929	897	888	880
Environmental Protection	4	5	5	5	5	5	5	5	4	4
Transportation	78	75	79	70	63	71	78	79	74	66
Economic and physical development	20	22	27	13	21	24	21	20	61	65
Recreation and community facilities	117	117	115	170	236	115	115	118	129	153
Internal Service¹	45	5	4	4	3	2	3	6	21	25
Transit	89	98	113	104	112	112	108	104	119	121
Airport	20	23	23	17	17	23	22	23	17	17
Stormwater	36	37	43	47	41	33	36	38	38	38
Solid Waste	70	67	70	74	69	67	61	62	67	67
Total	<u>1,498</u>	<u>1,496</u>	<u>1,554</u>	<u>1,540</u>	<u>1,622</u>	<u>1,525</u>	<u>1,512</u>	<u>1,478</u>	<u>1,539</u>	<u>1,566</u>

Source: City Finance Office

¹ Fleet Maintenance became an Internal Service function in fiscal year ended 2022

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

Schedule 18

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Fire ⁽¹⁾										
Emergency responses	30,153	29,987	29,963	31,443	29,707	30,017	24,536	23,557	28,764	28,063
Fires extinguished	671	682	812	978	831	852	820	913	1397 ⁽¹⁾	1973 ⁽¹⁾
Fire inspections	3,349	4,582	4,516	4,031	5,826	5,460	8,196	9,771	8,530	7,042
Police ⁽²⁾										
Number of law violations:										
Physical arrests	7,406	6,594	7,083 ⁽²⁾	6,524	6,606	6,099	5,001	4,092	4,554	5,434
Traffic citations	22,523	23,630	24,860 ⁽²⁾	17,263	17,443	16,634	12,222	9,534	19,913	32,728
Warning citations	21,788	38,326	53,553 ⁽²⁾	38,389	32,695	28,102	16,460	9,703	10,094	8,499
Calls for service	307,679	272,350	277,688 ⁽²⁾	296,609	288,896	278,560	258,008	238,894	243,002	273,714
Development Services										
Number of permits issued:										
Residential:										
New single family	343	308	290	249	275	223	229	302	392	317
New multi-family										
Number of units	111	170	311	64	54	35	148	80	644	298
Renovations	1,557	1,461	1,382	1,011	924	728	394	413	373	511
Commercial:										
New	51	69	69	52	56	53	77	60	43	50
Renovations	559	509	431	450	371	420	394	350	401	499
Other:										
Miscellaneous	10,319	12,467	11,825	11,556	9,092	8,891	8,762	9,151	9,407	9,659
Yard sale	998	727	702	601	572	460	304	278	312	276

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

Schedule 18

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cultural and Recreational ⁽³⁾										
Youth Sports participants	11,173	11,687	15,209	17,057	15,970	19,182	15,841	1,831	9,191	13,883
Adult Sports participants	1,087	761	944	998	717	778	107	37	440	338
Senior participants	89,416	90,311	109,289	97,603	92,300	88,842	59,729	23,497	20,260	25,327
Therapeutic participants	22,793	23,021	52,942	57,171	56,955	47,049	29,920	374	2,741	1,436
Aquatics participants	22,123	22,345	38,099	66,446	72,140	73,200	39,668	22,604	75,248	78,856
Park programs participants	28,086	28,367	30,589	30,920	35,609	32,576	19,437	8,286	15,401	23,784
Special events participants	20,727	20,642	22,446	15,692	18,821	8,970	15,336	43,768	33,820	33,028
Permitted events	89	81	96	105	110	238	137	34	129	80
Mobile stage/bleacher rentals	49	47	92	137	116	108	104	1	28	34
Recreation center participants	586,199	592,061	621,664	631,514	816,726	661,301	558,602	99,550	604,341	832,565
Historical properties participants	95,622	63,531	73,109	60,661	60,152	46,641	58,707	8,002	41,073	41,995
Picnic shelter rentals	40,761	38,484	36,687	43,122	57,290	37,802	17,723	10,035	33,635	33,788
Festival Park										
Tier 1 Events (0 - 500 Attendees)	1	5	5	9	36	7	4	33	19	10
Tier 2 Events (501 - 2,500 Attendees)	6	15	2	3	2	16	4	0	7	5
Tier 3 Events (2,501 - 5,000 Attendees)	6	16	2	7	6	6	1	1	7	0
Tier 4 Events (5,001 - 10,000 Attendees)	N/A	N/A	10	8	10	2	1	0	7	11
Tier 5 Events (10,001 + Attendees)	N/A	N/A	19	15	19	13	4	0	7	19
Transportation										
Street Maintenance										
Streets maintained (miles)	735.69	735.69	740.69	740.68	743.40	744.13	745.96	747.72	749.59	751.46
Street resurfacing and cape sealing (miles)	14.30	17.50	20.09	13.50	8.31	13.16	11.26	17.87	26.09	44.60
Number of traffic signals maintained ⁽⁴⁾	214	214	214	225	230	231	233	239	239	241
Engineering										
Driveway permits (residential)	578	382	388	287	227	214	223	248	225	209
Driveway permits (commercial)	42	28	23	23	27	46	50	36	44	48
Airport										
Number of enplaned passengers	237,282	161,635	224,489	229,684	238,178	231,003	167,835	148,577	123,531	166,500
Number of deplaned passengers	236,635	219,312	221,292	228,562	235,835	230,958	166,761	147,027	122,056	165,182

(1) Fires extinguished statistic for the Fire Department includes all calls categorized as a fire beginning in fiscal year ending June 30, 2022.

(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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Fire										
Number of stations	16	16	16	17	17	17	17	17	17	17
Police										
Number of stations	2	2	2	3	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	17
Pools	-	1	3	3	3	3	4	4	4	4
Transportation										
Street Maintenance										
Streets maintained (miles)	735.69	735.69 ⁽¹⁾	740.69	740.68	743.40	744.13	745.96	747.72	749.59	751.46
Number of traffic signals ⁽²⁾	29	29	29	30	30	31	33	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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Annual Comprehensive FINANCIAL REPORT

Fiscal Year
2023

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
- Correction 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons, and the related notes to the financial statements for the year then ended, which collectively comprise the City of Fayetteville's basic financial statements, and have issued our report thereon dated May 9, 2024.

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 a deficiency in internal control that we consider to be a material weakness, identified as Finding 2023-001 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 2023-001.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Fayetteville's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Fayetteville'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
May 9, 2024

**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, 2023. 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, 2023.

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 of Fayetteville 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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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
May 9, 2024



**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 of Fayetteville) 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 of Fayetteville's major State programs for the year ended June 30, 2023. The City of Fayetteville'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, 2023.

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 of Fayetteville 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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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 of Fayetteville'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
May 9, 2024

City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section 1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Internal control over major federal programs:

- | | | | | |
|---|-------------------|-----|-------------------|---------------|
| • Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiency(ies) identified? | <u> X </u> | Yes | <u> </u> | 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)?	<u> X </u>	Yes	<u> </u>	No
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City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2023

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
10.923	Emergency Watershed Protection Program
14.218	Community Development Block Grants/Entitlement Grants
14.228	Community Development Block Grants/State's Program
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 1,233,799

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:

State Capital and Infrastructure
Fund Program

State Aid to Airports Program

City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2023

Section 2. Financial Statement Findings

Finding: 2023-001: Significant Compliance Violation and Significant Deficiency 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, 2023 financial statements were not submitted to the Local Government Commission until over 7 months past the original due date or 6 months past the extended due date.

Effect: The City of Fayetteville 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 of Fayetteville 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

Section 3. Findings and Questioned Costs for Federal Awards

Finding: 2023-002: Significant Deficiency in Internal Control Over Compliance - Timeliness Reporting- CDBG Quarterly Reports

Program Assistance Listing Number: 14.218 Community Development Block Grant/Entitlement Grants

Federal Agency: Department of Housing and Urban Development

Applicable Compliance Requirement: Reporting

Criteria: The May 2023 OMB Compliance Supplement requires the PR29-CDBG Cash on Hand Quarterly Report to be filed for all recipients of CDBG Entitlement Grants. Per the "Instructions for IDIS Cash on Hand Quarterly Report", the reports are required to be submitted to the US Department of Housing and Urban Development within 30 days after the end of the reporting period.

Condition and context: The City submitted 3 out of 4 Cash on Hand reports between 8 and 90 days late.

Effect: Cash on Hand reports were not submitted timely.

Cause: Insufficient control environment, experienced staff turnover, and changes in accounting software.

Recommendation: We recommend the City of Fayetteville establish appropriate controls and hire appropriate staff to ensure timely submission of required reports.

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, 2023**

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, 2023**

Section 2. Financial Statement Findings

Finding 2023-001: 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. The City has contracted with a 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. The City has contracted with an outside accounting firm to assist staff with reconciliation and year end close activities in addition to adding two full time accountant positions.

Proposed Implementation Date: May 31, 2024

Section 3. Findings and Questioned Costs for Federal Awards

Finding 2023-002: Significant Deficiency in Internal Control Over Compliance – Timeliness Reporting – CDBG Quarterly Reports

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 on proper submission of the PR29-CDBG Cash on Hand Quarterly Report to include due dates for review and timely submission.
2. Ensure adequate staff are available, any combination of permanent, temporary or contracted positions, and assigned the task of timely submission of the PR29-CDBG Cash on Hand Quarterly Report.

Proposed Implementation Date: May 31, 2024

Respectfully submitted,



Douglas J. Hewett, ICMA-CM
City Manager



Jody Picarella, CPA, MBA
Chief Financial Officer



City of Fayetteville, North Carolina
Corrective Action Plan – Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2023

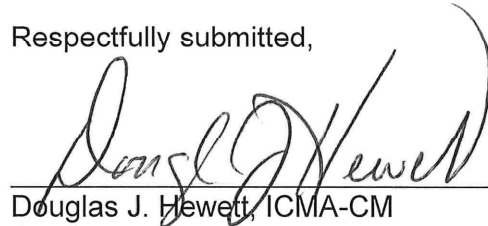
Finding 2022-001: Material Compliance Violation and Material Weakness in Internal Control over Compliance-Timeliness of Audited Financial Statements Submission

Repeated as finding 2023-001.

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

Corrected

Respectfully submitted,



Douglas J. Hewett, ICMA-CM
City Manager



Jody Picarella, CPA, MBA
Chief Financial Officer

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal CFDA Number	State/ Pass-through or Other Identifiable Grant Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
FEDERAL GRANTS						
<u>US DEPARTMENT OF AGRICULTURE</u>						
<u>Passed through NC Department of Agriculture and Consumer Services</u>						
Watershed Restoration Project	10.923	NR204532XXXXC024	\$ 1,103,718	\$ 355,243	\$ -	\$ 1,458,961
Total US Department of Agriculture			<u>1,103,718</u>	<u>355,243</u>	<u>-</u>	<u>1,458,961</u>
<u>US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>						
<u>Community Development Block Grant Cluster</u>						
CDBG Entitlement Grant FY2021-2022	14.218	B-21-MC-37-0005	1,089,439	-	-	1,089,439
CDBG Entitlement Grant FY2022-2023	14.218	B-22-MC-37-0005	955,219	-	-	955,219
COVID-19 - Community Development Block Grant Program	14.218	B-20-MW-37-0005	-	-	26,723	26,723
Total Community Development Block Grant Cluster			<u>2,044,658</u>	<u>-</u>	<u>26,723</u>	<u>2,071,381</u>
<u>CDBG Disaster Recovery Grants Cluster</u>						
CDBG Disaster Relief Grants Passed-through NC Department of Public Safety Office of Recovery and Resiliency	14.228	B-16-DL-37-0001	3,835,730	157,589	-	3,993,319
Total CDBG Disaster Recovery Grants Cluster			<u>3,835,730</u>	<u>157,589</u>	<u>-</u>	<u>3,993,319</u>
<u>HOME Investment Partnerships Program</u>						
HOME Investment Partnerships Program FY 2021-2022	14.239	M21-MC370203	69,614	-	-	69,614
HOME Investment Partnerships Program FY 2022-2023	14.239	M22-MC370203	98,053	-	-	98,053
Total HOME Investment Partnerships Program			<u>167,667</u>	<u>-</u>	<u>-</u>	<u>167,667</u>
<u>Housing Opportunities for Persons with AIDS Program</u>						
Housing Opportunities for Persons with AIDS	14.241	NCH22F006	229,807	-	-	229,807
Total Housing Opportunities for Persons with AIDS Program			<u>229,807</u>	<u>-</u>	<u>-</u>	<u>229,807</u>
<u>Office of Public Housing Investments</u>						
FY2020 Choice Neighborhoods Planning	14.892	NC4F533CNP120	333,651	-	-	333,651
Total HOME Investment Partnerships Program			<u>333,651</u>	<u>-</u>	<u>-</u>	<u>333,651</u>
Total US Department of Housing & Urban Development			<u>6,611,513</u>	<u>157,589</u>	<u>26,723</u>	<u>6,795,825</u>
<u>US DEPARTMENT OF INTERIOR</u>						
<u>Passed through NC Department of Natural and Cultural Resources</u>						
FY 2022 Historic Preservation	15.904		3,160			3,160
Total US Department of Interior			<u>3,160</u>		<u>-</u>	<u>3,160</u>
<u>US DEPARTMENT OF JUSTICE</u>						
<u>Office of Justice Programs</u>						
2020 Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0333	3,071	-	-	3,071
Project Safe Neighborhoods FY18	16.609	2018-GP-BX-0035	3,834	-	-	3,834
National Sexual Assault Initiative	16.833	2020-AK-BX-0040	154,243	-	-	154,243
			<u>161,148</u>	<u>-</u>	<u>-</u>	<u>161,148</u>
Equitable Sharing Program	16.922		498,907	-	-	498,907
Total Office of Justice Programs			<u>660,055</u>	<u>-</u>	<u>-</u>	<u>660,055</u>
<u>Office of Community Oriented Policing Services</u>						
Fayetteville Peer Support Project	16.710	2020MHWXK005	9,470	-	-	9,470
Total Office of Justice Programs			<u>9,470</u>	<u>-</u>	<u>-</u>	<u>9,470</u>

<u>Edward Byrne Memorial Justice Assistance Grant Program</u>						
<u>Passed through Cumberland County</u>						
Edward Byrne Memorial Justice Assistance Grant	16.738	PBJA-21-GG-01643-JAGX	140,838	-	-	140,838
Edward Byrne Memorial Justice Assistance Grant	16.738	PBJA-22-GG-02187-JAGX	55,970	-	-	55,970
Total Edward Byrne Memorial Justice Assistance Grant			196,808	-	-	196,808
Program Passed through Cumberland County			196,808	-	-	196,808
<u>Passed through NC Department of Public Safety</u>						
Governor's Crime Commission - Fayetteville EKG	16.738	PROJ013060	2,606	-	-	2,606
Total Passed through NC Department of Public Safety			2,606	-	-	2,606
Total US Department of Justice			868,939	-	-	868,939
<u>US DEPARTMENT OF THE TREASURY</u>						
Treasury Forfeiture Fund Program	21.000	N/A	-	-	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027		13,298,864	-	-	13,298,864
Emergency Rental Assistance	21.023	ERA-0149	273,285	-	-	273,285
Emergency Rental Assistance II	21.023	ERA-0157	1,614	-	-	1,614
Total US Department of the Treasury			13,573,762	-	-	13,573,762
<u>US DEPARTMENT OF TRANSPORTATION</u>						
<u>Federal Aviation Administration</u>						
<u>Airport Improvement Program</u>						
Terminal Improvements Part II - AIP 46	20.106	3-37-0021-046-2019	684,642	-	-	684,642
Terminal Improvements Part II - AIP 48	20.106	3-37-0021-048-2020	810,762	-	-	810,762
Airport Coronavirus Response Grant	20.106	3-37-0021-050-2021	46,442	-	-	46,442
Airport Rescue Grant (ARGA)	20.106	3-37-0021-051-2022	81,763	-	-	81,763
Airport Rescue Grant (ARGA)	20.106	3-37-0021-052-2021	945,962	-	-	945,962
Total Airport Improvement Program			2,569,571	-	-	2,569,571
Total Federal Aviation Administration			2,569,571	-	-	2,569,571
<u>US DEPARTMENT OF TRANSPORTATION (Continued)</u>						
<u>Federal Transportation Administration</u>						
<u>Highway Planning and Construction Cluster</u>						
<u>Passed through NC Dept of Transportation</u>						
Skibo Rd TADA Sidewalks	20.205	TIP EB-6030	-	95,869	-	95,869
Ramsey St TADA Sidewalks	20.205	TIP EB-6031	-	67,147	-	67,147
Hope Mills TADA Sidewalks	20.205	TIP EB-6032	-	268,522	-	268,522
Total Highway Planning and Construction Cluster Passed through the NC Dept of Transportation			-	431,538	-	431,538
Total Highway Planning and Construction Cluster			-	431,538	-	431,538
<u>Federal Transit Grant Cluster</u>						
<u>Operating Assistance</u>						
	20.507	NC-2020-033-00	64,093	-	-	64,093
	20.507	NC-2021-023-00	17,395	-	-	17,395
	20.507	NC-2022-059-03	19,539	-	-	19,539
	20.507	NC-2022-028-ARP	2,895,734	-	-	2,895,734
				-	-	-
<u>Capital Grants</u>						
	20.507	NC-2016-030-00	17,237		-	17,237
	20.507	NC-2018-069-00	139	-	-	139
	20.507	NC-2018-045-00	6,367	-	-	6,367
	20.507	NC-2019-021-00	76,235		-	76,235
	20.507	NC-2020-033-00	1,082,332	45,399	-	1,127,731
	20.507	NC-2021-023-00	13,298	-	-	13,298
	20.507	NC-2022-059-00	176,188	-	-	176,188
				-	-	-
<u>Planning Grants</u>						
	20.507	NC-2021-023-00	24,477		-	24,477
	20.507	NC-2020-033-00	12,686	-	-	12,686
	20.507	NC-2021-054-00	199,584	-	-	199,584
	20.507	NC-2022-026-00	5,777	-	-	5,777
	20.507	NC-2022-059-03	45,049	-	-	45,049
Total Federal Transit Grant Cluster			4,656,130	45,399	-	4,701,529

Total Federal Transportation Administration			4,656,130	476,937	-	5,133,067
Total US Department of Transportation			7,225,701	476,937	-	7,702,638
<u>US ENVIRONMENTAL PROTECTION AGENCY</u>						
<u>Clean Water State Revolving Fund</u>						
Passed-through NC Department of Environmental Quality Division of Water Infrastructure						
Clean Water State Revolving Fund						
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CS370434-14	3,383,582	845,896	-	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CS370434-15	-	237,364		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CS370434-16	2,294,797			
Total Drinking Water State Revolving Fund Cluster Passed-through the NC Department of Environmental and Natural Resources			5,678,379	1,083,260	-	-
Total US Environmental Protection Agency			5,678,379	1,083,260	-	-
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<u>Aging Cluster</u>						
Passed through NC Department of Health & Human Services						
Senior Citizens Service Center	93.044	N/A	22,881	-	-	22,881
Total Aging Cluster Passed through the NC Department of Health & Human Services			22,881	-	-	22,881
Total US Department of Health and Human Services			22,881	-	-	22,881
<u>US DEPARTMENT OF HOMELAND SECURITY</u>						
Direct Programs:						
Assistance to Firefighters FY20	97.044	EMW-2019-FG-01746	-	-	-	-
Urban Search & Rescue Training	97.044	EMW-2021-SS-0039	10,409	-	-	10,409
FY 2020 Fire Prevention & Safety	97.044	EMW-2020-FP-00334	8,710	-	-	8,710
Total Direct Programs			19,119	-	-	19,119
Passed-through NC Department of Public Safety						
Disaster Grants - Public Assistance						
(Presidentially Declared Disasters) FEMA						
PWC:						
Disaster Grants	97.036		3,046,568	1,015,523	-	4,062,091
COVID-19 Disaster Grants	97.036		2,079,934	-	-	-
Total Disaster Grants - Public Assistance Passed-through the NC Department of Public Safety			5,126,502	1,015,523	-	4,062,091
Homeland Security Grant Program - Training	97.083	EMW-2019-FF-00370	1,067,799	-	-	1,067,799
Staffing for Adequate Fire and Emergency Response (SAFR)						
Total Homeland Security Grants Passed-through the NC Department of Public Safety			1,067,799	-	-	1,067,799
Law Enforcement Officer Reimbursement Agreement Programs	97.090	HSTS0216HSLR733	94,240	-	-	94,240
Total Passed-through NC Department of Public Safety			6,288,541	1,015,523	-	5,224,130
Total U.S. Department of Homeland Security			6,307,660	1,015,523	-	5,243,249
Total Assistance - Federal Programs			41,395,713	3,088,551	26,723	35,669,415
<u>STATE GRANTS</u>						
<u>NC DEPARTMENT OF ENVIRONMENTAL QUALITY</u>						
Recycling Project		CW28234	-	11,500	-	11,500
Stormwater Infrastructure Drainage Improvements		SRP-SW-ARP-0001	-	34,428	-	34,428
Total NC Department of Environmental Quality			-	45,928	-	45,928

NC OFFICE OF STATE BUDGET AND MANAGEMNT

State Capital and Infrastructure Fund (SCIF)					
Parks and Recreation Facilities	10125	-	1,662,661	-	1,662,661
Old City Hall	10121	-	3,000	-	3,000
Historic Buildings and Sites	10123	-	634,555	-	634,555
Trail Upgrades	10122	-	21,005	-	21,005
Lake Rim Park Improvements	10127	-	140,637	-	140,637
Pedestrian Safety Improvements	2000048424	-	1,939,011	-	1,939,011
Total NC Office of State Budget and Management		-	4,400,868	-	4,400,868

NC DEPARTMENT OF TRANSPORTATION**Public Transportation Division**

Maintenance Assistance	N/A		-	746,023	-	746,023
Total State Public Transportation Division				746,023	-	746,023
Powell Bill	N/A	32570	-	6,250,076	-	6,250,076

Division of Aviation

State Aid for Airport Projects - FAY - AIRPORT IMPROVEMENTS	N/A	36244.27.16.1	-	1,308,095	-	1,308,095
State Aid for Airport Projects - FAY - AIRPORT IMPROVEMENTS	N/A	36244.27.17.1	-	340,304	-	340,304
Total Division of Aviation			-	1,648,398	-	1,648,398
Total NC Department of Transportation			-	8,644,497	-	13,045,366

NC DEPARTMENT OF PUBLIC SAFETY

Hazmat (RRT Grant)	N/A	RRT 3 2019	-	52,252	-	52,252
Total Hazmat RRT Grants			-	52,252	-	52,252

NC DEPARTMENT OF PUBLIC SAFETY (Continued)**Passed-through from Cumberland County**

Juvenile Restitution FY 2022	N/A	16.540	-	50,592	-	50,592
Total NC Department of Public Safety			-	102,844	-	102,844

NC DEPARTMENT OF COMMERCE

Rural Economic Development Division						
Building Reuse Program - Showcase	N/A	2021-031-3201-2587	-	50,000	-	50,000
Total NC Department of Commerce			-	50,000	-	50,000
Total Assistance - State Programs			-	13,244,138	-	13,244,138
Total Assistance			\$ 41,395,713	\$ 16,332,689	\$ 26,723	\$ 48,913,552

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. 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

Fayetteville Public Works Commission, a discreetly presented component unit of the City of Fayetteville has outstanding loan balances from Federal and State funding sources that are not required to be presented in the SEFSA beyond repayment of the loan balances in accordance with the loan agreement provisions.

Program Title	Federal Assistance Listing	Amount Outstanding
Clean Water State Revolving Fund	66.458	28,868,714
Drinking Water State Revolving Fund	66.658	12,981,030

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Passenger Facility Charges
Year Ended June 30, 2023

	Cumulative Receipts June 30, 2022	Receipts Year End June 30, 2023	Cumulative Receipts June 30, 2023	Amount of Collection Approval
PFC Revenue Received	\$ 10,846,486	\$ 688,240	\$ 11,534,726	
Interest Earned	303,595	100,210	403,805	
Total PFC Revenue Received	11,150,081	788,450	11,938,531	12,258,434
PFC Net Accrued Revenues	127,270	4,127	131,397	
PFC Net Accrued Investment Income	3,749	10,997	14,746	
Total PFC Revenues	\$ 11,281,100	\$ 803,573	\$ 12,084,673	\$ 12,258,434

	Cumulative Expenditures June 30, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	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, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	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, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	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, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	Amount of Use Approval
Application No. 13-05-C-00-FAY				
Use Approval				
Closed Application	\$ 1,277,433	\$ -	\$ 1,277,433	\$ 1,277,433
Total Use Approval	1,277,433	-	1,277,433	1,277,433
Total Application No. 15-06-C-00-FAY	\$ 1,277,433	\$ -	\$ 1,277,433	\$ 1,277,433

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Passenger Facility Charges
Year Ended June 30, 2023

	Cumulative Expenditures June 30, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	Amount of Use Approval
Application No. 15-06-C-00-FAY				
Use Approval				
Airport Master Plan (AMP) Update, Part 1, Airline Te	\$ 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, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	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, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	Amount of Use Approval
Application No. 19-08-C-00-FAY				
Use Approval				
Airline Terminal Improvements-Phase 1 (Design, Bidding and Contruction Administration)	\$ 2,705,429	\$ 264,779	\$ 2,970,209	\$ 3,342,987
Total Use Approval	2,705,429	264,779	2,970,209	3,342,987
Total Application No. 19-08-C-00-FAY	\$ 2,705,429	\$ 264,779	\$ 2,970,209	\$ 3,342,987

	Cumulative Expenditures June 30, 2022	Expenditures Year End June 30, 2023	Cumulative Expenditures June 30, 2023	Amount of Use Approval
Application No. 21-09-C-00-FAY				
Use Approval				
Purchase ARFF Vehicle	\$ -	\$ -	\$ -	\$ 999,999
Total Use Approval	-	-	-	999,999
Total Application No. 21-09-C-00-FAY	\$ -	\$ -	\$ -	\$ 999,999

	Cumulative Totals June 30, 2022	Totals Year End June 30, 2023	Cumulative Totals June 30, 2023	Amount of Use Approval
Total PFC Revenues	\$ 11,281,100	\$ 803,573	\$ 12,084,673	\$ 12,258,434
Total PFC Expenditures	(9,270,286)	(264,779)	(9,535,064)	(12,258,434)
Balance of PFC's at June 30,2021	\$ 2,010,814	\$ 538,794	\$ 2,549,609	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Passenger Facility Charges
Year Ended June 30, 2023

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.

City of Fayetteville, North Carolina

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