



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ending June 30, 2019

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
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# Introductory Section

This section, which is unaudited, introduces the reader to the report and to the Town. It includes the letter of transmittal, listings of Town officials, as well as other information regarding the Town of Fuquay-Varina.

# TOWN OF FUQUAY-VARINA

134 N. MAIN STREET

FUQUAY-VARINA, NC 27526

November 25, 2019

The Honorable Mayor John Byrne  
Members of the Town Commissioners and Citizens  
Town of Fuquay-Varina  
134 N. Main Street  
Fuquay-Varina, North Carolina 27526

Dear Mayor, Members of the Town Board, and Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Town of Fuquay-Varina, North Carolina, for the fiscal year ended June 30, 2019 is submitted for your review and use. This report has been prepared by the Town's Finance Department, and it is the comprehensive publication of the Town's financial position and results of operations for the fiscal year ended June 30, 2019. North Carolina general statutes require each unit of local government to publish a complete set of financial statements within four months after the close of the fiscal year. 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 licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019, and to provide further accountability to citizens and other parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

Town management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To ensure reliability of the information Town management has established a comprehensive framework of internal control. Internal controls protect the Town's assets from loss, theft and misuse and help ensure that information is reliable for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the Town's controls have been designed to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All necessary disclosures to enable the reader to obtain an understanding of the Town's financial activities have been included.

This report includes financial statements and supplementary schedules audited by Cherry Bekaert LLP, Certified Public Accountants. The financial section of this document includes the auditor's report conveying their unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Town of Fuquay-Varina, North Carolina, as of June 30, 2019. The report of independent auditor on the basic financial statements is located at the beginning of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Fuquay-Varina's MD&A can be found immediately following the report of independent auditor.

## **PROFILE OF THE TOWN**

Fuquay-Varina was incorporated in 1909 and is located between the piedmont and coastal plain areas of North Carolina. It is a thriving community located just 14 miles south of the State Capital Raleigh. Fuquay-Varina has approximately 12.2 square miles within its borders and according to the Office of State Budget and Management, a population of 29,200. The population of the Town continues to increase as population has grown 61.5% since 2010.

Fuquay-Varina operates under a Council-Manager form of government. The Town Board is a six-member governing board and is comprised of the Mayor and five At-Large members. Each of the board members serve four-year staggered terms. The Mayor is elected every two years. The Board members serve as the Town's policy making body, responsible for adopting an annual balanced budget, establishing legislative direction for the Town, and hiring a professional Town Manager to serve as chief executive and direct the daily activities and operations of the Town's departments. The Town Board makes extensive use of appointed boards, committees and panels in the development of policy decisions.

The Town provides its citizens with a full range of services, including police and fire protection, recreational activities, land use development, solid waste collection and disposal, general administration and management, and the construction and maintenance of streets, curbs, gutters, sidewalks, water lines, sewer lines and other infrastructure. This report includes all the Town's activities in delivering and administering these services.

The Fuquay-Varina Town Board is required to adopt a balanced annual operating budget by July 1 of each year. The Town is empowered to levy a property tax on both real and personal property located within its boundaries. The Town's budget ordinance creates a legal limit on spending authorizations and serves as the foundation for Fuquay-Varina's financial planning and control. The Town Manager is authorized by the budget ordinance to make certain limited transfers within funds to facilitate budget execution consistent with Board's intent.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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 Town of Fuquay-Varina operates.

## LOCAL ECONOMY

On the national level there are signs of a strong economy. Locally, the town experienced a 7.6% increase in ad valorem taxes, 13.7% increase in sales tax.

The Town of Fuquay-Varina and surrounding areas is the hub of a strong regional economy. The Town is in close proximity to a number of entities which support strong economic activity:

- Raleigh Durham International Airport (RDU) is located just thirty miles from town.
- Research Triangle Park (RTP), the tremendously successful and world-famous industrial research park founded in the 1950's as a collaborative effort of the three major universities in the region (University of North Carolina at Chapel Hill, North Carolina State University, Duke University) is also thirty miles from town. RTP is home to more than 42,000 full time employees as well as 10,000 contractual positions.
- Major highways (US 401, NC 55, NC 42, I-540) either run through the Town or provide convenient regional access to the Town.
- Other major employment centers are located nearby in Cary, Durham, Raleigh and Fayetteville.

The Town's estimated population at June 30, 2019 was 29,200 which is an increase of 4% over the previous fiscal year. Total population has increased approximately 62% over the last ten years. These population numbers are estimated by the NC Office of State Budget and Management for allocation of various shared revenues. Town management believes the 2020 Census will show an even higher population due to the number of residential permits issued over the past 10 years. During this same time, the Town of Fuquay-Varina's tax base has grown from \$1,801,882,809 to \$3,451,550,634 in 2019 (9% increase over 2018). The Town's tax base is approximately 25% commercial/industrial and 75% residential (source; wakegov.com).

As one of the fastest growing towns in the State, transportation, public facilities, cultural and recreation services must also transform to meet the needs. With the issuance of \$11 million in Limited obligation bonds the Town was able to renovate a facility in the downtown area for the relocation of the Town Hall to meet the needs of the growing public service staffing needs. Phase II of this project is to relocate the Police Department to the former Town Hall facility for much needed additional space. Another focus is cultural & recreation for citizens. The Arts Center, Fleming Loop Park and re-stabilization of the Fuquay Mineral Springs Park have been the focus for the current year and with the donation from Wake County of a former golf course, the Town has an opportunity for development of the newly named Hilltop-Needmore Town Park & Preserve.

Another important regional linkage is the Town's water and sanitary sewerage systems. The Town does not have its own water treatment plant but purchases water from Johnston County, Harnett County, and the City of Raleigh. The town has a total water capacity of 4.25 MGD. The Town decided during 2016 to issue revenue bond to expand the capacity of the Terrible Creek Wastewater Treatment Plant through the construction of a new 3.0 MGD capacity conventional activated sludge wastewater treatment plant. The project was completed and in service with a cost of \$31.8 million. In 2007 the town purchased capacity in the Harnett County Regional Sewage Treatment Plant to augment its own sewage treatment plants. Currently these two plants give the Town an ability to treat 5.717 MGD of sanitary sewer. With the water capacity and wastewater treatment capacity the Town has purchased the Town is in a great position to foster growth over the next ten years.



Transportation remained one of the key areas of focus for the town in 2019 with the issuance of \$17 million in General Obligation Bonds. The Town is currently completing construction of certain portions of "Judd Parkway Loop," which serves as an alternative route from the Town to Research Triangle Park and provides necessary capacity for the Town's growing traffic demands. The Town is also completing major upgrades to the intersection of Judd Parkway with U.S. 401/N. Main Street and the Purfoy/Old Honeycutt intersection. These projects are intended to reduce congestion in the central part of the Town.

In fiscal year 2019, the Town issued 963 new building permits which is slightly up from the number issued in 2019. Of the 963 permits, 897 were for residential development. Fuquay-Varina residential construction continues to flourish with a mix of both single family and multi-family type units. The first few months of the 2019-20 year are trending to be a record-breaking year. Fuquay-Varina's residential construction continues to outpace many of the towns in Wake County.

Major industries in Fuquay-Varina are John Deere Turf Care manufacturing golf and commercial mowing equipment, Bob Barker Company the worldwide leading detention supplier headquartered in Fuquay-Varina, South Bend a worldwide manufacturer in heavy-duty commercial cooking equipment and TE Connectivity that designs and manufactures electronic connectors, components and systems utilized throughout the world.

## **LONG-TERM FINANCIAL PLANNING**

The Town Council has committed to key goals and initiatives. These goals and initiatives along with Town accomplishments are discussed in the Town's annual budget document and on the Town's website at [www.fuquay-varina.org](http://www.fuquay-varina.org).

The Five Year Financial/Capital Improvement Plan is Fuquay-Varina's strategic financial plan providing the framework for developing subsequent annual operating and capital budgets. The objective of this plan is to allow the Town the ability to achieve the long-term financial goal of sustainability and serve the main financial goals of flexibility, efficiency, risk management, sufficiency and credibility. The Five Year Financial/Capital Improvement Plan provides for long-term visioning and reporting of multi-year financial performance casting a 5-Year budget forecast.

The Town maintains an unassigned fund balance sufficient to maintain consistent cash flow and eliminate the need for short term borrowings and provides flexibility for unanticipated opportunities and needs during emergencies or disasters. In addition, fiscally responsible budgeting has been a factor in maintaining and improving the Town's outstanding bond ratings. Currently, the Town has an Aa1 rating from Moody's and a AAA rating from Standard and Poor's.

There continues to be a public demand for government transparency, especially concerning budgeting and financial management. Fuquay-Varina embraces the concept and continues to improve its transparency of financial information and public vetting of the budget and long-range financial planning processes by using a variety of focus groups to analyze the public infrastructure needs.

## **CERTIFICATE OF ACHIEVEMENT PROGRAM**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Fuquay-Varina for its comprehensive annual financial report for the fiscal year ended June, 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

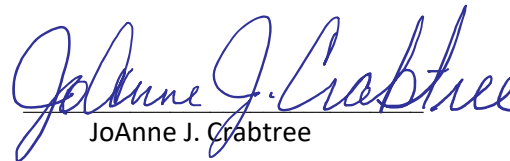
## **ACKNOWLEDGEMENT**

We appreciate the assistance and dedication of the Finance Department staff throughout the year. The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service and cooperation of Cherry Bekaert LLP. The cooperation of each department is appreciated as we work together to conduct the Town's financial operations. In addition, we express our appreciation to the Mayor and Town Board for their continued support and leadership in planning and conducting the financial activities of the Town in a responsible and progressive manner.



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Adam Mitchell  
Town Manager



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JoAnne J. Crabtree  
Finance Director

## Town Board



**John W. Byrne**  
Mayor



**Blake Massengill**  
Mayor Pro-Tempore



**Larry Smith**  
Commissioner



**Marilyn Gardner**  
Commissioner



**William H. Harris**  
Commissioner



**Jason Wunsch**  
Commissioner

## Town Management

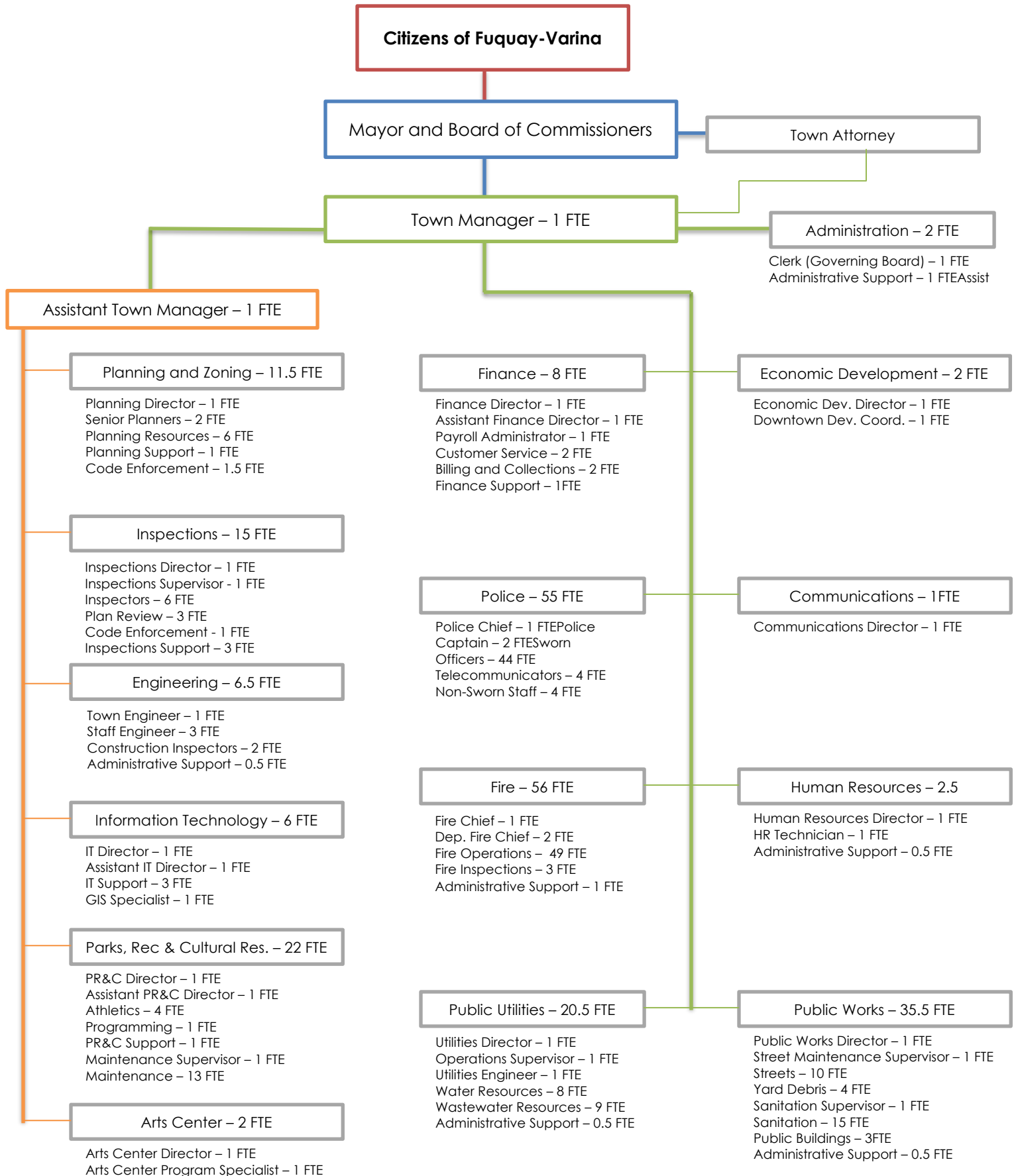
Adam Mitchell, Town Manager  
Mark Cumalander, Town Attorney  
Rose Rich, Town Clerk  
JoAnne J. Crabtree, Finance Director

# Appointed and Administrative Positions

Adam Mitchell .....	Town Manager*
Mark Matthews .....	Assistant Town Manager
James Adcock .....	Town Attorney*
Rose Rich .....	Town Clerk*
Susan Weis .....	Communications Director
Wendy Moody .....	Human Resources Director
JoAnne J. Crabtree .....	Finance Director
Jim Seymour .....	Economic Development Director
Scott Clark .....	Information Technology Director
Tracy Stephenson .....	Engineering Director
Chris Hinnant .....	Inspections Director
Samantha Smith .....	Planning Director
Arthur Mouberry .....	Public Works Director
Laura Fahnstock .....	Police Chief
Anthony Mauldin .....	Fire Chief
Jonathan Cox .....	Parks and Recreation Director
Jay Meyers .....	Utility Director
Maureen Daly .....	Arts Center Director

*\*Appointed by Town Council*

# TOWN ORGANIZATION CHART



Total FTE Positions (FY 19): 247.5



Government Finance Officers Association

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

Presented to

**Town of Fuquay-Varina  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

# Financial Section

This section includes the report of independent auditor, the management discussion and analysis, the basic financial statements (government-wide and fund financial statements), notes to the financial statements and required supplemental information other than management discussion and analysis (budget to actual comparison of major governmental funds and pension schedules).

## **Report of Independent Auditor**

Honorable Mayor and Town Board of Commissioners  
Town of Fuquay-Varina  
Fuquay-Varina, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fuquay-Varina, North Carolina (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund statements and schedules, other schedules, statistical section, and schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Cheryl Bekaert LLP

Raleigh, North Carolina  
November 25, 2019

# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

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As management of the Town of Fuquay-Varina, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements, which follow this section.

### ***Financial Highlights***

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$191.5 million (net position). Of this amount, \$33 million (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$55.8 million, about 124% greater than the prior fiscal year. This increase was due to the balances remaining of bond proceeds issued during the previous year that were not spent at June 30. All these funds are restricted for the purposes for which the bonds were issued.

As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$18.4 million, or 61.6% of total General Fund expenditures and transfers out for the fiscal year. This amount is considered available for spending at the government's discretion.

The Town's total debt increased by \$27.6 million during the 2018-2019 fiscal year. Total debt increased due to the issuance of \$17.1 million in Street Bonds and \$11.1 million in public facilities bonds. The Town's bond rating is Aa1 by Moody's Investor's Service and AAA by Standard and Poor's Corporation. Neither rating changed during the fiscal year.

On a government-wide basis, the Town's program expenses exceeded revenues by just over \$7 million. Governmental activity expenses were \$11.7 million more than program revenues while business-type activities program revenues exceeded expenses by \$4.7 million.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to Fuquay-Varina's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town 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 Town of Fuquay-Varina.

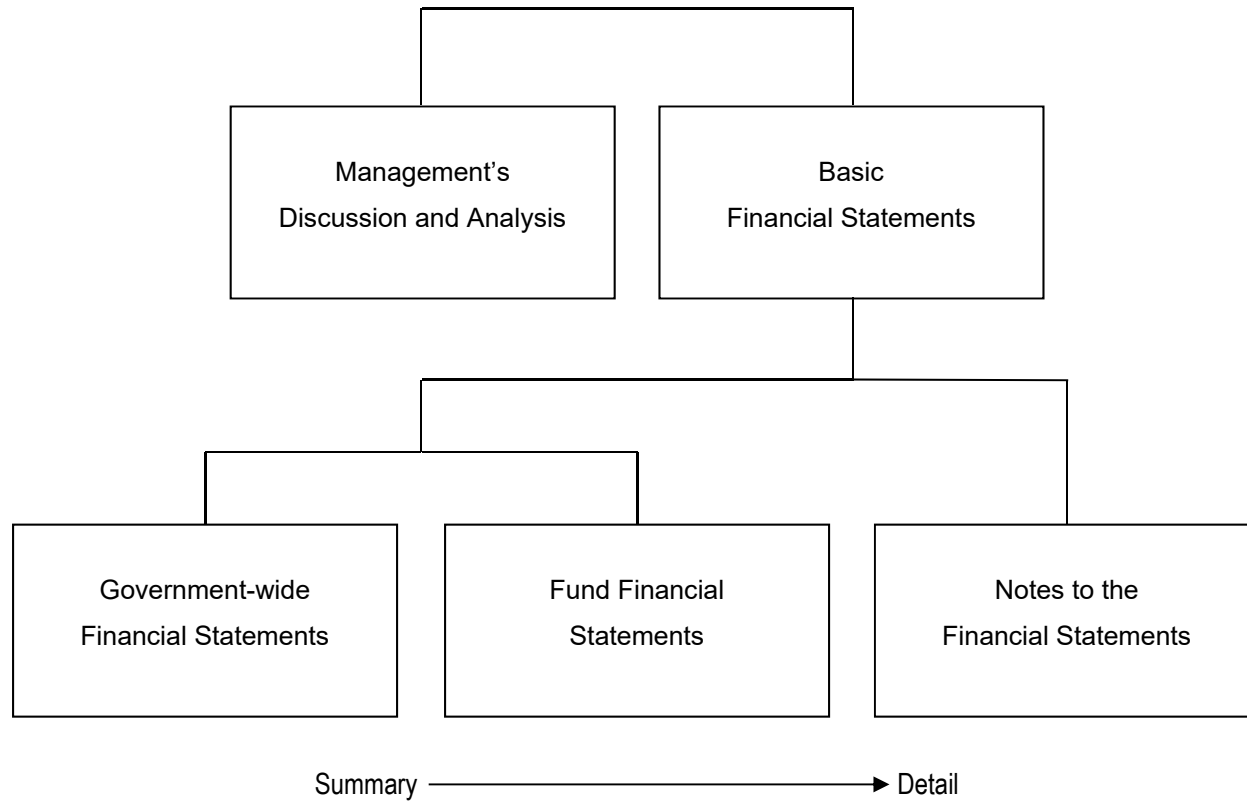
**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

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**Required Components of Annual Financial Report**

**Figure 1**



# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2019

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### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-wide financial statements

The first two statements are government-wide financial statements that provide both short and long-term information about the Town's financial status, using the full-accrual basis of accounting, in a manner similar to a private-sector business.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. The Statement of Activities presents information showing how the Town's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Fuquay-Varina.

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

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2019

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### Fund financial statements

Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. The fund financial statements provide a more detailed look at the Town'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 Town of Fuquay-Varina uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, such as the North Carolina General Statutes, and the Town's budget ordinance. All funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called modified accrual accounting. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains four individual governmental funds. They are the General Fund, the Capital Projects Fund, the Debt Service Fund, and the Capital Reserve Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for each of these funds. The Town has two major funds (General Fund and Capital Projects Fund) and two non-major funds (Capital Reserve Fund and Debt Service Fund). As required by the General Statutes, the Town of Fuquay-Varina adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

The basic governmental fund financial statements can be found on pages 18-22 of this report.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2019

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**Proprietary Funds.** The Town of Fuquay-Varina has one proprietary fund to account for water distribution and wastewater collection. An *enterprise fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. This fund is the same as those functions shown in the business-type activities in the statement of net position and the statement of activities. The proprietary funds financial statements can be found on pages 23-27 of this report.

**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 can be found beginning on page 28 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Fuquay-Varina's progress in funding its obligation to provide pension benefits to its law enforcement officers and other post-employment benefits to its retirees. Required supplementary information can be found on pages 74-76 of this report.

Combining and individual fund statements and schedules are presented immediately following the required supplementary information. The individual fund statements and schedules can be found on pages 77-90 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Fuquay-Varina exceeded liabilities and deferred inflows by \$191.5 million as of June 30, 2019.

The largest portion (73%) reflects the Town's net investment in capital assets. Net investment in capital assets is defined as the Town's investment in Town owned capital assets (e.g. land, buildings, vehicles, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of 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.

An additional portion of the Town of Fuquay-Varina's net position, \$18.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33 million is unrestricted.

The Town's net position increased by \$21.9 million during the current fiscal year. Governmental net position increased by \$13.5 million while business-type net position increased by \$8.4 million. The increases were attributed to growth in revenues beyond expectations as well as donated capital assets.

The following table reflects the condensed statement of net position:

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

**Net Position**

**June 30, 2019**

**With Prior Year Comparisons**

	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Business-Type</b>	<b>Total</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Total</b>
Current and other assets	\$ 25,216,431	\$ 42,543,581	\$ 17,744,106	\$ 20,166,041	\$ 42,960,537	\$ 62,709,622
Restricted assets and cash equivalents	2,004,028	18,582,248	6,790,392	5,224,140	8,794,420	23,806,388
Capital assets	94,478,837	111,571,302	93,468,730	97,879,629	187,947,567	209,450,931
Total assets	<u>121,699,296</u>	<u>172,697,131</u>	<u>118,003,228</u>	<u>123,269,810</u>	<u>239,702,524</u>	<u>295,966,941</u>
Total deferred outflows of resources	<u>2,246,492</u>	<u>3,568,933</u>	<u>265,812</u>	<u>398,775</u>	<u>2,512,304</u>	<u>3,967,708</u>
Long-term debt outstanding	20,655,384	55,874,115	46,819,996	44,325,748	67,475,380	100,199,863
Other liabilities	2,496,318	5,957,440	1,994,535	1,410,169	4,490,853	7,367,609
Total liabilities and deferred inflows of resource	<u>23,151,702</u>	<u>61,831,555</u>	<u>48,814,531</u>	<u>45,735,917</u>	<u>71,966,233</u>	<u>107,567,472</u>
Total deferred inflows of resources	<u>587,567</u>	<u>727,651</u>	<u>59,242</u>	<u>67,591</u>	<u>646,809</u>	<u>795,242</u>
Net Position:						
Net Investment in Capital Assets	81,601,215	82,138,039	53,976,317	57,064,760	135,577,532	139,202,799
Restricted for:						
Stabilization by State Statute	4,430,301	3,643,316	-	-	4,430,301	3,643,316
Streets	2,004,028	15,282,309	-	-	2,004,028	15,282,309
Other purposes	5,326	3,382	-	-	5,326	3,382
Unrestricted	12,165,649	12,639,812	15,418,950	20,800,317	27,584,599	33,440,129
Total net position	<u>\$100,206,519</u>	<u>\$113,706,858</u>	<u>\$ 69,395,267</u>	<u>\$ 77,865,077</u>	<u>\$169,601,786</u>	<u>\$191,571,935</u>



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

<b>Changes in Net Position June 30, 2019 With Prior Year Comparisons</b>	<b>June 30, 2018 Governmental Activities</b>	<b>June 30, 2019 Governmental Activities</b>	<b>June 30, 2018 Business-Type Activities</b>	<b>June 30, 2019 Business-Type Activities</b>	<b>June 30, 2018 Total</b>	<b>June 30, 2019 Total</b>
Revenues						
Program Revenues						
Charges for service	\$ 4,194,791	\$ 5,315,991	\$ 10,962,166	\$ 11,614,572	\$ 15,156,957	\$ 16,930,563
Operating grants and contributions	2,682,492	2,745,739	436,211	419,844	3,118,703	3,165,583
Capital grants and contributions	10,023,143	12,819,702	-	4,434,678	10,023,143	17,254,380
General Revenues						
Property taxes	13,825,638	14,890,146	-	-	13,825,638	14,890,146
Other taxes	345,019	492,271	-	-	345,019	492,271
Grants and Donations Not Restricted to Specific Programs	6,951,844	7,796,320	-	-	6,951,844	7,796,320
Other	770,216	1,828,270	3,910,048	3,977,267	4,680,264	5,805,537
Donation of Capital Assets	-	4,000,000	3,198,192	-	3,198,192	4,000,000
Total Revenues	<u>38,793,143</u>	<u>49,888,439</u>	<u>18,506,617</u>	<u>20,446,361</u>	<u>57,299,760</u>	<u>70,334,800</u>
Expenses						
General government	3,619,215	4,009,806	-	-	3,619,215	4,009,806
Public safety	11,911,546	12,948,234	-	-	11,911,546	12,948,234
Transportation	7,673,075	7,909,053	-	-	7,673,075	7,909,053
Economic and physical development	1,338,016	1,610,558	-	-	1,338,016	1,610,558
Environmental protection	2,751,781	2,742,243	-	-	2,751,781	2,742,243
Cultural and recreation	4,043,294	4,008,502	-	-	4,043,294	4,008,502
Central services	2,085,141	2,369,402	-	-	2,085,141	2,369,402
Special Contributions	71,975	75,000	-	-	71,975	75,000
Interest on long-term debt	364,634	998,708	-	-	364,634	998,708
Water and Sewer			11,461,641	11,693,145	11,461,641	11,693,145
Total Expenses	<u>33,858,677</u>	<u>36,671,506</u>	<u>11,461,641</u>	<u>11,693,145</u>	<u>45,320,318</u>	<u>48,364,651</u>
Increase in net position before transfers	<u>4,934,466</u>	<u>13,216,933</u>	<u>7,044,976</u>	<u>8,753,216</u>	<u>11,979,442</u>	<u>21,970,149</u>
Transfers	<u>306,783</u>	<u>283,406</u>	<u>(306,783)</u>	<u>(283,406)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>5,241,249</u>	<u>13,500,339</u>	<u>6,738,193</u>	<u>8,469,810</u>	<u>11,979,442</u>	<u>21,970,149</u>
Cumulative effect of change in accounting ;	<u>(2,363,263)</u>		<u>(379,785)</u>		<u>(2,743,048)</u>	<u>-</u>
Net Position July 1	<u>97,328,533</u>	<u>100,206,519</u>	<u>63,036,859</u>	<u>69,395,267</u>	<u>160,365,392</u>	<u>169,601,786</u>
Net Position June 30	<u>\$100,206,519</u>	<u>\$113,706,858</u>	<u>\$ 69,395,267</u>	<u>\$ 77,865,077</u>	<u>\$169,601,786</u>	<u>\$191,571,935</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

Changes in net position – Governmental activities. The Town's total governmental revenues were \$49.8 million. Of the Town's revenue, 30% comes from property taxes, with an additional 33% from grants and contributions. The vast majority of the grants and contributions category is infrastructure donated to the Town by developers and the property from Wake County for the Hilltop-Needmore Park & Preserve.

Changes in net position – Business-type activities. The Town's total business-type revenues were \$20.4 million. Charges for services represented 57% of the business-type revenue.

The total cost of all programs and services was \$48.3 million. The cost of public safety programs (building inspections, police, fire, and contracted rescue services) accounted for 27% of expenses. Water distribution and sewer collection costs accounted for another 24% of total government cost.

The following table presents the cost of each of the Town's programs, as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial support provided by the Town's taxpayers.

**Cost of Services**

**June 30, 2019**

**With Prior Year Comparisons**

	<b>Total Cost of Services June 30, 2018</b>	<b>Total Cost of Services June 30, 2019</b>	<b>Net Cost of Services June 30, 2018</b>	<b>Net Cost of Services June 30, 2019</b>
General government	\$ 3,619,215	\$ 4,009,806	\$ 3,484,954	\$ 3,769,186
Public safety	11,911,546	12,948,234	8,816,573	9,903,322
Transportation	7,673,075	7,909,053	(3,096,384)	(5,752,153)
Environmental protection	2,751,781	2,742,243	946,719	445,352
Cultural and recreation	4,043,294	4,008,502	3,067,983	(1,500,216)
Economic and physical development	1,338,016	1,610,558	1,216,656	1,481,473
Central services	2,085,141	2,369,402	2,085,141	2,369,402
Special contributions	71,975	75,000	71,975	75,000
Interest on long-term debt	364,634	998,708	364,634	998,708
Water and sewer	11,461,641	11,693,145	(3,134,928)	(4,775,949)
	<u>\$ 45,320,318</u>	<u>\$ 48,364,651</u>	<u>\$ 13,823,323</u>	<u>\$ 7,014,125</u>

## TOWN OF FUQUAY-VARINA, NORTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2019

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The reported results for the fiscal year show the following:

The cost of all program activities this year was \$48.3 million.

The amounts paid by those benefiting from the program or other governments and organizations that subsidized certain programs were \$41.3 million.

Program expenses exceeded program revenues by \$7.1million. Water and sewer program revenues exceeded expenses by \$4.7 million while governmental program revenue fell short of expenses by approximately \$11.8 million.

#### ***Financial Analysis of the Town's Funds***

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$55.8 million, an increase of 124%. The increase was due to the issuance of Bonds for various capital projects. The balance of these funds are restricted in the Capital Projects fund for the completion of the projects for which they were issued. Approximately \$18.4 million (33%) constitutes unassigned fund balance. The remainder of fund balance is restricted, committed, or assigned.

The General Fund is the chief operating fund of the Town. As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$18.4 million (61.6%) of total General Fund expenditures and transfers out for the fiscal year. This amount is considered available for spending at the government's discretion.

The fund balance of the Town's General Fund increased approximately \$1.6 million during the current fiscal year. The increase was due to an excess of revenues over budget and very conscientious spending.

The difference between the original budget and the final amended budget was \$414,665. The majority of this was due to additional funds received from insurance, donations & grants. Other small adjustments were also done during the course of the year.

The final variance of revenues over expenditures prior to other financing sources and uses was \$4.4 million. Actual revenues exceeded anticipated revenues by \$1.2 million. Property tax, utility franchise tax, and sales tax were the primary reasons for this excess. Actual expenditures were \$3.2 million less than appropriated. Responsible spending by departments allowed the Town to add to the fund balance during the fiscal year.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

**Proprietary Fund.** The Town's proprietary fund provided the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$20.8 million, 35% more than the previous fiscal year and mostly attributed to capital investments. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

***Capital Asset and Debt Administration***

**Capital Assets.** The Town's investment in capital assets as of June 30, 2019, amounts to \$209 million (net of accumulated depreciation). This investment in capital assets includes land, building improvements, and equipment. The total net increase in the Town's investment in capital assets for the current year was \$21 million.

	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Business-Type</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Total</b>
Land	\$ 25,855,527	\$ 31,780,077	\$ 456,870	\$ 457,070	\$ 26,312,397	\$ 32,237,147
Construction in Progress	5,298,666	7,122,036	33,853,774	3,906,197	39,152,440	11,028,233
Buildings	17,751,091	22,045,998	3,836	2,857	17,754,927	22,048,855
Other Improvements	1,334,661	1,204,293	48,095,635	50,210,610	49,430,296	51,414,903
Equipment	874,477	597,838	367,029	359,102	1,241,506	956,940
Vehicles	3,156,261	3,197,943	285,577	246,442	3,441,838	3,444,385
Infrastructure	40,208,154	45,623,117	-	-	40,208,154	45,623,117
Operating Plants	-	-	10,406,009	42,697,351	10,406,009	42,697,351
<b>Total</b>	<b>\$ 94,478,837</b>	<b>\$ 111,571,302</b>	<b>\$ 93,468,730</b>	<b>\$ 97,879,629</b>	<b>\$ 187,947,567</b>	<b>\$ 209,450,931</b>

Additional information on the Town's capital assets can be found on pages 43-46 of the notes to the financial statements of this report.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

**Long-term Debt.**

The Town issued \$17.35 million in GO Bonds for street improvements. Limited obligation bonds for \$11.1 million were also issued for Municipal buildings and recreation. Refunding bonds for \$2.9 million were issued in May, that together with additional Town funds, will replace the 2009 Public Improvement GO bonds due on August 1, 2019.

At the end of the fiscal year, the Town had total general obligation debt outstanding of \$28.6 million. Of the general obligation debt, 8% was issued for water and sewer capital projects.

The Town's total debt increased by \$29.6 million during the fiscal year, when pension liability, compensated absences, and OPEB liability are included.

Following is a chart which illustrates the composition of the debt for the Town.

	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Business-Type</b>	<b>Total</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>		
General Obligation Bonds	\$ 6,525,000	\$ 26,275,000	\$ 3,055,000	\$ 2,345,000	\$ 9,580,000	\$ 28,620,000
Limited Obligation Bonds	-	11,115,000	-	-	-	11,115,000
Revenue Bonds	-	-	30,185,000	29,395,000	\$ 30,185,000	29,395,000
Promissory Notes	60,000	-	8,351,471	7,423,530	8,411,471	7,423,530
Installment Purchases	6,120,000	5,500,000	1,000,000	900,000	7,120,000	6,400,000
Net Pension Liability	2,745,289	4,482,515	300,688	493,713	3,045,977	4,976,228
Net LEOSSA obligation	952,702	980,487	-	-	952,702	980,487
Net OPEB Obligation	3,264,692	3,259,678	362,744	362,187	3,627,436	3,621,865
Compensated Absences	815,079	891,018	71,022	75,963	886,101	966,981
<b>Total</b>	<b>\$ 20,482,762</b>	<b>\$ 52,503,698</b>	<b>\$ 43,325,925</b>	<b>\$ 40,995,393</b>	<b>\$ 63,808,687</b>	<b>\$ 93,499,091</b>

State statutes limit the amount of general obligation debt a governmental entity may issue up to 8% of the total assessed value of taxable property. The current legal debt margin for the Town is \$224 million. This is significantly more than the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 62-72 of this report.

# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2019*

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

In preparing the 2019-2020 budget, the Town's administration assumed moderate growth and reflected increases in property tax, sales tax, and building permit revenues. A total of 16.5 additional positions were funded due to the increase in growth experienced during the 2018-2019 fiscal year.

### ***Budget Highlights for Fiscal Year Ending June 30, 2020***

Governmental Activities: The approved FY 19-20 General Fund budget was approximately 4.6% more than the FY 18-19 budget ordinance adopted in June 2018. In addition to the 16.5 positions, additional costs can be attributed to a 2% cost of living, 3% performance pay, 9% increase in Health insurance, additional retirement contribution requirements and the addition of the Hilltop-Needmore Park and Preserve stabilization & maintenance. With the issuance of the debt in the current year, there are ongoing capital projects and infrastructure improvements in the coming year, including a new Police Department.

Sixteen positions were added as a part of the budget. This included 2 new police officers, 3 new firefighters, 1 person in administration, .5 position in planning, 1 person in engineering, 1 person in inspections, 2 people in public works, 4 people in parks and recreation, and 2 people in the utilities department. A 2% cost of living increase was also included in the budget for all full-time employees with an additional 3% based on merit. Twelve of the new positions are directly attributed to the growth of our town and the additional requirements for service provision.

Business Activities: The approved FY 19-20 Enterprise Fund budget was approximately 7.8% more than FY 18-19 budget adopted in June 2018. Most of the increase was due to the additional personnel and increases in operating expenditures. As in the General Fund, a 2% cost of living and 3% performance pay was included for employees and significant project expenditures were included in the budget.

### ***Request for Information***

This financial report is designed to provide a general overview of the Town of Fuquay-Varina's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or request for additional financial information, should be addressed to JoAnne J. Crabtree - Finance Director, Town of Fuquay-Varina, 134 N. Main Street, Fuquay-Varina, North Carolina 27526.

Basic

Financial Statements

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**

**Exhibit 1**

*JUNE 30, 2019*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,845,755	\$ 18,912,525	\$ 57,758,280
Restricted cash and cash equivalents	18,582,248	5,224,140	23,806,388
Taxes receivable, net	54,510	-	54,510
Accounts receivable	86,501	1,253,516	1,340,017
Due from other governments	3,556,815	-	3,556,815
Capital assets:			
Land, nondepreciable improvements, and construction in progress	38,902,113	4,363,267	43,265,380
Other capital assets, net of depreciation	72,669,189	93,516,362	166,185,551
<b>Total Assets</b>	<b>172,697,131</b>	<b>123,269,810</b>	<b>295,966,941</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension and OPEB deferrals	3,568,933	383,976	3,952,909
Deferred charge on refunding	-	14,799	14,799
<b>Total Deferred Outflows of Resources</b>	<b>3,568,933</b>	<b>398,775</b>	<b>3,967,708</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	4,241,092	747,204	4,988,296
Liabilities payable from restricted assets	995,165	67,577	1,062,742
Accrued interest payable	721,183	365,737	1,086,920
Customer deposits	-	229,651	229,651
Long-term liabilities:			
Due within one year	6,028,193	2,587,941	8,616,134
Due in more than one year	49,845,922	41,737,807	91,583,729
<b>Total Liabilities</b>	<b>61,831,555</b>	<b>45,735,917</b>	<b>107,567,472</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid property taxes	42,014	-	42,014
Pension and OPEB deferrals	685,637	67,591	753,228
<b>Total Deferred Inflows of Resources</b>	<b>727,651</b>	<b>67,591</b>	<b>795,242</b>
<b>NET POSITION</b>			
Net investment in capital assets	82,138,039	57,064,760	139,202,799
Restricted for:			
Stabilization by State Statute	3,643,316	-	3,643,316
Street improvements	15,282,309	-	15,282,309
Other purposes	3,382	-	3,382
Unrestricted	12,639,812	20,800,317	33,440,129
<b>Total Net Position</b>	<b>\$ 113,706,858</b>	<b>\$ 77,865,077</b>	<b>\$ 191,571,935</b>

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



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**

**Exhibit 2**

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 4,009,806	\$ 240,620	\$ -	\$ -	\$ (3,769,186)	\$ -	\$ (3,769,186)
Public safety	12,948,234	995,480	2,049,432	-	(9,903,322)	-	(9,903,322)
Transportation	7,909,053	156,298	685,206	12,819,702	5,752,153	-	5,752,153
Environmental protection	2,742,243	2,296,891	-	-	(445,352)	-	(445,352)
Cultural and recreation	4,008,502	1,497,617	11,101	4,000,000	1,500,216	-	1,500,216
Economic and physical development	1,610,558	129,085	-	-	(1,481,473)	-	(1,481,473)
Central services	2,444,402	-	-	-	(2,444,402)	-	(2,444,402)
Interest on long-term debt	998,708	-	-	-	(998,708)	-	(998,708)
Total Governmental Activities	36,671,506	5,315,991	2,745,739	16,819,702	(11,790,074)	-	(11,790,074)
Business-Type Activities:							
Water and sewer	11,693,145	11,614,572	419,844	4,434,678	-	4,775,949	4,775,949
Total Business-Type Activities	11,693,145	11,614,572	419,844	4,434,678	-	4,775,949	4,775,949
<b>Total Primary Government</b>	<b>\$ 48,364,651</b>	<b>\$ 16,930,563</b>	<b>\$ 3,165,583</b>	<b>\$ 21,254,380</b>	<b>(11,790,074)</b>	<b>4,775,949</b>	<b>(7,014,125)</b>
General revenues:							
Taxes:							
Property taxes levied for general purpose					14,890,146	-	14,890,146
Other taxes					492,271	-	492,271
Grants and contributions not restricted to specific programs					7,796,320	-	7,796,320
Unrestricted investment earnings					972,346	298,440	1,270,786
System development fees					-	3,595,306	3,595,306
Miscellaneous					855,924	83,521	939,445
Transfers					283,406	(283,406)	-
Total general revenues, transfers, and capital contributions					25,290,413	3,693,861	28,984,274
Change in net position					13,500,339	8,469,810	21,970,149
Net position - beginning					100,206,519	69,395,267	169,601,786
Net position - ending					\$ 113,706,858	\$ 77,865,077	\$ 191,571,935

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**Exhibit 3**

*JUNE 30, 2019*

	<b>Major Funds</b>		<b>Nonmajor</b>	<b>Total</b>
	<b>General</b>	<b>Capital Projects</b>	<b>Funds</b>	<b>Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,503,266	\$ 11,779,804	\$ 4,562,685	\$ 38,845,755
Restricted cash	1,755,094	13,527,215	3,299,939	18,582,248
Receivables:				
Taxes, net	54,510	-	-	54,510
Accounts	86,501	-	-	86,501
Due from other governments	2,449,364	1,107,451	-	3,556,815
Total Assets	<u>\$ 26,848,735</u>	<u>\$ 26,414,470</u>	<u>\$ 7,862,624</u>	<u>\$ 61,125,829</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,740,501	\$ 2,500,591	\$ -	\$ 4,241,092
Deferred revenue	-	-	995,165	995,165
Total Liabilities	<u>1,740,501</u>	<u>2,500,591</u>	<u>995,165</u>	<u>5,236,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	54,510	-	-	54,510
Prepaid property taxes	42,014	-	-	42,014
Total Deferred Inflows of Resources	<u>96,524</u>	<u>-</u>	<u>-</u>	<u>96,524</u>
<b>FUND BALANCES</b>				
Restricted:				
Federal forfeitures	3,382	-	-	3,382
Stabilization by state statute	2,535,865	1,107,451	-	3,643,316
Street improvements	1,755,094	13,527,215	-	15,282,309
Debt service	-	-	3,299,939	3,299,939
Committed:				
Economic development	719,714	-	-	719,714
Capital projects fund	-	9,279,213	-	9,279,213
Assigned:				
Parks and recreation	2,500	-	-	2,500
Capital reserve fund	-	-	2,608,527	2,608,527
Debt service fund	-	-	958,993	958,993
Law enforcement officers' pension benefits	353,032	-	-	353,032
Subsequent year's expenditures	1,189,271	-	-	1,189,271
Unassigned	18,452,852	-	-	18,452,852
Total Fund Balances	<u>25,011,710</u>	<u>23,913,879</u>	<u>6,867,459</u>	<u>55,793,048</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,848,735</u>	<u>\$ 26,414,470</u>	<u>\$ 7,862,624</u>	<u>\$ 61,125,829</u>

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****Exhibit 3****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION***JUNE 30, 2019*

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

Ending fund balance - governmental funds	\$ 55,793,048
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	111,571,302
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	54,510
Deferred outflows of resources related to pensions and OPEB are deferred outflows of resources on the statement of net position.	3,568,933
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt	(47,151,435)
Accrued interest	(721,183)
Total LEOSA liability	(980,487)
Total OPEB liability	(3,259,677)
Net LGERS pension liability	(4,482,515)
Pension and OPEB related deferrals	<u>(685,638)</u>
Net position of governmental activities	<u><u>\$ 113,706,858</u></u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**
**Exhibit 4**
*YEAR ENDED JUNE 30, 2019*

	<b>Major Funds</b>		<b>Nonmajor</b>	<b>Total</b>
	<b>General</b>	<b>Capital Projects</b>	<b>Funds</b>	<b>Governmental Funds</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 14,904,024	\$ -	\$ -	\$ 14,904,024
Other taxes and licenses	492,271	-	-	492,271
Unrestricted intergovernmental	7,796,320	-	-	7,796,320
Restricted intergovernmental	2,725,834	3,624,173	-	6,350,007
Permits and fees	1,789,268	-	900,186	2,689,454
Sales and services	2,673,545	-	-	2,673,545
Investment earnings	598,906	333,150	40,290	972,346
Miscellaneous	160,542	276,412	391,867	828,821
Total revenues	31,140,710	4,233,735	1,332,343	36,706,788
<b>Expenditures</b>				
Current:				
General government	2,502,143	-	-	2,502,143
Public safety	10,993,349	-	-	10,993,349
Transportation	2,180,760	-	-	2,180,760
Environmental protection	2,250,468	-	-	2,250,468
Cultural and recreational	3,227,311	-	-	3,227,311
Economic and physical development	1,033,592	-	-	1,033,592
Central services	2,296,332	-	-	2,296,332
Debt service:				
Principal	-	-	1,180,000	1,180,000
Interest and other charges	-	-	596,784	596,784
Special contributions:				
Other agencies	75,000	-	-	75,000
Capital outlay	-	14,149,131	-	14,149,131
Total expenditures	24,558,955	14,149,131	1,776,784	40,484,870
<b>Excess (deficiency) of revenues over (under) expenditures</b>	6,581,755	(9,915,396)	(444,441)	(3,778,082)
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	389,700	3,878,880	1,767,953	6,036,533
Transfers to other funds	(5,363,427)	-	(389,700)	(5,753,127)
Proceeds from bond issuance	-	28,465,000	2,900,000	31,365,000
Premiums from bond issuance	-	2,773,265	522,035	3,295,300
Bond issuance costs	-	(128,707)	(108,639)	(237,346)
Total Other Financing Sources (Uses)	(4,973,727)	34,988,438	4,691,649	34,706,360
<b>Net change in fund balances</b>	1,608,028	25,073,042	4,247,208	30,928,278
<b>Fund balance - beginning</b>	23,403,682	(1,159,163)	2,620,251	24,864,770
<b>Fund balance - ending</b>	\$ 25,011,710	\$ 23,913,879	\$ 6,867,459	\$ 55,793,048

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****Exhibit 4**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	\$ 30,928,278
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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 expense. The components of the change are as follows:

Capital outlay	7,876,765
Loss on disposal	(104,476)
Depreciation expense	(3,875,353)

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

Donated assets	13,195,529
Change in unavailable revenue for tax revenues	(13,877)

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

General obligation bonds issued	(20,250,000)
Limited obligation bonds issued	(11,115,000)
Premium on installment note issued	(3,295,300)
Principal payments and amortization of bond premiums	1,277,505
Accrued interest payable	(499,429)

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:

Compensated absences	(75,940)
LGERS pension expense	(307,002)
LEOSSA pension expense	(70,861)
OPEB expense	(170,500)

Change in net assets of governmental activities	<u>\$ 13,500,339</u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

**Exhibit 5**

YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 14,577,000	\$ 14,577,000	\$ 14,904,024	\$ 327,024
Other taxes and licenses	397,825	397,825	492,271	94,446
Unrestricted intergovernmental	6,831,850	6,831,850	7,796,320	964,470
Restricted intergovernmental	3,444,344	3,453,873	2,725,834	(728,039)
Permits and fees	1,175,500	1,175,500	1,789,268	613,768
Sales and services	3,169,050	3,170,050	2,673,545	(496,505)
Investment earnings	175,000	175,000	598,906	423,906
Miscellaneous	51,000	154,092	160,542	6,450
Total Revenues	29,821,569	29,935,190	31,140,710	1,205,520
<b>Expenditures</b>				
Current:				
General government	2,468,058	2,725,527	2,502,143	223,384
Public safety	12,294,854	12,479,066	10,993,349	1,485,717
Transportation	2,535,759	2,359,759	2,180,760	178,999
Environmental protection	2,296,102	2,298,682	2,250,468	48,214
Cultural and recreational	3,614,230	3,790,290	3,227,311	562,979
Economic and physical development	1,632,542	1,632,542	1,033,592	598,950
Central services	2,443,865	2,414,209	2,296,332	117,877
Special contributions	75,000	75,000	75,000	-
Total Expenditures	27,360,410	27,775,075	24,558,955	3,216,120
<b>Excess (deficiency) of revenues over (under) expenditures</b>	2,461,159	2,160,115	6,581,755	4,421,640
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	294,700	389,700	389,700	-
Transfers to other funds	(4,688,013)	(5,690,098)	(5,363,427)	326,671
Fund balance appropriations	1,932,154	3,140,283	-	(3,140,283)
Total Other Financing Sources (Uses)	(2,461,159)	(2,160,115)	(4,973,727)	(2,813,612)
<b>Net change in fund balance</b>	\$ -	\$ -	1,608,028	\$ 1,608,028
<b>Fund balance - beginning</b>			23,403,682	
<b>Fund balance - ending</b>			\$ 25,011,710	

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

**Exhibit 6**

*JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 18,912,525
Restricted cash	5,224,140
Accounts receivable (net), billed	595,344
Accounts receivable (net), unbilled	658,172
Total Current Assets	<u>25,390,181</u>
Noncurrent Assets:	
Capital Assets:	
Land and other nondepreciable assets	4,363,267
Other capital asset, net of accumulated depreciation	93,516,362
Capital Assets (net)	<u>97,879,629</u>
Total Noncurrent Assets	<u>97,879,629</u>
Total Assets	<u>123,269,810</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension and OPEB deferrals	383,976
Deferred charge on refunding	14,799
Total Deferred Outflows of Resources	<u>398,775</u>

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

**Exhibit 6**

*JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 747,204
Liabilities payable from restricted assets	67,577
Accrued interest payable	365,737
Customer deposits	229,651
Compensated absences, current	30,000
General obligation bonds payable, current	700,000
Revenue bonds payable, current	830,000
Promissory note, current	927,941
Installment purchases, current	100,000
Total Current Liabilities	<u>3,998,110</u>
Noncurrent Liabilities:	
Net pension liability	493,713
Total OPEB liability	362,186
General obligation bonds payable, net	1,645,000
Revenue bonds payable, net	31,895,355
Promissory note	6,495,588
Installment purchases	800,000
Compensated absences	45,965
Total Noncurrent Liabilities	<u>41,737,807</u>
Total Liabilities	<u>45,735,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension and OPEB deferrals	67,591
Total Deferred Inflows of Resources	<u>67,591</u>
<b>NET POSITION</b>	
Net investment in capital assets	57,064,760
Unrestricted	20,800,317
Total Net Position	<u>\$ 77,865,077</u>

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



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**

**Exhibit 7**

*YEAR ENDED JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services	\$ 11,614,572
Water and sewer tap fees	223,566
Other operating revenues	<u>288,006</u>
Total Operating Revenues	<u>12,126,144</u>
<b>Operating Expenses</b>	
Water treatment and distribution	3,472,975
Waste collection and treatment	3,616,666
Depreciation	<u>3,205,101</u>
Total Operating Expenses	<u>10,294,742</u>
<b>Operating income</b>	<u>1,831,402</u>
<b>Nonoperating Revenue (Expense)</b>	
Investment earnings	298,440
Lease income	72,444
Miscellaneous revenue (expense)	51,723
System development fees	3,595,306
Interest and other charges	<u>(1,439,049)</u>
Total Nonoperating Revenue (Expense)	<u>2,578,864</u>
<b>Income (loss) before transfers and contributions</b>	4,410,266
Transfers out	(283,406)
Capital contributions	<u>4,342,950</u>
<b>Change in net position</b>	8,469,810
<b>Total net position - beginning</b>	<u>69,395,267</u>
<b>Total net position - ending</b>	<u><u>\$ 77,865,077</u></u>

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

**Exhibit 8**

*YEAR ENDED JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 12,172,248
Cash paid for goods and services	(5,995,524)
Cash paid to or on behalf of employees for services	(1,615,439)
Customer deposits	2,800
Other operating revenues	124,167
Net cash from operating activities	<u>4,688,252</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers out	<u>(283,406)</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(3,273,050)
Principal paid on bond maturities and installment contracts	(2,527,941)
Interest paid and other finance costs	(1,598,308)
Water and sewer system development fees	3,595,306
Net cash used by capital and related financing activities	<u>(3,803,993)</u>
<b>Cash flows from investing activities</b>	
Interest on investments	<u>298,440</u>
<b>Net change in cash and cash equivalents</b>	899,293
<b>Cash and cash equivalents</b>	
Beginning of year	<u>23,237,372</u>
End of year	<u><u>\$ 24,136,665</u></u>

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

**Exhibit 8**

*YEAR ENDED JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
<b>Reconciliation of operating income to net cash from operating activities</b>	
Operating income	\$ 1,831,402
Miscellaneous revenues	124,167
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	3,205,101
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	43,610
Decrease (increase) in related to pensions and OPEB	53,055
Increase (decrease) in accounts payable and accrued liabilities	(579,320)
Increase (decrease) in unearned revenue	2,494
Increase (decrease) in customer deposits	2,800
Increase (decrease) in compensated absences	4,943
Net cash from operating activities	<u>\$ 4,688,252</u>
<b>Supplemental schedule of noncash capital and related finance activities</b>	
Donation of capital assets	<u>\$ 4,342,950</u>

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies

The accounting policies of the Town of Fuquay-Varina (the “Town”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Financial reporting entity - basis of presentation, measurement focus

The Town is a municipal corporation, which is governed by an elected mayor and five-member council. The Town has no component units.

#### B. Government-wide and fund financial statements

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. 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 Town and for each function of the Town’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 and developer contributions to the water and sewer system, are presented as general revenues.

**Fund Financial Statements** - The fund financial statements provide information about the Town’s funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds, if any, are aggregated and reported as nonmajor funds.

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

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

#### B. Government-wide and fund financial statements (continued)

The Town reports the following major governmental funds:

*General Fund* - This fund is the Town's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

*Capital Projects Fund* - This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessments, or trust funds). The Town accounts for several capital projects within the Capital Projects Fund.

The Town reports the following nonmajor governmental funds:

*Capital Reserve Fund* - This fund accounts for specific revenue sources that are set aside by resolution to be expended for future capital projects.

*Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Town reports the following major enterprise fund:

*Water and Sewer Fund* - This fund is used to account for the Town's water and sewer operations. The Town accounts for several water and sewer capital projects within the Water and Sewer Fund.

#### C. Measurement focus, basis of accounting, and financial statement presentation

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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### **Note 1—Summary of significant accounting policies (continued)**

#### **C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 Town 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles 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 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 all registered motor vehicles on behalf of all municipalities and special tax districts, including the Town. 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 utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Wake County and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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### **Note 1—Summary of significant accounting policies (continued)**

#### **D. Budgetary data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, Debt Service Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multiyear funds. The budget officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to 10% of the appropriated monies for the functional areas whose allocation is reduced; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10% must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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**

##### **1. Deposits and investments**

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

State law (G. S. 159-30(c)) authorizes the Town 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 Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value. The NCCMT – Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 1—Summary of significant accounting policies (continued)**

**E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)**

**2. Cash and cash equivalents**

The Town pools monies 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.

**3. Restricted assets**

The unexpended loan proceeds for downtown improvement projects and Judd Parkway capital project are classified as restricted assets in the governmental type activities because their use is completely restricted to the purpose for which the loan was approved. The unexpended Powell Bill proceeds are also included in restricted assets because their use is restricted for street construction and maintenance expenditures.

The unexpended loan proceeds for the Wilbon Road, Stewart Street, and Sunset Lake water projects and the Wastewater treatment plant are classified as restricted assets in the Water and Sewer Fund because their use is completely restricted to the purpose for which the loan was approved. Customer deposits are held by the Town before any services are supplied and are restricted to the service for which the deposit was collected.

<b>Town of Fuquay-Varina</b>	
Governmental Activities:	
General Fund:	
Streets	\$ 1,755,094
Capital Projects Fund:	
Streets	13,527,215
Debt Service Fund:	
Streets	3,299,939
Total Governmental Activities	<u>18,582,248</u>
Business-Type Activities:	
Water and Sewer Fund:	
Unspent Bond Proceeds	4,994,489
Deposits	229,651
Total Business-Type Activities	<u>5,224,140</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 23,806,388</u>



# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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### **Note 1—Summary of significant accounting policies (continued)**

#### **E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)**

##### **4. Ad valorem taxes receivable**

In accordance with state law (G.S. 105-347 and G.S. 159-13(a)), the Town 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. These taxes are based on the assessed values as of January 1, 2016. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

##### **5. Allowance for doubtful accounts**

All governmental and proprietary funds receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. These amounts are estimated by analyzing the percentage of receivables that were written off in prior years.

##### **6. Capital assets**

The government defines capital assets as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of the donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2004, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

#### E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)

##### 6. Capital assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20 – 40 years
Buildings	40 years
Computer equipment	3 – 5 years
Equipment	5 years
Vehicles	2 – 5 years
Other improvements (including sewer capacity rights)	5 – 80 years
Operating plants	25 – 40 years

##### 7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and, therefore, will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion – pension and other post-employment benefits (“OPEB”) deferrals and an unamortized loss on a bond defeasance for Water and Sewer Refunding bonds. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid property taxes and deferrals of pension and OPEB expense.

# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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### **Note 1—Summary of significant accounting policies (continued)**

#### **E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)**

##### **8. 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 are expensed in the reporting period in which they are incurred.

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

##### **9. Compensated absences**

The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an 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 Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

#### E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)

##### 10. Net position/fund balances

*Net Position* - Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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:

*Restricted Fund Balances* - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Federal Forfeitures* - portion of fund balance which is restricted by revenue source for law enforcement purposes.

*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 Government Accounting Standards Board ("GASB") guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

*Restricted for Debt Service* - portion of fund balance which is restricted to be used for principal and interest payments on long-term general debt.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

#### E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)

##### 10. Net position/fund balances (continued)

*Committed Fund Balances* - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's Board of Commissioners (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 Economic Development* - portion of fund balance that has been approved by the Town's Board of Commissioners for economic development.

*Committed for Capital Projects* - portion of fund balance that has been approved by the Town's Board of Commissioners for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

*Assigned Fund Balances* - portion of fund balance that the Town's Board of Commissioners intends to use for specific purposes.

*Assigned for Parks and Recreation* - portion of fund balance that has been budgeted for future parks and recreation expenditures.

*Assigned for Capital Reserve Fund* - portion of fund balance that has been budgeted to be expended for future capital projects.

*Assigned for Debt Service Fund* - portion of fund balance that has been budgeted to be used for principal and interest on long-term general obligation debt of governmental funds.

*Assigned for Law Enforcement Officers' Pension Benefits* - portion of fund balance that has been assigned for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

*Assigned for Subsequent Year's Expenditures* - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Town Council approves the appropriation. Budget amendments requiring additional appropriations must receive Town Council approval unless the Adopted Budget Ordinance authorizes otherwise.

*Unassigned* - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 1—Summary of significant accounting policies (continued)**

**E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)**

**10. Net position/fund balances (continued)**

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

The Town 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-Town funds, and Town 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 Town.

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	<u>\$25,011,710</u>
Less:	
Federal forfeitures	3,382
Stabilization by state statute	2,535,865
Streets - Powell Bill	1,755,094
Economic development	719,714
Law enforcement officers' pension benefits	353,032
Parks and recreations	2,500
Subsequent years' expenditures	<u>1,189,271</u>
Remaining fund balance - General Fund	<u><u>\$18,452,852</u></u>

# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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### **Note 1—Summary of significant accounting policies (continued)**

#### **E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity (continued)**

##### **11. 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 Town's employer contributions are recognized when due and the Town 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.

##### **12. Other Postemployment Benefit Plan**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, the Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### Note 2—Cash and investments

#### A. Deposits

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the unit'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 Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for noninterest 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 Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town 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 Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of (G.S. 159-31) when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$16,745,898 and a bank balance of \$17,492,698. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$2,740.

#### B. Investments

At June 30, 2019, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2019</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 45,860,060	n/a	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>18,955,972</u>	.11 years	Unrated
Total		<u>\$ 64,816,032</u>		



# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 2—Cash and investments (continued)

#### B. Investments (continued)

All investments 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.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The Town has no policy regarding credit risk.

### Note 3—Taxes receivable

The amount of taxes receivable presented in the balance sheet and the statement of net position includes penalties levied and outstanding in the amount of \$6,552.

The amounts presented in the balance sheet and the statement of net position are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2019</u>
General Fund:	
Taxes receivable	\$ 59,636
Other accounts receivable	41,197
	<u>\$ 100,833</u>
Water and Sewer Fund:	
Water and sewer receivable	<u>\$ 204,705</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 4—Capital assets**

**A. Governmental capital assets**

Capital asset activity for the primary government for the year ended June 30, 2019 was as follows:

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease and Transfers</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,855,527	\$ 5,924,550	\$ -	\$ 31,780,077
Construction in progress	5,298,665	6,767,809	(4,944,438)	7,122,036
Total capital assets not being depreciated	31,154,192	12,692,359	(4,944,438)	38,902,113
Capital assets being depreciated:				
Buildings	22,880,834	4,925,477	(71,000)	27,735,311
Other improvements	2,400,798	68,880	-	2,469,678
Equipment	3,463,656	99,961	(13,934)	3,549,683
Vehicles	8,182,147	857,839	(471,184)	8,568,802
Infrastructure	52,726,130	7,372,220	-	60,098,350
Total capital assets being depreciated	89,653,565	13,324,377	(556,118)	102,421,824
Less accumulated depreciation for:				
Buildings	5,129,743	570,903	(11,333)	5,689,313
Other improvements	1,066,137	199,248	-	1,265,385
Equipment	2,589,179	376,601	(13,935)	2,951,845
Vehicles	5,025,886	771,347	(426,374)	5,370,859
Infrastructure	12,517,977	1,957,255	-	14,475,233
Total accumulated depreciation	26,328,922	\$ 3,875,354	\$ (451,641)	29,752,635
Total capital assets being depreciated, net	63,324,643			72,669,189
Governmental activities capital assets, net	\$ 94,478,835			\$ 111,571,302

Additions to the capital assets related to governmental activities include donations of capital assets from developers of approximately \$13,195,529.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 4—Capital assets (continued)**

**A. Governmental capital assets (continued)**

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

General government	\$ 529,290
Public safety	616,538
Transportation	2,063,128
Environmental protection	168,943
Cultural and recreational	433,216
Economic and physical development	15,386
Central services	48,853
Total depreciation expense	<u>\$ 3,875,354</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 4—Capital assets (continued)**

**B. Business-type capital assets**

Capital asset activity for the business-type activities for the year ended June 30, 2019 was as follows:

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease and Transfers</b>	<b>Ending Balance</b>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 456,870	\$ 200	\$ -	\$ 457,070
Construction in progress	33,853,774	2,959,317	(32,906,894)	3,906,197
Total capital assets not being depreciated	34,310,644	2,959,517	(32,906,894)	4,363,267
Capital assets being depreciated:				
Buildings	30,686	-	-	30,686
Other improvements	77,892,874	4,620,717	-	82,513,591
Equipment	1,344,902	146,400	-	1,491,302
Vehicles	738,328	59,217	-	797,545
Operating plants	18,580,131	32,737,043	-	51,317,174
Total capital assets being depreciated	98,586,921	37,563,377	-	136,150,298
Less accumulated depreciation for:				
Buildings	26,850	979	-	27,829
Other improvements	29,797,239	2,505,742	-	32,302,981
Equipment	977,873	154,327	-	1,132,200
Vehicles	452,751	98,352	-	551,103
Infrastructure	8,174,122	445,701	-	8,619,823
Total accumulated depreciation	39,428,835	\$ 3,205,101	\$ -	42,633,936
Total capital assets being depreciated, net	59,158,086			93,516,362
Business-type activities capital assets, net	\$ 93,468,730			\$ 97,879,629

Additions to the capital assets of the Water and Sewer Fund include donations of capital assets from developers of approximately \$4,342,950.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 4—Capital assets (continued)**

**C. Active construction**

The government has active construction projects with commitments to contractors as of June 30, 2019, as follows:

<b><u>Project</u></b>	<b><u>Spent-to-Date</u></b>	<b><u>Commitment</u></b>
Fiber Network Project	\$ -	\$ 21,700
N.W. Judd Parkway	2,016,430	12,254,453
N.E. Judd - N. Main Intersection Improvement	4,043,141	167,425
Purfoy/Old Honeycutt Intersection	-	19,107
Middle Creek Interceptor	63,399	29,201
AMI	339,479	81,273
Fleming Loop Park	4,058,644	1,227,127
Government Facilities	2,224,552	4,316,529
Town Business Park	3,100	2,000
HW42 Water Line Study/Design	3,455	230,899
Water Capital Improvements - Johnson Pond Rd.	107,662	7,296
Water Capital Improvements - Lake Wheeler Rd.	156,282	30,158
Water Capital Improvements - Optimist Farm	93,308	6,323
Water Capital Improvements - Ten Ten	71,776	4,864
Water Capital Improvements - Hilltop Needmore	3,126	250,758
Water Capital Improvements - NW Judd Parkway	9,085	21,199
WWTP Capacity Expansion, Phase 1	4,325,528	339,589
Sunset Regional Wastewater Pump Station	751,992	72,480
Southern Oaks Sewer Line	572,138	693,037
Water Line Replacement Project	2,194,766	701,770
Mineral Spring Park Streambank Stabilization	20,763	13,638
Pedestrian Connectivity	283,115	109,297
	<u>\$ 21,341,741</u>	<u>\$ 20,600,123</u>

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 5—Pension plan obligations

#### A. Local Governmental Employees' Retirement System

*Plan Description* - The Town is a participating employer in the statewide 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 ("LEO") 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 LGERS is included in the Comprehensive Annual Financial Report ("CAFR") for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410 or by calling (919) 707-0500, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*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.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### Note 5—Pension plan obligations (continued)

#### A. Local Governmental Employees' Retirement System (continued)

**Contributions** - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019 was 8.50% of compensation for law enforcement officers and 7.79% for general employees and firefighters, 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 Town were \$1,045,054 for the year ended June 30, 2019.

**Refunds of Contributions** - Town 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.

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

At June 30, 2019, the Town reported a liability of \$4,976,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town'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, 2018, the Town's proportion was 0.21%, which was an increase of 0.01% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$1,386,167. At June 30, 2019, the Town 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
Differences between expected and actual experience	\$ 767,713	\$ 25,761
Changes of assumptions	1,320,498	-
Net difference between projected and actual earnings on pension plan investments	683,088	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	102,016
Town contributions subsequent to the measurement date	1,045,054	-
	<u>\$ 3,816,353</u>	<u>\$ 127,777</u>

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### Note 5—Pension plan obligations (continued)

#### A. Local Governmental Employees' Retirement System (continued)

\$1,045,054 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2020	\$ 1,276,352
2021	832,128
2022	144,109
2023	390,933
2024	-
Thereafter	-
	<u>\$ 2,643,522</u>

*Actuarial Assumptions* - The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and, are therefore, not included in the measurement.



# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### Note 5—Pension plan obligations (continued)

#### A. Local Governmental Employees' Retirement System (continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to 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.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### Note 5—Pension plan obligations (continued)

#### A. Local Governmental Employees' Retirement System (continued)

*Sensitivity of the Town's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate* - The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 11,953,323	\$ 4,976,225	\$ (853,948)

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

#### B. Law Enforcement Officers' Special Separation Allowance

*Plan Description* - The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town'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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	40
Total	42

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 5—Pension plan obligations (continued)

#### B. Law Enforcement Officers' Special Separation Allowance (continued)

*Summary of Significant Accounting Policies* - The Town 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 and refunds 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 following criteria which are outlined in GASB 73.

*Actuarial Assumptions* - The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.64%

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

*Contributions* - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made through the General Fund operating budget. There were no contributions made by employees. The Town'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 Town paid \$31,178 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, 2019, the Town reported a total pension liability of \$980,487. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$102,039.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 5—Pension plan obligations (continued)**

**B. Law Enforcement Officers’ Special Separation Allowance (continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 21,738	\$ -
Changes of assumptions and other inputs	45,407	50,845
Benefit payments and administrative expenses subsequent to the measurement date	15,589	-
Total	<u>\$ 82,734</u>	<u>\$ 50,845</u>

\$15,589 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Years Ending June 30:</u></b>	
2020	\$ 3,987
2021	3,987
2022	3,987
2023	5,673
2024	1,893
Thereafter	<u>(3,227)</u>
	<u>\$ 16,300</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 5—Pension plan obligations (continued)**

**B. Law Enforcement Officers' Special Separation Allowance (continued)**

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate* - The following presents the Town's total pension liability calculated using the discount rate of 3.6%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	<u>\$ 1,079,206</u>	<u>\$ 980,487</u>	<u>\$ 891,840</u>

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

	<b>2019</b>
Beginning balance	\$ 952,702
Service cost	68,439
Interest on the total pension liability	29,613
Difference between expected and actual experience	6,992
Change in assumptions and other inputs	(46,081)
Benefits payments	(31,178)
	<u>\$ 980,487</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 5—Pension plan obligations (continued)**

**B. Law Enforcement Officers' Special Separation Allowance (continued)**

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 1,386,167	\$ 102,039	\$ 1,488,206
Pension Liability	4,976,225	980,487	5,956,712
Proportionate share of the net pension liability	0.21%	100%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	767,713	21,738	789,451
Changes of assumptions	1,320,498	45,407	1,365,905
Net difference between projected and actual earning on plan investments	683,088	-	683,088
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	1,045,054	15,589	1,060,643
Deferred Inflows of Resources:			
Differences between expected and actual experience	25,761	-	25,761
Changes of assumptions	-	50,845	50,845
Net difference between projected and actual earning on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	102,016	-	102,016

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Note 5—Pension plan obligations (continued)**

#### **C. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description* - The Town 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 Town. Article 5 of G.S. Chapter 135 assigns authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has also elected to have employees not engaged in law enforcement to participate in the Plan. The Plan for Law Enforcement Officers is included in the CAFR for the state of North Carolina. The state’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the 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 Town to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the Plan. The Town made contributions of \$191,958 for the reporting year, which consisted of \$128,395 from the Town and \$63,563 from the law enforcement officers.

#### **D. Supplemental Retirement Income Plan for Employees other than Law Enforcement Officers**

*Plan Description* - All other full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan, a defined contribution plan as described above.

*Funding Policy* - The Town contributes an amount equal to 5% of each non-law enforcement employee’s salary, and all amounts contributed are vested immediately. These non-law enforcement employees may also make voluntary contributions to the Plan. The Town made contributions of \$838,614 for the reporting year, which consisted of \$522,803 from the Town and \$315,811 from the non-law enforcement employees.

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### Note 5—Pension plan obligations (continued)

#### E. Other Post-Employment Benefits

*Plan Description* - The Town administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). As of January 1, 2006, this plan provides post-employment benefits to retirees of the Town who participate in the North Carolina LGERS and have at least 25 years of creditable service with the Town. Prior to January 1, 2006, employees qualified for the same level of benefits after at least 15 years of creditable service with the Town. The Town pays full cost of coverage for these benefits until they reach the age 65 or until they are eligible to receive Medicare benefits, whichever comes first. At that time such coverage is terminated, and the Town pays full cost of a Medicare supplement policy. Also, retirees who retired before January 1, 2006 can purchase coverage at the Town’s group rates for themselves and for their dependents at the Town’s group rates for healthcare and dental. The Town may amend the benefit provisions. A separate report was not issued for the HCB Plan.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees receiving benefits	14
Active plan members	209
Total	<u>223</u>

*Total OPEB Liability* - The Town’s total OPEB liability of \$3,621,863 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs* - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Real wage growth	1.0%
Salary increases	3.5% – 7.75%, average, including inflation
Discount rate	3.89%
Healthcare cost trend rates:	
Pre-Medicare Medical	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare Medical	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 5—Pension plan obligations (continued)**

**E. Other Post-Employment Benefits (continued)**

*Changes in the Total OPEB Liability -*

	<b>Total OPEB Liability</b>
Balance as of June 30, 2017	\$ 3,627,435
Changes for the year:	
Service cost at the end of the year	184,646
Interest	128,027
Changes of benefit terms	-
Differences between expected and actual experience	(13,456)
Changes in assumptions or other inputs	(241,918)
Net benefit payments and implicit subsidy credit	(62,871)
Net changes	(5,572)
Balance as of June 30, 2018	\$ 3,621,863

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS. 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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 5—Pension plan obligations (continued)**

**E. Other Post-Employment Benefits (continued)**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB liability	\$ 4,425,423	\$ 3,621,863	\$ 3,003,152

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	\$ 2,909,108	\$ 3,621,863	\$ 4,582,891

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - For the year ended June 30, 2019, the Town recognized OPEB expense of \$248,150. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,708	\$ 12,171
Changes of assumptions	-	562,437
Benefit payments and administrative costs made subsequent to the measurement date	50,113	-
Total	<u>\$ 53,821</u>	<u>\$ 574,608</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 5—Pension plan obligations (continued)**

**E. Other Post-Employment Benefits (continued)**

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (64,523)
2021	(64,523)
2022	(64,523)
2023	(64,523)
2024	(64,523)
Thereafter	(248,285)
<b>Total</b>	<b>\$ (570,900)</b>

**F. Other employment benefits**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the LGERS (the "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 LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in LGERS 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 by the Town, the Town does not determine the number of eligible participants. The Town 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. The Town considers these contributions to be immaterial.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 6—Deferred outflows and inflows of resources**

Deferred outflows of resources at year-end are comprised of the following:

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Loss of defeasance of debt	\$ 14,799	\$ -
Contributions and benefit payments made to pension, LEOSA, and OPEB plans in current fiscal year	1,110,756	-
Differences between expected and actual experiences	793,159	-
Changes of assumptions	1,365,906	-
Net difference between projected and actual earnings on pension plan investments	683,088	-
Total	<u>\$ 3,967,708</u>	<u>\$ -</u>

Deferred inflows of resources at year-end are comprised of the following:

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Taxes receivable, net	\$ -	\$ 54,510
Prepaid property taxes (General fund)	42,014	42,014
Changes in assumptions	613,280	-
Differences between expected and actual experience	37,932	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,016	-
Total	<u>\$ 795,242</u>	<u>\$ 96,524</u>

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 7—Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in several self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town has the following coverage:

General liability	\$	5,000,000
Police professional		5,000,000
Public officials liability		5,000,000
Public employee blanket bond/crime		50,000
Auto liability		5,000,000
Real and personal property, including boiler and machinery \$5,000,000		46,820,765
Employee benefits		5,000,000
Computer equipment and media		2,050,000
Municipal equipment		876,059

The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$1,000,000 and \$500,000 and up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan ("NFIP"). Because the Town is in an area of the state that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town has also elected to purchase commercial flood insurance for \$5,000,000 of annual aggregate coverage for zones B, C, or X.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 8—Long-term obligations**

**A. Installment purchase**

Serviced by the General Fund:

Installment note payable for the renovation/construction to the existing Community Center, dated April 1, 2007, payable in annual payments of \$100,000 plus interest (4.34%), with a final payment of principal and interest due April 1, 2026. The note payable has an outstanding balance of \$700,000 at June 30, 2019.

Installment note payable for construction on the Town's Public Works building, dated July 1, 2015, payable in annual payments of \$400,000 plus interest (2.84%), with a final payment of principal and interest due July 15, 2030. The note payable has an outstanding balance of \$4,800,000 at June 30, 2019.

The future minimum payments of the above installment purchase as of June 30, 2019, including interest of \$1,007,600 for the general long-term debt are as follows:

<b>Fiscal Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 500,000	\$ 166,700
2021	500,000	151,000
2022	500,000	135,300
2023	500,000	119,600
2024	500,000	103,900
2025-2029	2,200,000	397,020
2030-2031	800,000	34,080
Total	<u>\$ 5,500,000</u>	<u>\$ 1,007,600</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**A. Installment purchase (continued)**

Serviced by the Water and Sewer Fund:

Installment note payable for three water projects, including Wilbon Road, Stewart Street, and Sunset Lake, dated June 5, 2013, payable in annual installments of \$100,000 plus interest through June 5, 2028. The note has an interest rate of 1.99% and is secured by water towers owned by the Town. The note payable has an outstanding balance of \$900,000 at June 30, 2019.

The future minimum payments of the above installment purchases as of June 30, 2019, including interest of \$89,550 for the Water and Sewer Fund, are as follows:

<b>Fiscal Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 100,000	\$ 17,910
2021	100,000	15,920
2022	100,000	13,930
2023	100,000	11,940
2024	100,000	9,950
2025-2028	400,000	19,900
Total	<u>\$ 900,000</u>	<u>\$ 89,550</u>

**B. Promissory notes**

Serviced by the Water and Sewer Fund:

Promissory note, issued by the Department of Environment and Natural Resources for a Sanitary Sewer Project, dated October 21, 2005. All interest payments are made semiannually, on May 1 and November 1. The note is payable in annual payments of \$927,941 plus interest (2.31%), with the final payment of principal and interest due May 1, 2027.

\$ 7,423,530

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 8—Long-term obligations (continued)**

**B. Promissory notes (continued)**

Debt service requirements to maturity for long-term obligations serviced by the Water and Sewer Fund are as follows:

<b>Fiscal Years Ending</b>		
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 927,941	\$ 171,112
2021	927,941	149,723
2022	927,941	128,334
2023	927,941	106,945
2024	927,941	85,556
2025-2027	2,783,825	128,334
	<u>\$ 7,423,530</u>	<u>\$ 770,004</u>

**C. General obligation indebtedness**

The Town's general obligation bonds serviced by the governmental funds were issued to finance the transportation project and downtown improvements. The Town's general obligation bonds serviced by the enterprise funds were issued to finance the construction of facilities utilized in the operation of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 8—Long-term obligations (continued)**

**C. General obligation indebtedness (continued)**

Serviced by the General Fund:

\$6,500,000 public improvement bonds, issued September 29, 2009, interest payments due every February and August and principal payments due annually each August 1 beginning August 1, 2010 and ending August 1, 2019, interest rate of 2.0% - 4.0%, with final payment from the General Fund of \$325,000 and the balance to be paid from restricted escrow from the 2019 refundings bonds	\$ 3,575,000
\$3,500,000 public improvement bonds, issued October 9, 2012, interest payments due every April and October and principal payments due annually each April 1 beginning April 1, 2013 and ending April 1, 2032, interest rate of 1.0% - 2.0%	2,450,000
\$17,350,000 public improvement bonds, issued December 20, 2018, interest payments due every January and July and principal payments due annually each January 1 beginning January 1, 2020 and ending January 1, 2039, interest rate of 3.6% - 5.0%	17,350,000
\$2,900,000 refunding bonds, issued May 16, 2019, interest payments due every February and August and principal payments due annually each August 1 beginning August 1, 2020 and ending August 1, 2029, interest rate of 5.0%	2,900,000
	<u>26,275,000</u>

Serviced by the Water and Sewer Fund:

\$2,515,000 water and sewer bonds, issued November 16, 2010, interest payments due every June and December and principal payments due annually June 1 beginning June 1, 2012 and ending June 1, 2021, interest rate of 2.0% - 3.0%	965,000
\$2,300,000 water and sewer bonds, issued April 27, 2010, interest payments due every February and August and principal payments due annually August 1 beginning August 1, 2011 and ending June 1, 2030, interest rate of 2.0% - 4.0%	1,380,000
\$4,170,000 water and sewer bonds, issued September 29, 2009, interest payments due every June and December and principal payments annually June 1 beginning June 1, 2010 and ended June 1, 2019, interest rate of 3.0%	-
	<u>2,345,000</u>
	<u>\$ 25,370,000</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**C. General obligation indebtedness (continued)**

Annual debt service requirements to maturity for general obligation bonds, including interest of \$8,679,387 on the general obligation bonds of the General Fund bonds:

<b>Fiscal Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 4,625,000	\$ 1,003,887
2021	1,325,000	908,188
2022	1,330,000	847,063
2023	1,330,000	755,813
2024	1,335,000	724,438
2025-2029	6,725,000	2,694,238
2030-2034	5,355,000	1,291,013
2035-2039	4,250,000	454,750
Total	<u>\$ 26,275,000</u>	<u>\$ 8,679,387</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$367,813 on the general obligation bonds of the Water and Sewer Fund bonds:

<b>Fiscal Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 700,000	\$ 79,550
2021	495,000	58,550
2022	115,000	43,413
2023	115,000	39,100
2024	115,000	34,500
2025-2029	575,000	103,500
2030-2031	230,000	9,200
Total	<u>\$ 2,345,000</u>	<u>\$ 367,813</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**D. Limited obligation indebtedness**

The Town's limited obligation bonds serviced by the governmental funds were issued to finance the new Town hall project. All limited obligation bonds are collateralized by both the buildings and land comprising the existing Town hall and newly constructed Town hall. Principal and interest requirements are appropriated when due.

Serviced by the General Fund:

\$11,115,000 limited obligation bonds, issued November 28, 2018,  
interest payments due every May and November and  
principal payments annually November 1 beginning November 1, 2019  
and ending November 1, 2038, interest rate of 3.75% to 5.00%

\$ 11,115,000

Annual debt service requirements to maturity for limited obligation bonds, including interest of \$5,167,294 on the limited obligation bonds of the General fund bonds:

<b>Fiscal Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 560,000	\$ 518,263
2021	560,000	493,063
2022	560,000	465,063
2023	555,000	437,188
2024	555,000	409,438
2025-2029	2,760,000	1,632,813
2030-2034	2,795,000	938,435
2035-2039	2,770,000	273,031
Total	<u>\$ 11,115,000</u>	<u>\$ 5,167,294</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**E. Revenue bonds**

Serviced by the Water and Sewer Fund:

\$30,185,000 water and sewer revenue bonds, issued March 1, 2016, interest payments due every April and October and principal payments due annually April 1 beginning April 1, 2019 and ending April 1, 2041, interest rate of 3.0% - 5.0%.

\$ 29,395,000

The Town has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay \$30,185,000 in revenue bonds issued in 2016. Proceeds from the bonds provided financing for improvements to the Town's Terrible Creek wastewater treatment plant and to pay related costs. The bonds are payable solely from net revenues (along with bond proceeds if available, insurance proceeds that may arise and certain other limited sources) and are payable through 2041. The total principal and interest remaining to be paid on the bonds is \$45,620,756. Principal payments began April 1, 2019 and interest payments began on October 1, 2016.

Annual debt service requirements to maturity for revenue bonds, including interest of \$16,225,756 on the revenue bonds of the Water and Sewer Fund bonds:

Fiscal Years Ending June 30,	Principal	Interest
2020	\$ 830,000	\$ 1,246,044
2021	870,000	1,204,544
2022	895,000	1,178,444
2023	930,000	1,142,644
2024	975,000	1,096,144
2025-2029	5,570,000	4,795,819
2030-2034	7,015,000	3,355,767
2035-2039	8,395,000	1,970,500
2040-2041	3,915,000	235,850
Total	<u>\$ 29,395,000</u>	<u>\$ 16,225,756</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 8—Long-term obligations (continued)**

**E. Revenue bonds (continued)**

The revenue bonds contain covenants from the Town regarding, among others, the use and operation of the system and minimum coverage of net revenues over the debt service requirements. The Town was in compliance with all applicable covenants in Section 4.03 of the agreement as of June 30, 2019, which require minimum ratios of 120% and 100% of the calculations below, respectively. The revenue coverage calculations for the year ended June 30, 2019 is as follows:

Income available for debt service in the fiscal year ended June 30, 2019	\$ 4,724,745
15% of system unrestricted net assets as of fiscal year ended June 30, 2018	<u>2,312,843</u>
Total	<u>7,037,588</u>
Long-Term Debt Service Requirement for Parity Indebtedness	<u>2,075,544</u>
Debt service coverage ratio	<u><u>339%</u></u>

Income available for debt service in the fiscal year ended June 30, 2019	\$ 4,724,745
Long-Term Debt Service Requirement for Parity Indebtedness	<u>2,075,544</u>
Debt Service Coverage Ratio	<u><u>228%</u></u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**F. Changes in long-term liabilities**

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 6,525,000	\$ 20,250,000	\$ 500,000	\$ 26,275,000	\$ 4,625,000
Limited obligation bonds	-	11,115,000	-	11,115,000	560,000
Promissory notes	60,000	-	60,000	-	-
Installment purchase	6,120,000	-	620,000	5,500,000	500,000
Total bonds and notes payable	12,705,000	31,365,000	1,180,000	42,890,000	5,685,000
Deferred adjustments:					
Premium	172,622	3,295,300	97,505	3,370,417	-
Total bonds and notes payable, net	12,877,622	34,660,300	1,277,505	46,260,417	5,685,000
Other liabilities:					
Net LGERS pension liability	2,745,289	1,737,226	-	4,482,515	-
LEOSSA pension liability	952,702	58,963	31,178	980,487	-
Total OPEB liability	3,264,692	-	5,014	3,259,678	-
Compensated absences	815,079	419,133	343,194	891,018	343,193
Total other liabilities	7,777,762	2,215,322	379,386	9,613,698	343,193
Total long-term liabilities	<u>\$ 20,655,384</u>	<u>\$ 36,875,621</u>	<u>\$ 1,656,891</u>	<u>\$ 55,874,115</u>	<u>\$ 6,028,193</u>

Compensated absences and pension liabilities for governmental activities have typically been liquidated in the General Fund.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**F. Changes in long-term liabilities (continued)**

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Business-type activities:					
General obligation bonds	\$ 3,055,000	\$ -	\$ 710,000	\$ 2,345,000	\$ 700,000
Revenue bonds	30,185,000	-	790,000	29,395,000	830,000
Promissory notes	8,351,471	-	927,941	7,423,530	927,941
Installment purchase	1,000,000	-	100,000	900,000	100,000
Compensated absences	71,022	38,324	33,383	75,963	30,000
Total OPEB obligation	362,744	-	557	362,187	-
Net LGERS pension liability	<u>300,688</u>	<u>193,025</u>	<u>-</u>	<u>493,713</u>	<u>-</u>
Total bonds and notes payable	43,325,925	231,349	2,561,881	40,995,393	2,587,941
Deferred adjustments:					
Premium	<u>3,494,071</u>	<u>-</u>	<u>163,716</u>	<u>3,330,355</u>	<u>-</u>
Total bonds and notes payable, net	<u>\$ 46,819,996</u>	<u>\$ 231,349</u>	<u>\$ 2,725,597</u>	<u>\$ 44,325,748</u>	<u>\$ 2,587,941</u>

*Advance Refunding* – In fiscal years 2010 and 2011, the Town issued Series 2009B and Series 2010 general obligation bonds in the total amount of \$6,685,000 as refundings of the Series 2000 and 2001 general obligation bonds. The reacquisition prices exceeded the net carrying amounts of the old debt by \$422,846. This amount is being deferred and amortized over the life of the new debt issued.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 8—Long-term obligations (continued)**

**G. Interfund balances and activity**

Transfers to/from other funds for the year ended June 30, 2019 consist of the following:

	Transfers out:			
	General Fund	Capital Projects Fund	Nonmajor Funds	Proprietary Fund
<b>Transfers in:</b>				
General Fund	\$ -	\$ -	\$ 389,700	\$ -
Capital Projects Fund	3,869,314	-	-	9,566
Nonmajor Funds	1,494,113	-	83,922	273,840
<b>Total</b>	<b>\$ 5,363,427</b>	<b>\$ -</b>	<b>\$ 473,622</b>	<b>\$ 283,406</b>

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, including amounts provided matching funds for various grant programs. For the year ended June 30, 2019, the Water and Sewer Fund made a \$273,840 transfer for debt service payment to the Debt Service Fund, and a \$9,566 transfer to the Governmental Capital Projects Fund.

**Note 9—Joint ventures**

The Town and the members of the Town's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State's Insurance Commissioner appoints an additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the Board of Trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees filed an annual financial report with the State Firemen's Association ("Association"). This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.



# **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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### **Note 10—Summary disclosure of significant contingencies**

*Federal and State-Assisted Programs* - The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provisions have been made in the accompanying financial statements for the refund of grant monies.

*Litigation* - The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

### **Note 11—Subsequent events**

The Town has evaluated subsequent events through November 25, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

# Required Supplemental Financial Data

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

LAST SIX FISCAL YEARS ENDING\*

**Schedule of Proportionate Share of Net Pension Liability (Asset)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.21%	0.20%	0.19%	0.19%	( 0.18%)	0.18%
Town's proportion of the net pension liability (asset) (\$)	\$ 4,976,225	\$ 3,045,974	\$ 4,063,213	\$ 832,603	\$ (1,058,830)	\$ 2,147,994
Town's covered-employee payroll (of the measurement period)	\$ 11,897,168	\$ 10,986,456	\$ 9,498,524	\$ 8,733,956	\$ 8,188,640	\$ 7,891,068
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.83%	27.72%	42.78%	9.53%	( 12.93%)	27.22%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Schedule of Contributions**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,045,054	\$ 984,082	\$ 819,239	\$ 647,699	\$ 623,270	\$ 582,279
Contributions in relation to the contractually required contribution	1,045,054	984,082	819,239	647,699	623,270	582,279
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 13,151,948	\$ 11,897,168	\$ 10,986,456	\$ 9,498,524	\$ 8,733,956	\$ 8,188,640
Contributions as a percentage of covered payroll	7.95%	8.27%	7.46%	6.82%	7.14%	7.11%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

LAST THREE FISCAL YEARS ENDING\*

**Schedule of Changes in Total Pension Liability**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability, beginning balance	\$ 952,702	\$ 811,166	\$ 793,225
Service cost at end of year	68,439	58,705	52,473
Interest	29,613	30,622	27,601
Difference between expected and actual experience	6,992	22,707	-
Changes in assumptions and other inputs	(46,081)	65,191	(21,932)
Benefit payments	(31,178)	(35,689)	(40,201)
Total pension liability, ending balance	<u>\$ 980,487</u>	<u>\$ 952,702</u>	<u>\$ 811,166</u>

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

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 980,487	\$ 952,702	\$ 811,166
Covered payroll	2,345,106	2,326,223	2,035,212
Total Pension Liability as a percentage of covered payroll	41.81%	40.95%	39.86%

Notes to the schedules:

The Town of Fuquay-Varina has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**OTHER POST EMPLOYMENT BENEFITS**

FISCAL YEAR ENDING\*

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

<b>Total OPEB Liability</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 184,646	\$ 212,847
Interest	128,027	113,176
Differences between expected and actual experience	(13,456)	4,584
Changes of assumptions	(241,918)	(424,765)
Benefit payments and implicit subsidy credit	(62,871)	(76,261)
<b>Net change in total OPEB liability</b>	<b>(5,572)</b>	<b>(170,419)</b>
<b>Total OPEB liability - beginning</b>	<b>3,627,435</b>	<b>3,797,854</b>
<b>Total OPEB liability - ending</b>	<b>\$ 3,621,863</b>	<b>\$ 3,627,435</b>
<b>Covered payroll</b>	<b>\$ 10,227,417</b>	<b>\$ 10,227,417</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>35.41%</b>	<b>35.47%</b>

**Notes to Schedule**

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

<b><u>Fiscal Year</u></b>	<b><u>Rate</u></b>
2019	3.89%
2018	3.56%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
Information is not available for years prior to those presented.

# Combining and Individual Fund Statements and Schedules

This section contains additional information on the Governmental and Proprietary Funds (budget to actual comparison) and other schedules (ad-valorem taxes receivable, current tax levy and general obligation debt service requirements and maturity schedule).

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Taxes	\$ 14,552,000	\$ 14,877,698	\$ 325,698
Penalties and interest	25,000	26,326	1,326
<b>Total ad valorem taxes</b>	<b>14,577,000</b>	<b>14,904,024</b>	<b>327,024</b>
Other taxes and licenses:			
Rental vehicle tax	50,000	58,289	8,289
Payment in-lieu of tax, local	7,825	(283)	(8,108)
Auto licenses	340,000	434,265	94,265
<b>Total other taxes and licenses</b>	<b>397,825</b>	<b>492,271</b>	<b>94,446</b>
Unrestricted intergovernmental:			
Local option sales taxes	5,288,850	5,924,636	635,786
Hold harmless	235,000	238,242	3,242
Court costs and fees	12,000	17,994	5,994
Solid waste disposal tax	16,000	17,724	1,724
Utility franchise tax	1,050,000	1,351,971	301,971
Beer and wine tax	112,000	110,531	(1,469)
ABC profit distribution	118,000	135,222	17,222
<b>Total unrestricted intergovernmental</b>	<b>6,831,850</b>	<b>7,796,320</b>	<b>964,470</b>
Restricted intergovernmental:			
Police, drug forfeiture	-	2,620	2,620
Police, federal grants	40,691	353	(40,338)
Police, state grants	-	30,001	30,001
Police, county grants	37,838	37,838	-
Fire department, county grants	539,023	13,495	(525,528)
Fire district, FURINA	1,956,321	1,956,321	-
Powell Bill	630,000	685,206	55,206
Other	250,000	-	(250,000)
<b>Total restricted intergovernmental</b>	<b>3,453,873</b>	<b>2,725,834</b>	<b>(728,039)</b>
Permits and fees:			
Building permits	1,000,000	943,245	(56,755)
Transportation improvement inspections	28,000	127,748	99,748
Inspection fees	26,000	31,020	5,020
Fire inspection fees	10,000	9,210	(790)
Utility inspection fees	40,000	163,306	123,306
Other	71,500	514,739	443,239
<b>Total permits and fees</b>	<b>1,175,500</b>	<b>1,789,268</b>	<b>613,768</b>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Positive (Negative)</b>
Sales and services:			
Event salary reimbursement	\$ 16,000	\$ 11,745	\$ (4,255)
Refuse collection/recycling fees	1,880,900	1,891,041	10,141
Economic and physical development fees	117,500	129,085	11,585
Recreation department fees	625,000	588,903	(36,097)
Arts Center fees	530,650	52,771	(477,879)
<b>Total sales and services</b>	<b>3,170,050</b>	<b>2,673,545</b>	<b>(496,505)</b>
Investment earnings	175,000	598,906	423,906
Miscellaneous:			
Donations, nongovernmental	11,101	13,405	2,304
Police, nongovernmental	6,500	6,500	-
Insurance or restitution	83,911	87,015	3,104
Surplus property sales	2,580	8,208	5,628
Miscellaneous revenues, all others	50,000	45,414	(4,586)
<b>Total miscellaneous</b>	<b>154,092</b>	<b>160,542</b>	<b>6,450</b>
<b>Total revenues</b>	<b>29,935,190</b>	<b>31,140,710</b>	<b>1,205,520</b>
<b>Expenditures</b>			
General government:			
Governing body	362,593	347,242	15,351
Administration	504,114	485,864	18,250
Finance	483,249	474,905	8,344
Engineering	640,534	606,096	34,438
Public information	418,474	302,865	115,609
Public buildings	316,563	285,171	31,392
<b>Total general government</b>	<b>2,725,527</b>	<b>2,502,143</b>	<b>223,384</b>
Public safety:			
Police	4,998,462	4,727,963	270,499
Fire	6,205,748	5,207,837	997,911
Inspections	1,274,856	1,057,549	217,307
<b>Total public safety</b>	<b>12,479,066</b>	<b>10,993,349</b>	<b>1,485,717</b>
Transportation:			
Streets	1,370,759	1,331,889	38,870
Powell bill	989,000	848,871	140,129
<b>Total transportation</b>	<b>2,359,759</b>	<b>2,180,760</b>	<b>178,999</b>
Environmental protection	2,298,682	2,250,468	48,214
Cultural and recreational	3,790,290	3,227,311	562,979
Economic and physical development	1,632,542	1,033,592	598,950



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Positive (Negative)</b>
Central services:			
General	\$ 1,157,479	\$ 1,092,859	\$ 64,620
Information technology	986,649	934,131	52,518
Human resources	270,081	269,342	739
<b>Total central services</b>	<b>2,414,209</b>	<b>2,296,332</b>	<b>117,877</b>
Special contributions	75,000	75,000	-
<b>Total expenditures</b>	<b>27,775,075</b>	<b>24,558,955</b>	<b>3,216,120</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,160,115</b>	<b>6,581,755</b>	<b>4,421,640</b>
<b>Other financing sources (uses)</b>			
Transfers from other funds			
Capital reserves	389,700	389,700	-
Transfers to other funds			
Capital projects fund	(4,195,985)	(3,869,314)	326,671
Debt service fund	(1,494,113)	(1,494,113)	-
Fund balance appropriations			
Powell Bill	969,385	-	(969,385)
General Fund	2,170,898	-	(2,170,898)
<b>Total other financing sources (uses)</b>	<b>(2,160,115)</b>	<b>(4,973,727)</b>	<b>(2,813,612)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>1,608,028</b>	<b>\$ 1,608,028</b>
<b>Fund Balance - Beginning</b>		<b>23,403,682</b>	
<b>Fund Balance - Ending</b>		<b>\$ 25,011,710</b>	

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**

FROM INCEPTION TO JUNE 30, 2019

	Project Authorization	Prior Year	Closed Projects	Current Year	Total to Date
<b>Revenues</b>					
Investment earnings	\$ 211,625	\$ 116,387	\$ (7,912)	\$ 333,150	\$ 441,625
Federal grants	16,437,759	3,740,800	-	3,591,470	7,332,270
State grants	2,775,360	1,296,564	-	32,703	1,329,267
County grants	1,007,612	247,487	(247,487)	-	-
Miscellaneous revenue	325,904	44,429	-	276,412	320,841
Donations	379,027	4,077	-	-	4,077
Total revenues	21,137,287	5,449,744	(255,399)	4,233,735	9,428,080
<b>Expenditures</b>					
Town Hall Renovations	410,852	410,851	(410,851)	-	-
Government Facilities Project	11,075,829	4,135,962	-	2,295,924	6,431,886
Fiber Net Work Project	1,170,660	476,370	-	130,012	606,382
Fire Station #4	291,787	-	-	-	-
N/W Judd Parkway Project	25,100,000	5,120,169	-	4,244,935	9,365,104
S/W Judd Parkway Project	3,541,158	3,207,997	-	1,673	3,209,670
N/E Judd Parkway Extension	4,320,333	4,235,997	-	33,904	4,269,901
NE Judd- N Main Intersection	7,598,000	4,294,499	-	2,943,353	7,237,852
2010-2011 Sidewalk Project	110,904	110,903	(110,903)	-	-
Herbert Akins Rd / HTN Rd Intersection Project	250,000	-	-	-	-
Bridge St Ped Improvements	909,200	472,994	-	(5,754)	467,240
Sunset/Purfoy/Main Intersect	1,689,000	388,866	-	19,071	407,937
Southern St. Paving/Bridge St. Infrastructure	284,900	280,121	(280,121)	-	-
Bass Lake/Hilltop Needmore/Sunset Lake Road Intersection Improvement	150,000	32	-	-	32
Purfoy/Old Honeycutt Intersection	1,413,875	29	-	144,142	144,171
S Judd & S Main Intersection Project	618,263	-	-	-	-
N/E Judd & Highway 55 Intersection Project	1,895,133	-	-	-	-
Jones Street Sidewalk Project	1,035,772	-	-	-	-
Pedestrian Connectivity Project	430,554	-	-	304,028	304,028
Town Business Park	2,433,287	1,648,752	-	43,879	1,692,631
DFI Downtown Mixed Use	360,000	-	-	-	-
Park - Depot Greenway project	1,354,410	112,127	-	33,626	145,753
Performing Arts Center	5,172,731	4,782,583	-	267,749	5,050,332
Fleming Loop Park Project	5,543,866	209,417	-	3,673,461	3,882,878
E-35 Elementary School	582,072	-	-	17,428	17,428
Mineral Spring Park Streambank	564,000	-	-	1,700	1,700
Total expenditures	78,306,586	29,887,669	(801,875)	14,149,131	43,234,925

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**

FROM INCEPTION TO JUNE 30, 2019

	Project Authorization	Prior Year	Closed Projects	Current Year	Total to Date
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (57,169,299)</u>	<u>\$ (24,437,925)</u>	<u>\$ 546,476</u>	<u>\$ (9,915,396)</u>	<u>\$ (33,806,845)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds:					
General Fund	15,206,596	10,775,625	(240,033)	3,869,314	14,404,906
Enterprise Fund	29,286	19,720	(19,720)	9,566	9,566
Debt Service Fund	3,689,000	3,689,000	-	-	3,689,000
Capital Reserve Fund	535,651	535,651	(69,115)	-	466,536
Proceeds from bond issuance	36,682,608	8,217,608	(217,608)	28,465,000	36,465,000
Premiums from bond issuance	1,154,866	41,158	-	2,773,265	2,814,423
Bond issuance costs	<u>(128,708)</u>	<u>-</u>	<u>-</u>	<u>(128,707)</u>	<u>(128,707)</u>
Total other financing sources (uses)	<u>57,169,299</u>	<u>23,278,762</u>	<u>(546,476)</u>	<u>34,988,438</u>	<u>57,720,724</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (1,159,163)</u>	<u>\$ -</u>	25,073,042	<u>\$ 23,913,879</u>
<b>Fund Balance - Beginning</b>				(1,159,163)	
<b>Fund Balance - Ending</b>				<u>\$ 23,913,879</u>	

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

*JUNE 30, 2019*

	<b>Capital Reserve Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,603,692	\$ 958,993	\$ 4,562,685
Restricted cash	-	3,299,939	3,299,939
Total assets	<u>\$ 3,603,692</u>	<u>\$ 4,258,932</u>	<u>\$ 7,862,624</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Deferred revenue	<u>\$ 995,165</u>	<u>\$ -</u>	<u>\$ 995,165</u>
Fund balances:			
Restricted			
Debt service	-	3,299,939	3,299,939
Assigned	<u>2,608,527</u>	<u>958,993</u>	<u>3,567,520</u>
Total fund balances	<u>2,608,527</u>	<u>4,258,932</u>	<u>6,867,459</u>
Total liabilities and fund balances	<u>\$ 3,603,692</u>	<u>\$ 4,258,932</u>	<u>\$ 7,862,624</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2019*

	<b>Capital Reserve Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Recreation unit fees	\$ 900,186	\$ -	\$ 900,186
Investment earnings	23,279	17,011	40,290
Miscellaneous	391,867	-	391,867
Total revenues	<u>1,315,332</u>	<u>17,011</u>	<u>1,332,343</u>
<b>Expenditures</b>			
Principal retirements	-	1,180,000	1,180,000
Interest and other charges	-	596,784	596,784
Total expenditures	<u>-</u>	<u>1,776,784</u>	<u>1,776,784</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,315,332</u>	<u>(1,759,773)</u>	<u>(444,441)</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds			
General Fund	-	1,494,113	1,494,113
Capital Reserve Fund	-	83,922	83,922
Water and Sewer Operating Fund	-	273,840	273,840
Transfers to other funds			
General Fund	(389,700)	-	(389,700)
Debt Service Fund	(83,922)	-	(83,922)
Capital Projects Fund	-	-	-
Proceeds from bond issuance	-	2,900,000	2,900,000
Premiums from bond issuance	-	522,035	522,035
Bond issuance costs	-	(108,639)	(108,639)
Total other financing sources (uses)	<u>(473,622)</u>	<u>5,165,271</u>	<u>4,691,649</u>
<b>Net change in fund balances</b>	841,710	3,405,498	4,247,208
<b>Fund balance - beginning</b>	<u>1,766,817</u>	<u>853,434</u>	<u>2,620,251</u>
<b>Fund balance - ending</b>	<u>\$ 2,608,527</u>	<u>\$ 4,258,932</u>	<u>\$ 6,867,459</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL - CAPITAL RESERVE FUND***YEAR ENDED JUNE 30, 2019*

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Positive (Negative)</b>
<b>Revenues</b>			
Recreation unit fees	\$ 173,922	\$ 900,186	\$ 726,264
Investment earnings	-	23,279	23,279
Miscellaneous	65,000	391,867	326,867
Total revenues	<u>238,922</u>	<u>1,315,332</u>	<u>1,076,410</u>
<b>Other financing sources (uses)</b>			
Transfers to other funds			
General Fund	(389,700)	(389,700)	-
Debt Service Fund	(83,922)	(83,922)	-
Capital Projects Fund	-	-	-
Fund balance appropriations	234,700	-	(234,700)
Total other financing sources (uses)	<u>(238,922)</u>	<u>(473,622)</u>	<u>(234,700)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	841,710	<u>\$ 841,710</u>
<b>Fund balance - beginning</b>		<u>1,766,817</u>	
<b>Fund balance - ending</b>		<u>\$ 2,608,527</u>	

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**

YEAR ENDED JUNE 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Positive (Negative)</b>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 17,011	\$ 17,011
<b>Expenditures</b>			
Current:			
Principal retirement	1,180,000	1,180,000	-
Interest and other charges	596,875	596,784	91
Total expenditures	1,776,875	1,776,784	91
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,776,875)</b>	<b>(1,759,773)</b>	<b>17,102</b>
<b>Other financing sources (uses)</b>			
Transfers from other funds			
General Fund	1,419,113	1,494,113	75,000
Capital Reserve Fund	83,922	83,922	-
Water and Sewer Operating Fund	273,840	273,840	-
Proceeds from bond issuance	-	2,900,000	2,900,000
Premiums from bond issuance	122,895	522,035	399,140
Bond issuance costs	(122,895)	(108,639)	14,256
Total other financing sources (uses)	1,776,875	5,165,271	3,388,396
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>3,405,498</b>	<b>\$ 3,405,498</b>
<b>Fund balance - beginning</b>		853,434	
<b>Fund balance - ending</b>		<b>\$ 4,258,932</b>	

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

### WATER AND SEWER OPERATING FUND

YEAR ENDED JUNE 30, 2019

	Budget	Current Year	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Water charges for services	\$ 5,584,030	\$ 5,679,348	\$ 95,318
Sewer charges for services	6,002,714	5,935,224	(67,490)
Water and sewer taps	225,700	223,566	(2,134)
<b>Total</b>	<b>11,812,444</b>	<b>11,838,138</b>	<b>25,694</b>
Other operating revenues:			
Penalty, delinquent bills	150,000	179,783	29,783
Water meter sales	50,000	14,680	(35,320)
Sewer pretreatment fees	1,820	1,815	(5)
<b>Total other operating revenues</b>	<b>201,820</b>	<b>196,278</b>	<b>(5,542)</b>
<b>Total operating revenues</b>	<b>12,014,264</b>	<b>12,034,416</b>	<b>20,152</b>
<b>Nonoperating revenues:</b>			
Interest and investment earnings	20,000	92,248	72,248
Lease income	64,000	72,444	8,444
Miscellaneous revenue	-	11,075	11,075
<b>Total nonoperating revenue</b>	<b>84,000</b>	<b>175,767</b>	<b>91,767</b>
<b>Total revenues</b>	<b>12,098,264</b>	<b>12,210,183</b>	<b>111,919</b>
<b>Expenditures</b>			
Water treatment and distribution	4,214,492	3,623,861	590,631
Waste collection and treatment	3,950,628	3,680,867	269,761
<b>Total water and sewer operations</b>	<b>8,165,120</b>	<b>7,304,728</b>	<b>860,392</b>
Debt Service:			
Water:			
Interest and other charges	80,761	79,613	1,148
Principal retirement	472,150	472,150	-
<b>Total debt service (water)</b>	<b>552,911</b>	<b>551,763</b>	<b>1,148</b>



# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

### WATER AND SEWER OPERATING FUND

YEAR ENDED JUNE 30, 2019

	Budget	Current Year	Variance Positive (Negative)
Sewer:			
Interest and other charges	\$ 1,518,036	\$ 1,518,692	\$ (656)
Principal retirement	2,055,791	2,055,791	-
<b>Total debt service (sewer)</b>	<b>3,573,827</b>	<b>3,574,483</b>	<b>(656)</b>
<b>Total debt service</b>	<b>4,126,738</b>	<b>4,126,246</b>	<b>492</b>
<b>Total expenditures</b>	<b>12,291,858</b>	<b>11,430,974</b>	<b>860,884</b>
<b>Deficiency of revenues under expenditures</b>	<b>(193,594)</b>	<b>779,209</b>	<b>972,803</b>
<b>Other financing sources (uses)</b>			
Transfer to other funds:			
Governmental Debt Service Fund	(273,840)	(273,840)	-
Governmental Capital Projects Fund	(9,566)	(9,566)	-
Water and Sewer Capital Projects Fund	(3,415,770)	(3,415,770)	-
Transfer from other funds:			
Water and Sewer Capital Reserve Fund	2,625,000	2,625,000	-
Fund balance appropriations	1,267,770	-	1,267,770
<b>Total other financing sources (uses)</b>	<b>193,594</b>	<b>(1,074,176)</b>	<b>1,267,770</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>\$ -</b>	<b>(294,967)</b>	<b>\$ (294,967)</b>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)****WATER AND SEWER OPERATING FUND**

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Current Year</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal retirement		\$ 2,527,941	
Amortization of defease debt loss from debt issuances		(14,797)	
Amortization of premiums		163,716	
Capital outlay		3,273,050	
Capital contributions		4,342,950	
Changes in net pension obligation		(193,025)	
Changes in OPEB obligation		558	
Changes in deferred outflow - pension and OPEB		147,761	
Changes in deferred inflow - pension and OPEB		(8,349)	
Changes in accrued interest		10,340	
Increase in compensated absences		(4,943)	
Expenses incurred in the Capital Project Fund		(2,959,320)	
Interest income Capital Projects Fund and Capital Reserve Fund		206,192	
Grant revenue in the Capital Projects Fund		91,728	
System development fees		3,595,306	
Transfer to Water and Sewer Capital Projects Fund		3,415,770	
Transfer from Water and Sewer Capital Reserve Fund		(2,625,000)	
Depreciation		(3,205,101)	
<b>Total reconciling items</b>		<u>8,764,777</u>	
<b>Change in net position</b>		<u>\$ 8,469,810</u>	

# TOWN OF FUQUAY-VARINA, NORTH CAROLINA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

### WATER AND SEWER CAPITAL PROJECTS FUND

FROM INCEPTION TO JUNE 30, 2019

	Budget	Prior Year	Closed Projects	Current Year	Total to Date
<b>Nonoperating revenues:</b>					
Developer improvements	\$ -	\$ 253,434	\$ -	\$ -	\$ 253,434
Interest and investment earnings	60,057	318,635	-	115,368	434,003
Grant revenue	112,235	-	-	91,728	91,728
<b>Total nonoperating revenue</b>	<u>172,292</u>	<u>572,069</u>	<u>-</u>	<u>207,096</u>	<u>779,165</u>
<b>Expenditures</b>					
Sewer projects	40,468,146	32,625,174	(57,038)	1,871,572	34,439,708
Water projects	8,525,180	4,172,249	(108,066)	1,087,748	5,151,931
Interest and other charges	30,741	-	-	-	-
<b>Total expenditures</b>	<u>49,024,067</u>	<u>36,797,423</u>	<u>(165,104)</u>	<u>2,959,320</u>	<u>39,591,639</u>
<b>Deficiency of revenues under expenditures</b>	<u>(48,851,775)</u>	<u>(36,225,354)</u>	<u>165,104</u>	<u>(2,752,224)</u>	<u>(38,812,474)</u>
<b>Other financing sources (uses)</b>					
Transfer from other funds:					
Water and Sewer Capital Reserve Fund	4,241,416	3,870,417	-	371,000	4,241,417
Water and Sewer Operating Fund	8,282,971	4,867,201	(165,104)	3,415,770	8,117,867
Proceeds from installment purchase	-	107,265	-	-	107,265
Proceeds from bond issuance	36,327,388	36,295,053	-	-	36,295,053
<b>Total other financing sources (uses)</b>	<u>48,851,775</u>	<u>45,139,936</u>	<u>(165,104)</u>	<u>3,786,770</u>	<u>48,761,602</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>\$ 8,914,582</u>	<u>\$ -</u>	<u>1,034,546</u>	<u>\$ 9,949,128</u>
<b>Fund balance, beginning</b>				<u>8,914,582</u>	
<b>Fund balance, ending</b>				<u>\$ 9,949,128</u>	

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA****SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)****WATER AND SEWER CAPITAL RESERVE FUND***YEAR ENDED JUNE 30, 2019*

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	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Nonoperating revenues:</b>			
Interest and investment earnings	\$ -	\$ 90,824	\$ 90,824
System development fees	2,996,000	3,595,306	599,306
<b>Total nonoperating revenue</b>	<u>2,996,000</u>	<u>3,686,130</u>	<u>690,130</u>
 <b>Other financing sources (uses)</b>			
Transfer to other funds:			
Water and Sewer Operating Fund	(2,625,000)	(2,625,000)	-
Water and Sewer Capital Projects Fund	(371,000)	(371,000)	-
<b>Total other financing sources (uses)</b>	<u>(2,996,000)</u>	<u>(2,996,000)</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>\$ 690,130</u>	<u>\$ 690,130</u>

# Other Schedules

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

YEAR ENDED JUNE 30, 2019

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2018</b>	<b>Additions</b>	<b>Collections, Credits, and Adjustments</b>	<b>Uncollected Balance June 30, 2019</b>
2018-2019	\$ -	\$ 15,343,053	\$ 15,312,987	\$ 30,066
2017-2018	23,833	-	9,263	14,570
2016-2017	6,377	-	3,396	2,981
2015-2016	4,882	-	675	4,207
2014-2015	2,982	-	297	2,685
2013-2014	11,609	-	428	11,181
2012-2013	15,146	-	404	14,742
2011-2012	17,548	-	238	17,310
2010-2011	16,464	-	60	16,404
2009-2010	14,217	-	14,217	-
	<u>\$ 113,058</u>	<u>\$ 15,343,053</u>	<u>\$ 15,341,965</u>	114,146
Less allowance for uncollectible taxes				(59,636)
General Fund Taxes Receivable, net				<u>\$ 54,510</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 14,904,024
Auto licenses - General Fund				434,265
Reconciling items:				
Interest & penalties				(26,326)
Taxes written off				30,002
Total collections and credits				<u>\$ 15,341,965</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**

YEAR ENDED JUNE 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at current	\$ 3,448,391,560	0.4325	\$ 14,884,843	\$ 13,570,051	\$ 1,314,792
Vehicle tags	-		437,995	3,730	434,265
Penalties	-		6,552	6,552	-
<b>Total</b>	<u>3,448,391,560</u>		<u>15,329,390</u>	<u>13,580,333</u>	<u>1,749,057</u>
 <b>Discoveries</b>	 <u>10,705,895</u>		 <u>46,303</u>	 <u>46,303</u>	 <u>-</u>
 <b>Abatements</b>	 <u>(7,546,821)</u>		 <u>(32,640)</u>	 <u>(32,640)</u>	 <u>-</u>
Total property valuation	<u>\$ 3,451,550,634</u>				
 <b>Net levy</b>			15,343,053	13,593,996	1,749,057
 <b>Uncollected taxes at June 30, 2019</b>			30,066	30,066	-
Current year's taxes collected			<u>\$ 15,312,987</u>	<u>\$ 13,563,930</u>	<u>\$ 1,749,057</u>
 <b>Current levy collection percentage</b>			<u>99.80%</u>	<u>99.78%</u>	<u>100.00%</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**

*YEAR ENDED JUNE 30, 2019*

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**Secondary Market Disclosures**

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Assessed valuation	89%
Real property	\$ 2,992,272,304
Personal property	132,470,670
Public service value	22,268,867
Vehicle value	304,538,793
Total assessed valuation	<u>3,451,550,634</u>
Tax rate per \$100	<u>0.4325</u>
Levy, includes discoveries, abatements, penalties, and vehicle decal fees	<u><u>\$ 15,343,053</u></u>



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TEN LARGEST TAXPAYERS**

YEAR ENDED JUNE 30, 2019

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2018 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
BH Marquee Station LLC	Developer	\$ 35,899,250	1.040%
Stan Johnson & Associates	Developer	31,939,488	0.925%
John Deere Turf Care, Inc.	Manufacturer	25,097,853	0.727%
Meridian at Broad Street Market LLC	Developer	23,844,852	0.691%
Deere and Company	Manufacturer	21,349,688	0.619%
Kings Grant Commons Retail Inv	Developer	15,349,276	0.445%
TE Connectivity Corporation	Technology Engineering	12,034,972	0.349%
AMH NC Properties LP	Developer	11,612,680	0.336%
SUSO 1 Fuquay LP	Real Estate	11,219,964	0.325%
Universal Properties/Wake LLC	Real Estate	10,836,011	0.314%
<b>Total</b>		<b>\$ 199,184,034</b>	<b>5.77%</b>

# Statistical Section

This part of the Town of Fuquay-Varina's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. This section is the chief source of information regarding a government's economic condition and is organized around the following five specific objectives:

**Financial Trends** – These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

**Revenue Capacity** – These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

**Debt Capacity** – These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

**Demographic and Economic Information** – These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

**Operating Information** – These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net invested in capital assets	\$ 45,111,429	\$ 46,270,905	\$ 47,547,219	\$ 50,376,461	\$ 56,031,662	\$ 52,606,606	\$ 59,671,228	\$ 67,288,658	\$ 81,601,215	\$ 82,138,039
Restricted	1,689,173	2,226,112	2,437,897	2,760,093	3,044,577	3,536,917	3,566,723	4,591,347	6,439,655	18,929,007
Unrestricted	16,183,806	16,349,579	19,100,477	22,272,799	24,035,264	22,981,489	24,586,260	25,448,528	12,165,649	12,639,812
Total governmental activities net assets	62,984,408	64,846,596	69,085,593	75,409,353	83,111,503	79,125,012	87,824,211	97,328,533	100,206,519	113,706,858
Business-type Activities										
Net invested in capital assets	33,231,830	33,710,266	33,977,287	36,816,162	39,976,593	39,319,851	42,255,155	48,342,138	53,976,317	57,064,760
Unrestricted	9,019,777	6,691,710	7,778,907	7,837,206	7,913,435	11,234,691	14,388,153	14,694,721	15,418,950	20,800,317
Restricted	-	892,426	892,782	-	-	-	-	-	-	-
Total business-type activities net assets	42,251,607	41,294,402	42,648,976	44,653,368	47,890,028	50,554,542	56,643,308	63,036,859	69,395,267	77,865,077
Primary Government										
Net invested in capital assets	78,343,259	79,981,171	81,524,506	87,192,623	96,008,255	91,926,457	101,926,383	115,630,796	135,577,532	139,202,799
Restricted	1,689,173	3,118,538	3,330,679	2,760,093	3,044,577	3,536,917	3,566,723	4,591,347	6,439,655	18,929,007
Unrestricted	25,203,583	23,041,289	26,879,384	30,110,005	31,948,699	34,216,180	38,974,413	40,143,249	27,584,599	33,440,129
Total primary government net assets	\$ 105,236,015	\$ 106,140,998	\$ 111,734,569	\$ 120,062,721	\$ 131,001,531	\$ 129,679,554	\$ 144,467,519	\$ 160,365,392	\$ 169,601,786	\$ 191,571,935

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

Table 2  
Page 1 of 3

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 1,539,544	\$ 1,657,441	\$ 1,614,063	\$ 1,735,808	\$ 2,069,541	\$ 2,060,407	\$ 2,230,489	\$ 2,422,468	\$ 3,619,215	\$ 4,009,806
Public Safety	6,771,571	6,212,877	7,095,468	7,050,444	7,195,651	7,778,442	8,434,870	9,928,712	11,911,546	12,948,234
Transportation	3,391,680	2,075,440	1,858,007	1,906,966	2,086,194	10,284,260	3,119,951	3,312,049	7,673,075	7,909,053
Environmental Protection	1,140,883	1,223,641	1,383,076	1,402,188	1,554,042	1,576,257	1,532,867	1,993,861	2,751,781	2,742,243
Culture and Recreation	1,346,444	1,761,755	1,424,428	1,525,442	1,548,259	1,866,561	2,619,085	2,848,281	4,043,294	4,008,502
Economic and physical development	515,732	587,070	519,833	664,099	612,999	697,657	748,065	1,348,022	1,338,016	1,610,558
Central Services	1,295,538	1,289,933	1,332,704	1,432,907	1,466,950	1,596,833	1,879,646	1,862,326	2,085,141	2,369,402
Special Contributions	79,515	81,515	85,365	91,800	104,800	106,500	110,500	66,227	71,975	75,000
Interest on long-term debt	231,495	306,194	288,908	499,977	343,709	298,504	493,893	409,393	364,634	998,708
Total governmental activities expense	16,312,402	15,195,866	15,601,852	16,309,631	16,982,145	26,265,421	21,169,366	24,191,339	33,858,677	36,671,506
Business-type activities:										
Water and sewer	6,258,181	7,612,484	6,794,513	7,352,181	7,290,560	7,961,699	9,666,387	10,479,944	11,461,641	11,693,145
Total primary government expenses	22,570,583	22,808,350	22,396,365	23,661,812	24,272,705	34,227,120	30,835,753	34,671,283	45,320,318	48,364,651
Program Revenues										
Governmental activities:										
Charges for services										
General government	1,405	9,218	32,874	12,100	46,292	94,532	29,589	77,686	134,261	240,620
Public Safety	464,721	379,589	508,959	691,502	686,232	839,409	1,073,858	1,087,007	1,080,740	995,480
Transportation	1,538	5,632	245,423	6,964	28,402	46,059	18,678	40,010	83,407	156,298
Environmental Protection	1,099,752	1,152,834	1,234,707	1,322,379	1,401,488	1,505,822	1,603,648	1,717,845	1,805,062	2,296,891
Culture and Recreation	360,765	302,565	301,165	500,387	739,635	768,790	951,402	1,212,540	969,961	1,497,617
Economic and Physical Development	30,537	34,916	35,994	49,702	62,110	71,475	94,435	139,025	121,360	129,085
Central Services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	-	43,835	-	-	-	-	-	-	-	-
Public Safety	1,825,719	1,391,798	1,396,453	1,469,757	1,495,404	1,603,591	1,568,912	2,040,915	2,014,233	2,049,432
Transportation	-	460,429	496,216	522,124	546,566	563,018	609,192	630,848	662,909	685,206
Environmental Protection	-	134,225	53,558	109,777	92,018	134,716	-	-	-	-
Culture and Recreation	-	-	20,195	17,300	2,600	74,279	86,729	76,054	5,350	11,101
Capital grants and contributions:										
General government	337,340	-	-	-	-	-	-	-	-	-
Public Safety	1,566,131	-	300,882	90,750	-	-	-	-	-	-
Transportation	3,545,378	772,439	1,797,902	4,087,876	4,971,380	2,287,342	6,879,137	7,354,789	10,023,143	12,819,702
Environmental Protection	214,173	-	10,080	-	-	-	-	-	-	-
Culture and Recreation	538,563	-	389,500	226,145	-	-	-	-	-	4,000,000
Economic and Physical Development	9,338	-	-	-	-	-	-	-	-	-
Central Services	52,033	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	\$ 10,047,393	\$ 4,687,480	\$ 6,823,908	\$ 9,106,763	\$ 10,072,127	\$ 7,989,033	\$ 12,915,580	\$ 14,376,719	\$ 16,900,426	\$ 24,881,432

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

Table 2  
Page 2 of 3

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activity: Water and sewer										
Charges for services	\$ 5,756,285	\$ 5,898,913	\$ 6,251,449	\$ 6,577,148	\$ 6,696,485	\$ 7,801,923	\$ 8,890,450	\$ 9,857,763	\$ 10,962,166	\$ 11,614,572
Operating grants and contributions	235,316	219,774	294,613	340,295	314,743	388,602	421,623	450,724	436,211	419,844
Capital grants and contributions	-	-	-	-	-	-	3,227,899	3,573,619	3,289,920	4,434,678
Total business activity program revenues	5,991,601	6,118,687	6,546,062	6,917,443	7,011,228	8,190,525	12,539,972	13,882,106	14,688,297	16,469,094
Total primary government program revenues	16,038,994	10,806,167	13,369,970	16,024,206	17,083,355	16,179,558	25,455,552	28,258,825	31,588,723	41,350,526
Net (Expense) Revenue										
Governmental activities	(6,265,009)	(10,508,386)	(8,777,944)	(7,202,868)	(6,910,018)	(18,276,388)	(8,253,786)	(9,814,620)	(16,958,251)	(11,790,074)
Business-type activity	(266,580)	(1,493,797)	(248,451)	(434,738)	(279,332)	228,826	2,873,585	3,402,162	3,226,656	4,775,949
Total primary government net expense	(6,531,589)	(12,002,183)	(9,026,395)	(7,637,606)	(7,189,350)	(18,047,562)	(5,380,201)	(6,412,458)	(13,731,595)	(7,014,125)
General revenues and other charges in net assets										
Governmental activities:										
Property Taxes	7,940,834	8,068,383	8,378,620	8,650,712	9,285,897	9,747,060	10,381,919	12,827,696	13,825,638	14,890,146
Other taxes and license	131,425	144,301	148,243	201,655	195,918	171,209	146,994	156,356	345,019	492,271
Grants and contributions not restricted to programs	3,460,800	3,783,416	4,227,582	4,334,873	4,631,873	5,460,908	6,170,610	6,518,808	6,951,844	7,796,320
Unrestricted Investment earnings	36,577	28,335	13,245	12,652	2,785	4,365	60,947	161,029	370,213	972,346
Gain (Loss) sale of assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	250,474	166,139	51,751	146,736	101,989	156,036	192,515	228,558	400,003	855,924
Transfers	180,000	180,000	197,500	180,000	180,000	180,000	-	219,720	306,783	283,406
Total Governmental activities	12,000,110	12,370,574	13,016,941	13,526,628	14,398,462	15,719,578	16,952,985	20,112,167	22,199,500	25,290,413
Business-type activity:										
Unrestricted investment earnings	13,712	11,347	4,888	4,016	1,785	2,074	45,108	143,043	226,298	298,440
Water and sewer system development fees	675,957	255,767	981,715	875,107	1,401,127	1,524,035	3,084,005	2,888,666	3,469,748	3,595,306
Gain (Loss) sale of assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	190,786	219,273	180,098	220,212	115,899	115,304	86,068	179,400	214,002	83,521
Transfers	(180,000)	(180,000)	(197,500)	(180,000)	(180,000)	(180,000)	-	(219,720)	(306,783)	(283,406)
Donations of capital assets	-	230,205	633,824	1,519,795	2,177,181	1,110,309	-	-	-	-
Capital Contributions to another governmental unit	1,258,206	-	-	-	-	-	-	-	-	-
Total Business-type activity	\$ 1,958,661	\$ 536,592	\$ 1,603,025	\$ 2,439,130	\$ 3,515,992	\$ 2,571,722	\$ 3,215,181	\$ 2,991,389	\$ 3,603,265	\$ 3,693,861

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

Table 2  
Page 3 of 3

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Primary Government	\$ 13,958,771	\$ 12,907,166	\$ 14,619,966	\$ 15,965,758	\$ 17,914,454	\$ 18,291,300	\$ 20,168,166	\$ 23,103,556	\$ 25,802,765	\$ 28,984,274
Change in Net Position										
Governmental activities	5,735,101	1,862,188	4,238,997	6,323,760	7,488,444	(2,556,810)	8,699,199	10,297,547	5,241,249	13,500,339
Business-type activity	1,692,081	(957,205)	1,354,574	2,004,392	3,236,660	2,800,548	6,088,766	6,393,551	6,738,193	8,469,810
Prior period adjustment	-	-	-	-	-	-	-	(793,225)	(2,743,048)	-
Total Primary Government	<u>\$ 7,427,182</u>	<u>\$ 904,983</u>	<u>\$ 5,593,571</u>	<u>\$ 8,328,152</u>	<u>\$ 10,725,104</u>	<u>\$ 243,738</u>	<u>\$ 14,787,965</u>	<u>\$ 15,897,873</u>	<u>\$ 9,236,394</u>	<u>\$ 21,970,149</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years

Table 3  
 Page 1 of 2

	<u>Fiscal Year</u>
	<u>2010</u>
General Fund	
Reserved for:	
Federal Forfeitures	\$ 8,343
Parks and Recreation	2,500
State statute	997,548
Streets-Powell Bill	680,782
Total Reserved	<u>1,689,173</u>
Designated	1,356,000
Unreserved, undesignated	<u>9,853,919</u>
Total General Fund	<u>12,899,092</u>
All Other Governmental Funds	
Reserved for:	
Unexpended loan proceeds	-
Capital Improvements	6,632,073
UDAG/Recreation/Misc	969,715
Debt Service	1,671,561
Total all other Governmental Funds	<u>9,273,349</u>
Total Governmental Fund Balances	<u><u>\$ 22,172,441</u></u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

Table 3  
Page 2 of 2

	Fiscal Years								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund									
Restricted:									
Federal forfeitures	\$ 3,736	\$ 203	\$ 13,707	\$ 3,900	\$ 3,900	\$ 4,061	\$ 1,698	\$ 5,326	\$ 3,382
Stabilization by State statute	1,200,099	1,264,836	1,273,099	1,380,199	1,697,155	1,977,134	2,237,881	2,200,846	2,535,865
Streets - Powell Bill	1,022,277	1,172,858	1,473,287	1,611,031	1,738,405	1,425,482	1,847,216	2,004,028	1,755,094
Committed:									
Economic Development	969,715	969,714	969,714	969,714	969,714	719,714	719,714	719,714	719,714
Assigned:									
Parks and recreation	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Subsequent years expenditures	-	2,078,000	112,000	-	225,000	-	-	1,932,154	1,189,271
Law enforcement officers' pension benefits	-	-	-	344,831	344,830	344,830	346,531	349,363	353,032
Unassigned	11,396,370	11,260,612	13,399,352	14,448,063	15,422,046	17,807,455	17,428,499	16,189,751	18,452,852
Total General Fund	14,594,697	16,748,723	17,243,659	18,760,238	20,403,550	22,281,176	22,584,039	23,403,682	25,011,710
All other governmental funds									
Restricted:									
Stabilization by State statute	-	-	-	-	97,457	160,046	504,552	2,229,455	1,107,451
Street Improvements	-	-	-	-	-	-	-	-	13,527,215
Debt Service	-	-	-	-	-	-	-	-	3,299,939
Committed:									
Capital projects fund	3,060,454	1,850,066	5,701,741	5,333,973	5,584,865	5,409,518	7,722,977	(3,350,819)	9,279,213
Assigned:									
Capital reserve fund	1,815,082	1,911,442	2,204,121	2,009,284	1,170,719	1,250,155	1,488,088	1,729,018	2,608,527
Debt service fund	1,673,155	1,673,993	1,739,695	1,739,958	1,740,179	1,743,258	1,622,119	853,434	958,993
Total all other governmental funds	6,548,691	5,435,501	9,645,557	9,083,215	8,593,220	8,562,977	11,337,736	1,461,088	30,781,338
Total governmental fund balances	<u>\$ 21,143,388</u>	<u>\$ 22,184,224</u>	<u>\$ 26,889,216</u>	<u>\$ 27,843,453</u>	<u>\$ 28,996,770</u>	<u>\$ 30,844,153</u>	<u>\$ 33,921,775</u>	<u>\$ 24,864,770</u>	<u>\$ 55,793,048</u>

Note: Fiscal Year 2011 and forward is presented in conformity with GASB Statement No. 54 which was implemented in Fiscal Year 2011.



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

Table 4

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Ad valorem taxes	\$ 7,945,315	\$ 8,102,208	\$ 8,426,304	\$ 8,653,279	\$ 9,331,267	\$ 9,805,722	\$ 10,383,691	\$ 12,826,474	\$ 13,851,251	\$ 14,904,024
Other taxes and licenses	131,426	144,301	148,243	201,655	195,918	171,209	146,994	156,356	345,019	492,271
Unrestricted Intergovernmental	3,472,290	3,790,969	4,124,693	4,334,873	4,631,873	5,460,908	6,170,610	6,455,315	6,913,629	7,796,320
Restricted Intergovernmental	2,055,627	1,910,731	2,180,871	2,458,301	2,067,939	3,185,087	2,717,623	3,441,524	6,475,290	6,350,007
Permits and fees	705,649	536,011	697,463	975,005	1,161,985	1,336,101	1,639,913	1,863,999	1,699,851	2,689,454
Sales and Services	1,245,408	1,341,190	1,442,781	1,610,289	1,804,959	1,992,691	2,134,222	2,412,554	2,510,721	2,673,545
Investment earnings	36,557	28,336	13,254	12,654	2,785	4,365	60,946	161,028	370,213	972,346
Miscellaneous	250,081	578,572	461,503	289,812	194,499	371,549	231,969	325,653	434,981	828,821
<b>Total Revenues</b>	<b>15,842,353</b>	<b>16,432,318</b>	<b>17,495,112</b>	<b>18,535,868</b>	<b>19,391,225</b>	<b>22,327,632</b>	<b>23,485,968</b>	<b>27,642,903</b>	<b>32,600,955</b>	<b>36,706,788</b>
<b>Expenditures</b>										
Current:										
General Government	1,387,978	1,529,903	1,517,584	1,622,540	1,991,342	1,991,766	2,154,727	2,249,422	2,422,079	2,502,143
Public Safety	5,618,905	5,926,742	6,864,738	6,743,799	6,964,332	7,609,656	8,225,557	9,199,813	9,864,552	10,993,349
Transportation	1,315,444	1,222,085	1,207,451	1,101,997	1,462,778	1,594,515	2,055,973	1,626,997	1,656,646	2,180,760
Environmental Protection	1,050,218	1,157,077	1,329,127	1,331,894	1,496,603	1,497,640	1,472,061	1,871,439	2,290,067	2,250,468
Culture and Recreation	1,086,103	1,578,429	1,286,314	1,365,259	1,424,960	1,646,370	2,426,420	2,424,306	2,700,476	3,227,311
Economic and Physical development	509,645	584,864	518,335	664,099	612,999	725,726	760,149	1,333,818	1,314,975	1,033,592
Central Services	1,272,160	1,271,375	1,323,849	1,431,212	1,465,681	1,614,094	1,873,379	1,832,323	1,936,343	2,296,332
Debt Service:										
Principal	368,530	605,000	605,000	605,000	780,000	780,000	780,000	1,180,000	1,180,000	1,180,000
Interest and other charges	193,298	311,320	294,034	312,445	334,253	313,489	292,817	356,643	407,091	596,784
Special Contributions:										
Other agencies	79,515	81,515	85,365	91,800	104,800	106,500	110,500	66,227	71,975	75,000
Capital Outlay	1,945,269	3,373,061	1,602,479	2,281,989	2,310,840	3,474,559	7,514,158	2,644,014	18,120,539	14,149,131
<b>Total Expenditures</b>	<b>14,827,065</b>	<b>17,641,371</b>	<b>16,634,276</b>	<b>17,552,034</b>	<b>18,948,588</b>	<b>21,354,315</b>	<b>27,665,741</b>	<b>24,785,002</b>	<b>41,964,743</b>	<b>40,484,870</b>
<b>Revenues over (under) expenditures</b>	<b>1,015,288</b>	<b>(1,209,053)</b>	<b>860,836</b>	<b>983,834</b>	<b>442,637</b>	<b>973,317</b>	<b>(4,179,773)</b>	<b>2,857,901</b>	<b>(9,363,788)</b>	<b>(3,778,082)</b>
<b>Other Financing Sources (Uses):</b>										
Transfers from other funds	1,720,125	2,570,664	1,482,516	3,458,013	3,479,602	4,129,298	2,324,489	7,988,151	8,241,112	6,036,533
Transfers to other funds	(1,540,125)	(2,390,664)	(1,302,516)	(3,278,013)	(3,299,602)	(3,949,298)	(2,324,490)	(7,768,430)	(7,934,329)	(5,753,127)
Proceeds from installment purchase	-	-	-	-	-	-	6,000,000	-	-	-
Proceeds from bond issuance	6,500,000	-	-	3,500,000	-	-	-	-	-	31,365,000
Premiums from bond issuance	103,467	-	-	41,158	-	-	(103,467)	-	-	3,295,300
Bond issuance costs	(130,624)	-	-	-	-	-	130,624	-	-	(237,346)
<b>Total other financing sources (uses)</b>	<b>6,652,843</b>	<b>180,000</b>	<b>180,000</b>	<b>3,721,158</b>	<b>180,000</b>	<b>180,000</b>	<b>6,027,156</b>	<b>219,721</b>	<b>306,783</b>	<b>34,706,360</b>
<b>Net Change in Fund Balances</b>	<b>\$ 7,668,131</b>	<b>\$ (1,029,053)</b>	<b>\$ 1,040,836</b>	<b>\$ 4,704,992</b>	<b>\$ 622,637</b>	<b>\$ 1,153,317</b>	<b>\$ 1,847,383</b>	<b>\$ 3,077,622</b>	<b>\$ (9,057,005)</b>	<b>\$ 30,928,278</b>
<b>Debt Services as a percentage of non-capital expenditures</b>	<b>6.41%</b>	<b>6.75%</b>	<b>7.37%</b>	<b>7.99%</b>	<b>10.00%</b>	<b>6.89%</b>	<b>11.24%</b>	<b>7.02%</b>	<b>5.09%</b>	<b>5.45%</b>

Note:

(1) This table was prepared using the modified accrual basis of accounting

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**GOVERNMENT-WIDE REVENUES**  
Last Ten Fiscal Years

Table 5

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Other Taxes and Licenses</b>	<b>Unrestricted Intergovernmental</b>	<b>Miscellaneous</b>	<b>Unrestricted Investment Earnings</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Other Items</b>	<b>Fiscal Year Total</b>
2010	\$ 7,940,834	\$ 131,426	\$ 3,460,800	\$ 441,260	\$ 50,269	\$ 7,715,003	\$ 2,061,035	\$ 6,262,956	\$ 1,934,163	\$ 29,997,746
2011	8,068,383	144,301	3,783,416	385,412	39,682	7,783,667	2,250,061	772,439	485,972	23,713,333
2012	8,378,620	148,243	4,227,582	231,849	18,133	8,610,571	2,261,035	2,498,364	1,615,539	27,989,936
2013	8,650,712	201,655	4,334,873	366,948	16,668	9,160,182	2,459,253	4,404,771	2,394,902	31,989,964
2014	9,285,897	195,918	4,631,873	217,888	4,570	9,660,644	2,451,331	4,971,380	3,578,308	34,997,809
2015	9,747,060	171,209	5,460,908	271,340	6,439	11,128,010	2,764,206	2,287,342	2,634,344	34,470,858
2016	10,381,919	146,994	6,170,610	278,583	106,055	12,662,060	2,686,456	10,107,036	3,084,005	45,623,718
2017	12,827,696	156,356	6,518,808	407,958	304,072	14,131,876	3,198,541	10,928,408	2,888,666	51,362,381
2018	13,825,638	345,019	6,951,844	614,005	596,511	15,156,957	3,118,703	13,221,335	3,469,748	57,299,760
2019	14,890,146	492,271	7,796,320	939,445	1,270,786	16,930,563	3,165,583	21,254,380	3,595,306	70,334,800

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**GENERAL GOVERNMENT REVENUES BY SOURCE**  
Last Ten Fiscal Years

Table 6

<b>Fiscal Year</b>	<b>Ad Valorem Taxes</b>	<b>Other Taxes and Licenses</b>	<b>Intergovernmental</b>	<b>Permits &amp; Fees</b>	<b>Sales &amp; Services</b>	<b>Investment Earnings</b>	<b>Miscellaneous</b>	<b>Fiscal Year Total</b>	<b>Per Capita Revenues (2)</b>
2010	\$ 7,945,315	\$ 131,426	\$ 5,309,184	\$ 444,144	\$ 1,245,408	\$ 23,311	\$ 58,736	\$ 15,157,524	\$ 839
2011	8,102,208	144,301	5,660,046	383,164	1,341,190	18,482	459,153	16,108,544	864
2012	8,426,304	148,243	6,305,564	545,117	1,442,781	8,908	77,700	16,954,617	875
2013	8,653,279	201,655	6,400,816	694,219	1,610,289	7,657	180,034	17,747,949	864
2014	9,331,267	195,918	6,699,812	1,161,985	1,804,959	2,785	194,499	19,391,225	905
2015	9,805,722	171,209	8,645,995	1,336,101	1,992,691	4,365	371,549	22,327,632	999
2016	10,383,691	146,994	8,888,233	1,639,913	2,134,222	60,946	231,969	23,485,968	908
2017	12,826,474	156,356	9,896,839	1,863,999	2,412,554	161,028	325,653	27,642,903	1,042
2018	13,851,251	345,019	13,388,919	1,699,851	2,510,721	370,213	434,981	32,600,955	1,168
2019	14,904,024	492,271	14,146,327	2,689,454	2,673,545	972,346	828,821	36,706,788	1,257

Note:

(1) This table was prepared using the modified  
accrual basis of accounting.

(2) See table 12 for population data.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

Table 7

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property (3)</b>		<b>Total</b>	<b>Property Tax Rate (Per \$100 Assessed Value)</b>
2010	\$	1,801,882,809	\$	261,962,806	\$ 2,063,845,615	0.3850
2011		1,837,213,605		254,741,217	2,091,954,822	0.3850
2012		1,909,572,444		264,574,415	2,174,146,859	0.3850
2013		1,968,188,289		278,540,935	2,246,729,224	0.3850
2014		2,063,843,696		363,196,418	2,427,040,114	0.3850
2015		2,202,531,002		326,099,735	2,528,630,737	0.3850
2016		2,341,281,004		353,060,943	2,694,341,947	0.3850
2017		2,593,154,355		402,196,102	2,995,350,457	0.4325
2018		2,758,711,187		418,529,015	3,177,240,202	0.4325
2019		2,992,272,304		459,278,330	3,451,550,634	0.4325

**Note:**

- (1) Assessed value is established by Wake County Tax Department.
- (2) A revaluation of all property is required every eight (8) years by State Statute. The most recent revaluation occurred in 2016.
- (3) Personal Property includes Public Service values and vehicle values.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**

Table 8

<b>Fiscal Year</b>	<b>Town of Fuquay-Varina</b>	<b>Wake County</b>	<b>Combined Tax Rate (Per \$100 Assessed Value)</b>
2010	0.3850	0.534	0.919
2011	0.3850	0.534	0.919
2012	0.3850	0.534	0.919
2013	0.3850	0.534	0.919
2014	0.3850	0.578	0.963
2015	0.3850	0.6145	1.000
2016	0.4325	0.6005	1.0330
2017	0.4325	0.6150	1.0475
2018	0.4325	0.6544	1.0869
2019	0.4325	0.7207	1.1532

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
Last Ten Fiscal Years

Table 9

Taxpayer	2019			2009		
	2019 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2009 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
BH Marquee Station	\$ 35,899,250	1	1.04%			
Stan Johnson & Associates, LLC	31,939,488	2	0.93%	\$ 23,074,248	2	1.73%
John Deere Turf Care, Inc.	25,097,853	3	0.73%	26,942,716	1	2.02%
Deere and Company	21,349,688	5	0.62%			
TYCO Electronic			0.00%	22,165,340	3	1.66%
Kings Grant Commons Retail Investor	15,349,276	6	0.44%			
Meridian at Broud St Market LLC	23,844,852	4	0.69%			
SUSO 1 Fuquay LP	11,219,964	9	0.33%			
AMH NC Properties LP	11,612,680	8	0.34%			
Universal Properties/Wake LLC	10,836,011	10	0.31%			
TE Connectivity Corporation	12,034,972	7	0.35%			
Wake County Board of Elections				18,659,586	4	1.40%
Guilford Mills Inc.				17,258,838	5	1.30%
Smith Womble Properties LLC				9,159,341	6	0.69%
WM Fuquay Limited Partnership				8,764,262	7	0.66%
Nexans, INC				7,477,809	8	0.56%
Carolina Telephone				6,912,718	9	0.52%
Fuquay Crossing II LLC				6,725,482	10	0.51%
Total assessed value	<u>\$ 3,451,550,634</u>			<u>\$ 1,331,445,432</u>		

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Fiscal Years

Table 10

Fiscal Year	Original Levy	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2010	\$ 8,014,625	\$ (14,217)	\$ 8,000,408	\$ 7,828,310	97.68%	\$ 172,098	8,000,408	100.00%
2011	8,135,036	-	8,135,036	7,976,931	98.06%	141,701	8,118,632	99.80%
2012	8,454,393	-	8,454,393	8,337,970	98.62%	99,113	8,437,083	99.80%
2013	8,723,148	-	8,723,148	8,602,084	98.61%	106,322	8,708,406	99.83%
2014	8,828,320	-	8,828,320	8,758,237	99.21%	58,902	8,817,139	99.87%
2015	9,832,960	-	9,832,960	9,815,882	99.83%	14,393	9,830,275	99.97%
2016	10,478,189	-	10,478,189	10,446,851	99.70%	27,131	10,473,982	99.96%
2017	12,930,715	-	12,930,715	12,900,099	99.76%	27,635	12,927,734	99.98%
2018	13,781,225	-	13,781,225	13,757,392	99.83%	9,263	13,766,655	99.89%
2019	15,343,053	-	15,343,053	15,312,987	99.80%	-	15,312,987	99.80%

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
Last Ten Fiscal Years

Table 11

Fiscal Year	Governmental Activities				Business Type Activities				Total Primary Government	Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	Promissory Notes	Installment Notes	Capitalized Leases	General Obligation Bonds	Revenue Bonds	Promissory Notes	Installment Notes			
2010	\$ 6,598,021	\$ 2,140,000	\$ 1,080,000	\$ -	\$ 9,042,941	\$ 8,805,000	\$ 15,775,000	\$ 1,700,000	\$ 45,140,962	0.081	2,497
2011	6,267,575	1,980,000	960,000	-	8,575,634	8,320,000	14,847,059	1,600,000	42,550,268	0.073	2,282
2012	5,937,130	1,820,000	840,000	-	7,814,775	7,590,000	13,919,118	1,500,000	39,421,023	N/A	2,034
2013	9,145,732	1,660,000	720,000	-	6,998,916	6,805,000	12,991,176	1,500,000	39,820,824	N/A	1,940
2014	8,638,175	1,500,000	600,000	-	6,193,057	6,030,000	12,063,235	1,400,000	36,424,467	N/A	1,700
2015	8,130,619	240,000	1,580,000	-	5,397,200	5,265,000	11,135,294	1,300,000	33,048,113	0.056	1,478
2016	7,623,062	180,000	6,941,530	-	4,616,342	33,995,053	10,207,353	1,200,000	64,763,340	0.090	2,504
2017	7,115,507	120,000	7,456,569	-	3,850,482	33,791,850	9,279,412	1,100,000	62,713,820	0.079	2,364
2018	6,607,950	60,000	6,209,671	-	3,094,624	33,639,448	8,351,471	1,000,000	58,963,164	0.076	2,113
2019	40,760,417	-	5,500,000	-	2,345,000	32,725,355	7,423,530	900,000	89,654,302	N/A	3,070



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

**RATIO OF GROSS BONDED DEBT TO ASSESSED VALUE AND GROSS/NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

Table 12

Fiscal Year	(1) Population	Assessed Value	Gross Bonded Debt (2)	Allowable Statutory Deductions (3)	Net Bonded Debt	Ratio of Gross Bonded Debt to Assessed Value	Net Bonded Debt Per Capita	Gross Bonded Debt Per Capita
2010	18,076	\$ 1,801,882,809	\$ 15,640,962	\$ 8,805,000	\$ 6,835,962	0.87%	\$ -	\$ 865
2011	18,644	1,837,213,605	14,843,209	8,320,000	6,523,209	0.81%	350	796
2012	19,385	1,909,572,444	13,751,905	7,590,000	6,161,905	0.72%	318	709
2013	20,531	1,968,188,289	16,144,648	6,805,000	9,339,648	0.82%	455	786
2014	21,426	2,427,040,114	14,831,232	6,030,000	8,801,232	0.61%	411	692
2015	22,361	2,528,630,737	13,527,819	5,265,000	8,262,819	0.53%	370	605
2016	25,865	2,694,341,947	12,239,404	4,515,000	7,724,404	0.45%	299	473
2017	26,524	2,995,350,457	10,965,989	3,780,000	7,185,989	0.37%	271	413
2018	27,906	3,177,240,202	9,702,574	3,055,000	6,647,574	0.31%	238	348
2019	29,200	3,451,550,634	39,735,000	2,345,000	37,390,000	1.15%	1,280	1,361

Note:

(1) See Table 16 for population and personal income data

(2) This included general obligation and limited obligation bonds of governmental and business-type activities. Revenue bonds are not included.

(3) Deductions are made for gross debt incurred for utilities per statutory requirements. Amount is also used in the calculation for debt applicable to debt limit in Table 13.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
Last Ten Fiscal Years

Table 13

Fiscal Year	Assessed Value	Debt Limit 8% of Total Assessed Value	(1) Less: Amount of debt applicable to debt limit- net bonded debt	Less: General Obligation Bonds Authorized Not Issued (2)	Legal Debt Margin	Net Debt as a % of Debt Limit
2010	\$ 1,801,882,809	\$ 144,150,625	\$ (27,195,000)	\$ (10,200,000)	\$ 106,755,625	19%
2011	1,837,213,605	146,977,088	(25,562,059)	(10,200,000)	111,215,029	17%
2012	1,909,572,444	152,765,796	(23,929,118)	(10,200,000)	118,636,678	16%
2013	1,968,188,289	157,455,063	(25,896,179)	(6,700,000)	124,858,884	16%
2014	2,427,040,114	194,163,209	(24,088,235)	(6,700,000)	163,374,974	12%
2015	2,528,630,737	202,290,459	(22,280,294)	(6,700,000)	173,310,165	11%
2016	2,694,341,947	215,547,356	(26,472,353)	(32,700,000)	156,375,003	12%
2017	2,995,350,457	239,628,037	(24,264,412)	(26,000,000)	189,363,625	10%
2018	3,177,240,202	254,179,216	(22,056,471)	(26,000,000)	206,122,745	9%
2019	3,451,550,634	276,124,051	(42,890,000)	(8,650,000)	224,584,051	16%

Notes:

(1) Net Bonded Debt Calculation for FY 2019

General Government General Obligation Bonds	\$ 37,390,000
Utility General Obligation Bonds	2,345,000
Installment purchases and promissory notes	<u>13,823,530</u>
Gross Bonded Debt	53,558,530
Statutory Deductions	
Bonded Debt included in Gross Debt Incurred for Utilities	<u>(10,668,530)</u>
Net Bonded Debt	<u>\$ 42,890,000</u>

(2) General Obligation Bonds Authorized, Not issued FY 2019

Description	Date Approved	
Water	11/3/2015	\$ 3,000,000
Wastewater	11/3/2015	2,000,000
Transportation	11/3/2015	<u>3,650,000</u>
		<u>\$ 8,650,000</u>

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
General Obligation Bonds  
June 30, 2019

Table 14

<u>Jurisdiction</u>	<u>Governmental Activities Debt</u>	<u>Percentage Applicable to Town (2)</u>	<u>Amount Applicable to Town</u>
Direct:			
Town of Fuquay-Varina	\$ 46,260,417 (1)	100%	\$ 46,260,417
Overlapping:(3)			
Wake County	1,727,510,000	2%	34,204,698
Total direct and overlapping debt			

Notes:

(1) Includes all Governmental Activities debt. See Footnote 8.

(2) Based on total assessed values

(3) Overlapping debt does not include the debt of the Special Airport District of Durham and Wake counties as these bonds are payable by the Airport Authority out of Airport revenue.

(4) Wake County Revenue Department.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL**  
**BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES**

Table 15

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service (1)</b>	<b>Total General Government Expenditures (2)</b>	<b>Ratio of Debt Service to Total General Expenditures</b>
2010	\$ 368,530	\$ 193,298	\$ 561,828	\$ 12,217,533	4.60%
2011	605,000	311,320	916,320	13,351,990	6.86%
2012	605,000	294,034	899,034	14,132,763	6.36%
2013	605,000	312,445	917,445	14,352,600	6.39%
2014	780,000	334,323	1,114,323	15,523,495	7.18%
2015	780,000	313,489	1,093,489	16,786,267	6.51%
2016	780,000	292,817	1,072,817	19,078,766	5.62%
2017	1,180,000	356,643	1,536,643	20,604,345	7.46%
2018	1,180,000	364,634	1,544,634	22,257,113	6.94%
2019	1,180,000	596,784	1,776,784	24,558,955	7.23%

Note:

(1) Includes General Long Term debt and capitalized leases

(2) Includes General Fund

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
Last Ten Fiscal Years

Table 16

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>(2) Per Capita Personal Income</b>	<b>(5) Median Age</b>	<b>(4) Wake County School Enrollment</b>	<b>(2) Unemployment Rate Percentage</b>
2010	18,076	\$ 31,021	34.40	143,289	8.2
2011	18,644	31,178	35.00	146,687	8.4
2012	19,385	(3)	35.60	149,508	7.8
2013	20,531	(3)	35.90	153,300	7.3
2014	21,426	(3)	36.10	155,184	7.0
2015	22,361	26,435	36.40	159,345	5.0
2016	25,865	27,689	36.70	161,306	4.3
2017	26,524	30,088	34.80	159,549	3.6
2018	27,906	27,805	35.70	160,549	3.8
2019	29,200	(3)	(3)	160,471	3.0

Notes and Data Sources:

- (1) North Carolina Office of State Budget and Management - Certified Population Estimate
- (2) From Wake County Economic Development  
Separate figures for the Town are not available.
- (3) Information is unavailable
- (4) Wake County, NC Comprehensive Annual Financial Reports or WCPSS, Demographics Resource Center.
- (5) American FactFinder, U.S. Census Bureau estimates for Raleigh-Cary, NC Metropolitan Statistical area.  
Separate figures for the Town are not available.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**PRINCIPAL EMPLOYERS**  
Last Ten Fiscal Years

Table 17

Employer	2019			2009		
	(1) Employees	Rank	Percentage of Total Town Employment (2)	(1) Employees	Rank	Percentage of Total Town Employment (2)
Wake County Public Schools	853	1	7%	729	1	9%
John Deere	428	2	4%	444	3	6%
Town of Fuquay-Varina	307	3	3%	162	6	2%
Walmart	248	4	2%	326	4	4%
Harris Teeter	221	5	2%	120	11	2%
Home Depot	192	7	2%	121	10	2%
Food Lion	209	6	2%	132	9	2%
TE Connectivity	179	8	2%	675	2	9%
Southbend	160	10	1%	133	8	2%
Bob Barker Company	162	9	1%	140	7	2%
Fidelity Bank	101	12	1%	70	12	1%
In=Serv	125	11	1%	162	6	2%
Kohl's	83	13	1%	300	5	4%
Totals	<u>3,268</u>			<u>3,514</u>		
Total Employment	<u>11,712</u>			<u>7,794</u>		

Notes:

(1) Employer Verification by the Town's Finance Department

(2) Total Town Employment data is from the U.S. Department of Labor, Bureau of Labor Statistics for the month of June.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**NEW COMMERCIAL AND NEW RESIDENTIAL ACTIVITY**  
 Last Ten Fiscal Years

Table 18

<b>Fiscal Year</b>	<b>Commercial</b>		<b>Residential</b>		<b>Total</b>	
	<b>Number of New Permits</b>	<b>Property Value</b>	<b>Number of New Permits</b>	<b>Property Value</b>	<b>Number of New Permits</b>	<b>Property Value</b>
2010	81	\$ 11,116,204	473	\$ 59,516,933	554	\$ 70,633,137
2011	46	6,787,837	343	47,735,612	389	54,523,449
2012	80	24,064,735	401	65,111,112	481	89,175,847
2013	92	17,920,578	544	102,069,452	636	119,990,030
2014	77	10,434,582	596	113,782,750	673	124,217,332
2015	136	22,808,710	839	140,611,761	975	163,420,471
2016	92	50,277,041	1084	183,950,551	1176	234,227,592
2017	112	29,023,930	900	169,669,432	1012	198,693,362
2018	79	37,628,572	860	131,750,500	939	198,693,362
2019	66	41,537,306	897	138,448,226	963	179,985,532

Notes:

(1) Includes Multi-family

Compiled by the Town of Fuquay-Varina Inspections Department

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

Last Ten Fiscal Years

Table 19

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Environmental Protection</b>	<b>Culture and Recreation</b>	<b>Economic and Physical Development</b>	<b>Central Services</b>	<b>Special Contributions</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Fiscal Year Total</b>
2010	\$ 1,387,978	\$ 5,618,905	\$ 1,315,444	\$ 1,050,218	\$ 1,086,103	\$ 509,645	\$ 1,272,160	\$ 79,515	\$ 561,828	\$ 1,945,269	\$ 14,827,065
2011	1,529,903	5,926,742	1,222,085	1,157,077	1,578,429	584,864	1,271,375	81,515	916,320	3,373,061	17,641,371
2012	1,517,584	6,864,738	1,207,451	1,329,127	1,286,314	518,335	1,323,849	85,365	899,034	1,602,479	16,634,276
2013	1,622,540	6,743,799	1,101,997	1,331,894	1,365,259	664,099	1,431,212	91,800	917,445	2,281,989	17,552,034
2014	1,991,342	6,964,332	1,462,778	1,496,603	1,424,960	612,999	1,465,681	104,800	1,114,253	2,310,840	18,948,588
2015	1,991,766	7,609,656	1,594,515	1,497,640	1,646,370	725,726	1,614,094	106,500	1,093,489	3,474,559	21,354,315
2016	2,154,727	8,225,557	2,055,973	1,472,061	2,426,420	760,149	1,873,379	110,500	1,072,817	7,514,158	27,665,741
2017	2,249,422	9,199,813	1,626,997	1,871,439	2,424,306	1,333,818	1,832,323	66,227	1,536,643	2,644,014	24,785,002
2018	2,422,079	9,864,552	1,656,646	2,290,067	2,700,476	1,314,975	1,936,343	71,975	1,587,091	18,120,539	41,964,743
2019	2,502,143	10,993,349	2,180,760	2,250,468	3,227,311	1,033,592	2,296,332	75,000	1,776,784	14,149,131	40,484,870

Note:

Includes General Fund, Capital Projects Fund and Debt Service Fund



**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**EMPLOYEE AUTHORIZATION BY DEPARTMENT**  
**Last Ten Fiscal Years (2)**

Table 20

<b>Fiscal Year</b>	<b>Administration</b>	<b>Finance</b>	<b>Central Services</b>	<b>Police</b>	<b>Fire</b>	<b>Inspections</b>	<b>Public Works</b>	<b>Planning</b>	<b>Parks and Recreation</b>	<b>Water</b>	<b>Wastewater</b>	<b>Fiscal Year Total</b>
2010	6	7.5	12	35	35	8	23.5	5.5	15	8.25	7.25	163.00
2011	6	7.5	12	36	35	9.5	23.5	5.5	15	7.25	8.25	165.50
2012	6	7.5	12	37	35	10.5	23.5	5.5	15	7.25	8.25	167.50
2013	6	7.5	12	38	37	10.5	25.5	5.5	15	7.25	8.25	172.50
2014	6	7.5	12	40	40	10	27.5	5.5	15	7.25	8.25	179.00
2015	6	7.5	12	41	42	11.5	27.5	7	16	7.25	8.25	186.00
2016	6	7.5	14	43	44	13	28.5	7	18	8.25	9.25	198.50
2017	6	8	14	47	48	14	34	7	18	8	9	213.00
2018	6	8	16	52	52	15	34	8.5	20	8	10	229.50
2019	6	8	18	55	56	15	35.5	11.5	24	8.25	10.25	247.50

Notes:

- (1) Regular full-time employees only per the annual operating budget, does not include part-time, temporary or seasonal workers
- (2) As of June 30 each year
- (3) Includes Administration, town clerk, public information officer and economic developer
- (4) Includes finance and the tax and tag office (tax and tag closed in 2008)
- (5) Includes Information Technology, Engineering and Human Resources and Public buildings
- (6) Includes Sanitation, Powell Bill, Transportation, and Debris Collection

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION**  
Last Ten Fiscal Years

Table 21

Function/Program	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
New building permits issued	554	389	481	636	673	975	1,176	1,012	939	963
Police										
Public Generated Calls for Service	13,951	13,790	13,744	14,643	15,419	13,448	14,339	13,925	14,005	14,894
Police Officer Generated Calls for service	23,232	20,713	21,836	16,579	17,071	23,956	23,427	33,892	29,701	45,677
Physical arrests	491	486	549	655	563	459	526	459	398	813
Traffic accidents reported	697	741	688	792	881	994	1,187	1,150	1,104	1,181
Citations	3,792	2,899	4,451	4,655	2,729	4,060	4,443	6,246	7,292	8,993
Fire										
Child safety seat inspections	465	371	349	226	258	223	476	363	264	276
Emergency responses	3,194	3,337	3,334	3,407	3,513	3,494	3,829	4,094	4,148	4,345
Fires extinguished	93	112	104	106	65	102	287	112	115	62
Property losses due to fire (dollars)	\$ 505,730	\$ 863,576	\$ 1,027,035	\$ 1,005,706	\$ 928,462	\$ 632,614	\$ 1,041,400	\$ 1,049,996	\$ 1,088,351	\$ 789,578
Fire code violations corrected	1,938	1,853	1,648	1,663	1,538	1,216	1,913	1,798	1,941	1,117
Streets										
Miles of road maintained	83	86	88	90	95	100	106	111	115	121
Environmental Protection										
Number of households served	6,257	6,300	6,645	7,044	7,730	8,300	8,900	9,540	10,106	10,706
Municipal Solid Waste collected (tons)	5,543	5,644	5,974	5,988	6,415	6,814	7,689	8,429	8,970	9,369
Recycling collected (tons)	897	1,013	1,129	1,213	1,324	1,391	1,462	1,537	1,612	1,690
Yard waste collected (tons)	(1)	2,249	2,264	2,439	2,638	2,385	2,230	2,667	2,800	2,324
Recreation and Parks										
Youth program participants	1,690	1,833	1,794	2,602	1,577	3,875	5,555	5,627	5,443	5,451
Adult Programs	600	557	639	552	392	1,068	905	1,184	1,473	3,919
Athletic Programs			339	3,063	1,479	3,980	4,414	5,234	5,484	6,916
Senior program participants	273	268	492	250	261	908	960	2,415	2,670	4,506
Fitness participants	1,529	1,434	1,919	1,207	669	1,231	1,300	3,037	1,950	2,296
Facility Rentals	509	410	477	474	255	458	2,668	2,526	2,698	2,002

Source: Town of Fuquay-Varina Finance, Police, Fire, Parks and Recreation, and Public Works departments

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**CAPITAL ASSETS BY FUNCTION**  
Last Ten Fiscal Years

Table 22

Function/Program	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	25	25	27	27	27	27	27	27	30	36
Detective Units	4	4	4	4	4	4	5	5	7	7
Fire										
Fire Stations	2	2	2	2	2	2	2	2	2	3
Fire/Rescue Trucks	14	14	14	14	14	14	14	14	14	14
Streets										
Streets (miles)	83.4	85.5	87.62	89.9	94.92	100.1	106.3	111.45	115.55	120.59
Sanitation										
Garbage Trucks	3	3	3	4	4	5	6	6	6	7
Recreation and Parks										
Number of developed parks	15	15	15	17	17	18	18	18	18	19
Acreage	171	171	171	191	191	231	231	231	231	374
Baseball fields	11	11	11	11	11	11	11	11	11	11
Tennis courts	6	10	10	10	10	10	12	12	12	12
Soccer fields	27	27	27	27	27	27	27	27	27	27
Community centers	1	1	1	1	1	2	2	2	2	3
Greenway miles	0.79	0.79	0.79	0.79	0.79	1.78	1.78	1.78	1.78	6.28

# Compliance Section

**Report of Independent Auditor 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***

Honorable Mayor and Town Board of Commissioners  
Town of Fuquay-Varina  
Fuquay-Varina, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fuquay-Varina, North Carolina (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated November 25, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheryl Bekaert LLP

Raleigh, North Carolina  
November 25, 2019

**Report of Independent Auditor on Compliance for Each Major Federal Program and on  
Internal Control over Compliance in Accordance with OMB Uniform Guidance and  
the State Single Audit Implementation Act**

Honorable Mayor and Town Board of Commissioners  
Town of Fuquay-Varina  
Fuquay-Varina, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Fuquay-Varina, North Carolina (the "Town"), 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 Town's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Town 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, 2019.

### **Report on Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Cherry Bekaert LLP*

Raleigh, North Carolina  
November 25, 2019



**Report of Independent Auditor on Compliance with Requirements Applicable To Each Major State Program  
and Internal Control Over Compliance In Accordance with the Uniform Guidance and the  
State Single Audit Implementation Act**

Honorable Mayor and Town Board of Commissioners  
Town of Fuquay-Varina  
Fuquay-Varina, North Carolina

**Report on Compliance for each Major State Program**

We have audited the Town of Fuquay-Varina, North Carolina (the “Town”) compliance with the types of requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town’s major state programs for the year ended June 30, 2019. The Town’s major state program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of *Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town’s compliance.

### **Opinion on Each Major State Program**

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

Cherry Bekaert LLP

Raleigh, North Carolina  
November 25, 2019

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2019

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**Section I—Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued on whether the financial statements were prepared in accordance with GAAP: *Unmodified*

Internal control over Financial Reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to federal awards?

\_\_\_\_\_ yes   X   no

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

Any audit findings disclosed that are required to be reported in accordance  
With 2 CFR 200.516(a)?

\_\_\_\_\_ yes   X   no

Identification of major federal programs:

CFDA Numbers

20.205

Names of Federal Program or Cluster

U.S. Department of Transportation  
Highway Planning and Construction Cluster

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2019

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**Section I—Summary of Auditor's Results (continued)**

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes    X no

**State Awards**

Internal control over major state program:

- Material weakness(es) identified?

\_\_\_\_\_ yes    X no

- Significant deficiency(ies) identified that are not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Noncompliance material to state awards?

\_\_\_\_\_ yes    X no

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  
State Single Audit Implementation Act?

\_\_\_\_\_ yes    X no

Identification of major State programs:

**Names of State Program or Cluster**

Non-State System Street-Aid Allocation Fund (Powell Bill)  
Highway Construction Program

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2019*

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**Section II—Findings Related to the Audit of the Basic Financial Statements**

None.

**Section III—Federal Award Findings and Questioned Costs**

None.

**Section IV—State Award Findings and Questioned Costs**

None.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**

*YEAR ENDED JUNE 30, 2019*

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None.

**TOWN OF FUQUAY-VARINA, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2019

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditure</b>	<b>Total</b>	<b>Pass-through to subrecipients</b>
<b>FEDERAL GRANTS</b>						
U.S. Department of Transportation						
Passed through North Carolina Department of Transportation:						
<b>Highway Planning and Construction</b>						
NW Judd Parkway	20.205	U-5317	\$ 1,646,505	\$ -	\$ 1,646,505	\$ -
Judd/Main St. Intersection	20.205	U-5927 A	1,154,794	-	1,154,794	-
Purfoy/Old Honeycutt Intersection	20.205	U-6096	100,533	-	100,533	-
 <b>Governor's Highway Safety Program</b>	 20.609	 M5HVE-18-15-12/OP-18-04	 30,000	 -	 30,000	 -
Total assistance - Federal programs			<u>2,931,832</u>	<u>-</u>	<u>2,931,832</u>	<u>-</u>
<b>STATE GRANTS</b>						
North Carolina Department of Transportation,						
Division of Highways:						
Non-State System Street-Aid Allocation Fund (Powell Bill)			-	956,585	956,585	-
DOT-18 - Judd/Main St intersection			-	769,792	769,792	-
Total assistance - State programs			<u>-</u>	<u>1,726,377</u>	<u>1,726,377</u>	<u>-</u>
 <b>Total assistance</b>			<u>\$ 2,931,832</u>	<u>\$ 1,726,377</u>	<u>\$ 4,658,209</u>	<u>\$ -</u>

## **TOWN OF FUQUAY-VARINA, NORTH CAROLINA**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2019*

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#### **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 Town of Fuquay-Varina, North Carolina under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2019. 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 Town of Fuquay-Varina, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Fuquay-Varina.

#### **Note 2 - Summary of significant accounting policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Fuquay-Varina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.