

REVIEWED

By SLGFD at 3:03 pm, Jan 04, 2022



Fuquay-Varina New Police Department 401 Old Honeycutt Road

FUQUAY-VARINA

North Carolina

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT
Fiscal Year Ending
June 30, 2021**

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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 30, 2021

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 Annual Comprehensive Financial Report (ACFR) of the Town of Fuquay-Varina, North Carolina, for the fiscal year ended June 30, 2021 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, 2021. North Carolina general statutes require each unit of local government to publish a complete set of financial statements within four months after the fiscal year end. 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 these requirements for the fiscal year ended June 30, 2021, 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, 2021. 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 16.2 square miles within its borders which is approximately 30% expansion of the Town footprint due to voluntary annexations. According to the 2020 Census, the Town's population is 34,152, which is a growth of 76.2% since 2012. With the increasing number of Single Family and Multi-family Home Certificates of Occupancy, growth is expected to continue.

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 and committees 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

The first half of the fiscal year, most recreation and cultural arts programs were suspended due to required protocol to stop the spread of COVID-19. All activities involving public gatherings were cancelled as well. As the world braced for the plummet of revenues due to COVID related shortages and delays, sales tax revenue and building permits for the Town grew. Sales tax revenues exceeded expectations over 24% and 21.8% over prior year.

Residential permits were 51% over prior year. Fortunately, the February 2020 requirement for online spending to be subject to sales tax has undoubtedly offset any decline which may have come from closures and restrictions due to COVID.

While no region is immune to the economic impacts of the Coronavirus pandemic, many fundamentals of the local economy remain strong. 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.
- Housing construction remains strong.
- The strong life sciences presence in the region, digital connectivity, and availability and relative affordability of housing may make the Raleigh-Cary and Durham-Chapel Hill area poised to attract talent from larger more dense urban centers.

The Town's 2020 Census population is 34,152 which is an increase of 13% over the previous fiscal year estimates. The Town continues to issue building permits at a historic pace, even through the COVID-19 pandemic. Natural growth of the property tax base has historically been 7% annually. Property in Wake County was revalued for January 2020 resulting in a 20% increase in tax value another 10% increase was associated with growth, resulting in a 30% increase in total property tax valuation for the Town.

In fiscal year 2021, the Town issued 1,472 new building permits which is up 51% from the number issued in 2020. Of the 1,472 permits, 1,440 were for residential development. Fuquay-Varina residential construction continues to flourish with a mix of both single family and multi-family residential units. Additionally, the Town is experiencing significant retail and medical office interest, and a major 800,000 square foot commercial center was announced in 2020.

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, Aviator Brewing Company, and TE Connectivity - designs and manufactures electronic connectors, components and systems utilized throughout the world.

As one of the fastest growing towns in the State, the Town has made significant investments in transportation, public facilities, cultural and recreation services to meet the needs of residents. In recent years, the Town has opened the Public Services Center, Town hall and Police Department to meet the space and operational needs of the Town's growing workforce. General obligation bonds were approved for the additional need for recreation facilities and transportation improvements associated with the growth of the Town.

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 5.25 MGPD and the ability to

treat 5.717 MGD of sanitary sewer. Due to the extreme growth, the Board has engaged in a plan with surrounding local governments for expanded capacity in both water & wastewater. Regional cooperation is beneficial to all entities and citizens as development in the southern region of Wake County has exploded with development.

Transportation remains one of the key areas of focus for the town. The Town completed the "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. With the approval of \$20 million in General Obligation bonds, the Town is prepared to meet the additional traffic needs while also leveraging funding from both Federal and State partners. Residential growth has continued to boom and developers are making numerous other improvements to the Town's transportation infrastructure.

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.

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. Due to the exponential growth, management is reassessing the timeline of the 5-year plan which may require some infrastructure items to move forward due to additional demand for services.

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.

All the planning tools were developed with an expectation of normalcy returning yet being conservative in preparation for the changing and unknown environment. Fortunately, the Town has a healthy fund balance, economic growth, and proactive planning to be prepared for whatever the future holds. In addition, the Board has developed a strategic plan to intertwine with the financial plans to ensure cohesiveness and goals of the citizens for the Town are achieved. With the addition of a Budget and Fiscal Strategy Manager in FY 21-22, more extensive strategic planning and performance measurement will help guide the Town during extreme growth and change.

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 annual comprehensive financial report for the fiscal year ended June 30, 2020. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report 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.

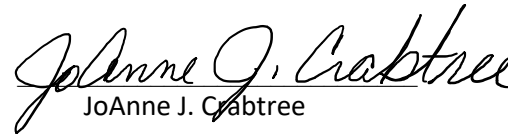
ACKNOWLEDGEMENT

We appreciate the assistance and dedication of the Finance Department staff throughout the year. The preparation of this Annual Comprehensive 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.



Adam Mitchell

Town Manager



JoAnne J. Crabtree

Finance Director



Town Management

Adam Mitchell, Town Manager
Mark Matthews, Asst. Town Manager
Jim Seymour, Asst. Town Manager
Rose Rich, Town Clerk
James S. Adcock III, Town Attorney
JoAnne J. Crabtree, Finance Director



John W. Byrne
Mayor



Blake Massengill
Mayor Pro-Tempore



Larry Smith
Commissioner



Marilyn Gardner
Commissioner



William H. Harris
Commissioner



Jason Wunsch
Commissioner

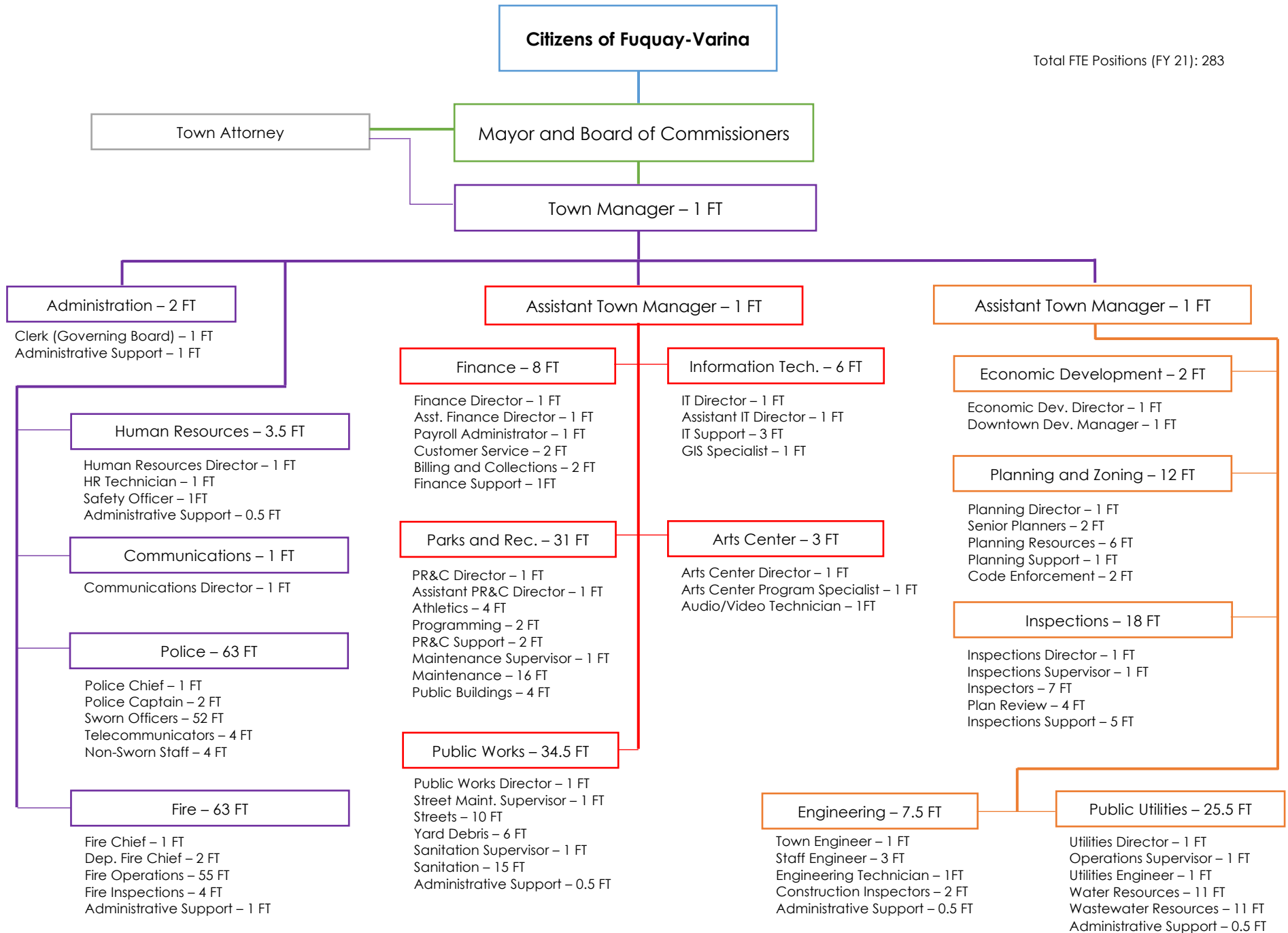
Appointed and Administrative Positions

Adam Mitchell	Town Manager*
Mark Matthews	Assistant Town Manager
Jim Seymour	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
Vacant	Economic Development Director
Scott Clark	Information Technology Director
Matthew Poling	Engineering Director
Chris Hinnant	Inspections Director
Pam Davison	Planning Director
Tracy Stephenson	Public Works Director
Laura Fahnestock	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 21): 283





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, 2020

Christopher P. Morill

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, 2021, 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, 2021, 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 section 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 30, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Cherny Bekaert LLP

Raleigh, North Carolina
November 30, 2021

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

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, 2021. We encourage readers to read the information presented here 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 \$272.1 million (net position). Of this amount, \$56.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The Town's total net position increased by \$41.8 million of which \$32 million in infrastructure was constructed and donated to the Town by developers. Record breaking permits were issued with a property value of \$372 million.

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$51.2 million. The net increase of \$3.4 million from prior year is mainly attributed to the unexpected permit and fee revenue associated with historic development activity and increases in sales & property tax revenue.

As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$21.5 million, or 61% 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 decreased by \$4.8 million during the 2020-2021 fiscal year. There was no additional debt issued. 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.

Overview of the Financial Statements

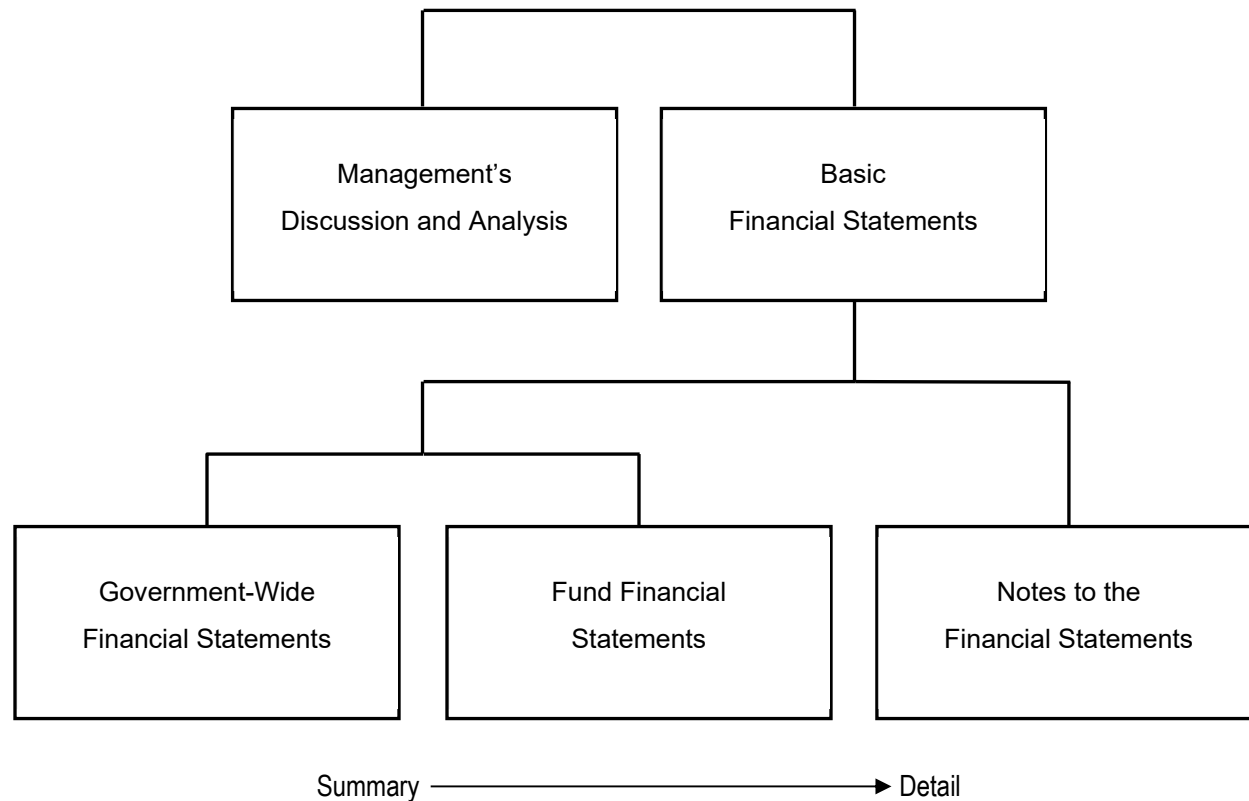
This discussion and analysis are intended to serve as an introduction to Fuquay-Varina's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see 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, 2021

Required Components of Annual Financial Report

Figure 1



TOWN OF FUQUAY-VARINA, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

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

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. Measuring net position is one way to gauge the Town's financial condition. 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, 2021

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

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. Fuquay-Varina uses enterprise fund to account for its water and sewer activities. 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.

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

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 75-77 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 78-92 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 \$272 million as of June 30, 2021.

The largest portion (74%) 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, \$14.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$56.8 million is unrestricted.

The Town's net position increased by \$41.7 million during the current fiscal year. Governmental net position increased by \$25.9 million while business-type net position increased by \$15.8 million. Capital contributions of infrastructure development within the Town attribute to the increase in net position. In addition, the system development fees paid to ensure the town is able to keep the system upgraded to support all the additional customers and development within the Town. Sales tax and property tax revenues also exceeded expectations.

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

JUNE 30, 2021

The following table reflects the condensed statement of net position:

Town of Fuquay-Varina, NC

Net Position

June 30, 2021

With Prior Year Comparisons

	June 30, 2020 Governmental Activities	June 30, 2021 Governmental Activities	June 30, 2020 Business-Type Activities	June 30, 2021 Business-Type Activities	June 30, 2020 Total	June 30, 2021 Total
Current and other assets	\$ 45,167,904	\$ 50,797,612	\$ 28,113,403	\$ 34,793,636	\$ 73,281,307	\$ 85,591,248
Restricted assets and cash equivalents	7,697,625	3,875,585	5,025,299	4,887,527	12,722,924	8,763,112
Capital assets	134,210,072	155,724,954	107,519,613	114,540,029	241,729,685	270,264,983
Total assets	<u>187,075,601</u>	<u>210,398,151</u>	<u>140,658,315</u>	<u>154,221,192</u>	<u>327,733,916</u>	<u>364,619,343</u>
Total deferred outflows of resources	3,313,730	5,506,523	355,161	542,378	3,668,891	6,048,901
Long-term debt outstanding	51,085,920	52,381,042	41,703,181	39,523,452	92,789,101	91,904,494
Other liabilities	5,521,900	3,923,900	1,792,828	1,843,893	7,314,728	5,767,793
Total liabilities	<u>56,607,820</u>	<u>56,304,942</u>	<u>43,496,009</u>	<u>41,367,345</u>	<u>100,103,829</u>	<u>97,672,287</u>
Total deferred inflows of resources	882,226	798,512	89,311	81,682	971,537	880,194
Net Position:						
Net Investment in Capital Assets	99,556,691	119,583,747	71,635,883	81,058,656	171,192,574	200,642,403
Restricted for:						
Stabilization by State Statute	3,178,524	3,401,072	-	-	3,178,524	3,401,072
Streets	1,980,910	2,184,813	-	-	1,980,910	2,184,813
Other purposes	11,111	11,110	8,810,793	9,023,127	8,821,904	9,034,237
Unrestricted	28,172,049	33,620,478	16,981,479	23,232,760	45,153,528	56,853,238
Total net position	<u>\$ 132,899,285</u>	<u>\$ 158,801,220</u>	<u>\$ 97,428,155</u>	<u>\$ 113,314,543</u>	<u>\$ 230,327,440</u>	<u>\$ 272,115,763</u>

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

JUNE 30, 2021

Town of Fuquay-Varina, NC
Changes in Net Position
June 30, 2021
With Prior Year Comparisons

	June 30, 2020 Governmental Activities	June 30, 2021 Governmental Activities	June 30, 2020 Business-Type Activities	June 30, 2021 Business-Type Activities	June 30, 2020 Total	June 30, 2021 Total
Revenues:						
Program Revenues						
Charges for service	\$ 6,557,627	\$ 7,542,638	\$ 12,384,728	\$ 13,412,486	\$ 18,942,355	\$ 20,955,124
Operating grants and contributions	2,905,984	3,286,657	540,662	807,074	3,446,646	4,093,731
Capital grants and contributions	21,946,382	24,761,905	11,146,672	10,254,523	33,093,054	35,016,428
General Revenues						
Property taxes	15,941,757	19,690,964	-	-	15,941,757	19,690,964
Other taxes	8,390,695	9,171,038	-	-	8,390,695	9,171,038
Grants and Donations Not Restricted to Specific Programs	144,527	712,420	-	-	144,527	712,420
Other	2,232,072	770,000	9,189,576	8,027,296	11,421,648	8,797,296
Total Revenues	<u>58,119,044</u>	<u>65,935,622</u>	<u>33,261,638</u>	<u>32,501,379</u>	<u>91,380,682</u>	<u>98,437,001</u>
Expenses:						
General government	4,111,737	3,831,403	-	-	4,111,737	3,831,403
Public safety	14,524,637	15,270,800	-	-	14,524,637	15,270,800
Transportation	7,879,448	7,577,384	-	-	7,879,448	7,577,384
Economic and physical development	1,659,178	1,767,125	-	-	1,659,178	1,767,125
Environmental protection	2,878,392	3,157,245	-	-	2,878,392	3,157,245
Cultural and recreation	4,537,986	4,500,629	-	-	4,537,986	4,500,629
Central services	2,192,539	2,889,985	-	-	2,192,539	2,889,985
Interest on long-term debt	1,410,860	1,301,596	-	-	1,410,860	1,301,596
Water and Sewer	-	-	13,430,400	16,352,511	13,430,400	16,352,511
Total Expenses	<u>39,194,777</u>	<u>40,296,167</u>	<u>13,430,400</u>	<u>16,352,511</u>	<u>52,625,177</u>	<u>56,648,678</u>
Increase in net position before transfers	18,924,267	25,639,455	19,831,238	16,148,868	38,755,505	41,788,323
Transfers	268,160	262,480	(268,160)	(262,480)	-	-
Increase in net position	19,192,427	25,901,935	19,563,078	15,886,388	38,755,505	41,788,323
Net Position July 1	113,706,858	132,899,285	77,865,077	97,428,155	191,571,935	230,327,440
Net Position June 30	<u>\$ 132,899,285</u>	<u>\$ 158,801,220</u>	<u>\$ 97,428,155</u>	<u>\$ 113,314,543</u>	<u>\$ 230,327,440</u>	<u>\$ 272,115,763</u>

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

JUNE 30, 2021

Changes in Net Position – Governmental Activities. The Town's total governmental revenues were \$65.9 million. Of the Town's revenue, 29.8% comes from property taxes, with an additional 37.5% from grants and Capital contributions. The Capital contributions are infrastructure improvements built by developers to the Town specifications as part of the requirements for new developments and once completed turned over to the Town.

Changes in Net Position – Business-Type Activities. The Town's total business-type revenues were \$32.5 million. Charges for services represented 41% of the business-type revenue.

The total cost of all programs and services was \$56.6 million. The cost of public safety programs (building inspections, police and fire) accounted for 26.9% of expenses. Water distribution and sewer collection costs accounted for another 28.8% 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.

Town of Fuquay-Varina, NC

Cost of Services

June 30, 2021

With Prior Year Comparisons

	Total Cost of Services June 30, 2020	Total Cost of Services June 30, 2021	Net Cost of Services June 30, 2020	Net Cost of Services June 30, 2021
General government	\$ 4,111,737	\$ 3,831,403	\$ 3,861,165	\$ 3,693,047
Public safety	14,524,637	15,270,800	10,853,674	10,409,799
Transportation	7,879,448	7,577,384	(15,008,076)	(17,992,338)
Environmental protection	2,878,392	3,157,245	563,486	599,485
Cultural and recreation	4,537,986	4,500,629	2,382,738	2,205,743
Economic and physical development	1,659,178	1,767,125	1,528,398	1,597,650
Central services	2,192,539	2,889,985	2,192,539	2,889,985
Interest on long-term debt	1,410,860	1,301,596	1,410,860	1,301,596
Water and sewer	13,430,399	16,352,511	(10,641,663)	(8,121,572)
	<u>\$ 52,625,176</u>	<u>\$ 56,648,678</u>	<u>\$ (2,856,879)</u>	<u>\$ (3,416,605)</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

The reported results for the fiscal year show the following:

The cost of all program activities this year was \$56.6 million.

The amounts paid by those benefiting from the program or other governments and organizations that subsidized certain programs were \$60 million.

Program revenues and contributions exceeded program expenditures by \$3.4 million. Town development has boomed, even during the COVID-19 Pandemic. Infrastructure improvements to streets, curb & gutters by developers increased the Transportation program by \$22 million and Water & Sewer system additions by developers of \$10.2 million added to the Water & Sewer program activities.

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. 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 \$51.2 million, an increase of 7%. The Capital projects fund decreased fund balance by \$5 million as expected. Unexpected was the exponential growth in development and sales tax during the COVID pandemic, causing total revenues to exceed budget by \$3.6 million. Approximately \$21.4 million (41.9%) 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 \$21.5 million (61%) of total General Fund expenditures and transfers out for the fiscal year. This amount is considered available for spending at the government's discretion. Total fund balance of the Town's General Fund increased approximately \$5.3 million during the current fiscal year.

The difference between the original budget and the final amended budget was \$507 thousand additional funds appropriated from fund balance for various projects. Other small adjustments were also done during the year for various grants and donations to the Town.

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

The final variance of revenues over expenditures prior to other financing sources and uses was \$12 million. Actual revenues exceeded anticipated revenues by \$3.6 million. Property tax, sales tax and building permits were the primary reasons for this excess. Actual expenditures were \$8.3 million less than appropriated. The variance from budget is mainly due to a expected purchase for a fire engine that was not delivered by year end as expected and the cancellation of various cultural and recreation programs due to COVID-19. During the pandemic, certain programs were cancelled or modified consistent with CDC and NC DHHS guidance to protect the health and safety of our citizens and employees, and best position the Town to continue delivering core services. Although the Town took conservative measures in budgeting for the year, sales tax and developmental permits and inspection revenues exceeded even the normal growth expectations previously experienced.

Proprietary Fund. The Water & Sewer Fund revenues were just below budget and with conservative spending the operating expenditures were approximately \$700 thousand less than projected. New water and sewer taps were almost double budget expectations. This coincides with the growth in building permits as seen in the General Fund. While growth does result in additional revenue, there is also additional demand for capacity for both water supply and sewer treatment. Investment in system improvements and water and sewer capacity has become a higher priority due to growth of the customer base within the Town.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2021, amounts to \$270.2 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 \$28.5 million which is attributed to the donation of infrastructure by developers.

	June 30, 2020 Governmental Activities	June 30, 2021 Governmental Activities	June 30, 2020 Business-Type Activities	June 30, 2021 Business-Type Activities	June 30, 2020 Total	June 30, 2021 Total
Land	\$ 35,807,661	\$ 41,344,448	\$ 428,842	\$ 421,341	\$ 36,236,503	\$ 41,765,789
Construction in Progress	13,873,538	2,180,420	6,391,475	3,416,008	20,265,013	5,596,428
Buildings	22,001,706	27,119,775	1,878	155,000	22,003,584	27,274,775
Other Improvements	1,001,009	6,711,959	57,190,346	68,097,792	58,191,355	74,809,751
Equipment	555,724	1,743,824	255,324	207,792	811,048	1,951,616
Vehicles	3,612,761	3,574,809	183,788	650,182	3,796,549	4,224,991
Infrastructure	57,357,673	73,049,719	-	-	57,357,673	73,049,719
Operating Plants	-	-	43,067,960	41,591,914	43,067,960	41,591,914
Total	<u>\$ 134,210,072</u>	<u>\$ 155,724,954</u>	<u>\$ 107,519,613</u>	<u>\$ 114,540,029</u>	<u>\$ 241,729,685</u>	<u>\$ 270,264,983</u>

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, 2021

Long-Term Debt.

At the end of the fiscal year, the Town had total general obligation debt outstanding of \$21.4 million. Of the general obligation debt, 5% was issued for water and sewer capital projects.

The Town's total debt decreased by \$7 million during the fiscal year, when pension liability, compensated absences, and OPEB liability are included. There was no additional debt issued in the current fiscal year.

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

	June 30, 2020 Governmental Activities	June 30, 2021 Governmental Activities	June 30, 2020 Business-Type Activities	June 30, 2021 Business-Type Activities	June 30, 2020 Total	June 30, 2021 Total
General Obligation Bonds	\$ 21,650,000	\$ 20,325,000	\$ 1,645,000	\$ 1,150,000	\$ 23,295,000	\$ 21,475,000
Limited Obligation Bonds	10,555,000	9,995,000	-	-	10,555,000	9,995,000
Revenue Bonds	-	-	28,565,000	27,695,000	28,565,000	27,695,000
Promissory Notes	-	-	6,495,589	5,567,648	6,495,589	5,567,648
Installment Purchases	5,000,000	4,500,000	800,000	700,000	5,800,000	5,200,000
Net Pension Liability	5,511,172	7,401,870	608,008	818,086	6,119,180	8,219,956
Net LEOSA obligation	1,137,538	1,788,748	-	-	1,137,538	1,788,748
Net OPEB Obligation	3,122,829	4,297,961	346,982	477,551	3,469,811	4,775,512
Compensated Absences	944,285	1,112,688	75,965	103,054	1,020,250	1,215,742
Total	<u>\$ 47,920,824</u>	<u>\$ 49,421,267</u>	<u>\$ 38,536,544</u>	<u>\$ 36,511,339</u>	<u>\$ 86,457,368</u>	<u>\$ 85,932,606</u>

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 \$248 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 63-72 of this report.

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

Economic Factors and Next Year's Budget

When the FY 2021 Recommended Budget was presented, management was concerned that the economic fallout of COVID-19 would result in reductions in sales tax revenues and permit fees associated with residential and commercial construction. Contrary to expectations, property taxes, sales taxes and developmental permitting revenues, showed that of a strong recovery and economic growth. Although many cultural and recreational programs were suspended, lost revenues were somewhat offset by the reduction in costs of performers and staffing to facilitate the programs. With the excessive growth in other revenues, budgeted revenues were exceeded and although fund balance was appropriated, it was not utilized.

Budget Highlights for Fiscal Year Ending June 30, 2022

Governmental Activities: The approved FY 21-22 General Fund budget was approximately 16% growth over FY 20-21 budget ordinance adopted in June 2020. In addition to the 22 positions, additional costs can be attributed to a 2% cost of living, 3% performance pay, 10% increase in health insurance, and additional retirement contribution requirements. Of the new General Fund positions proposed, four (4) are in the Police Department, three (3) are in the Fire Department, three (3) are in the Sanitation Department, two (2) are in the Inspections Department, two (2) are in the Parks, Recreation, and Cultural Resources Department, one (1) is in the Finance Department, one (1) is in the Engineering Department, one (1) is in the Information Technology Department, one (1) is in the Human Resources Department, one (1) is in the Streets Department, and one (1) is in the Debris Department. The total number of full-time positions in the organization will increase from 283 to 305. All new positions are directly attributed to the growth of our town and the additional requirements for service provision.

Business-Type Activities: The approved FY 21-22 Enterprise Fund budget was approximately 24% more than FY 20-21 budget adopted in June 2020. Two new positions were added, Customer service and Billing Representative and an Assistant Public Utilities Director. 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. The FY 22 budget includes numerous capital projects that primarily involve increasing the capacity of the water and sewer system as well and making provisions for additional water supply required to support development activity and user growth. The Town is exploring various opportunities to increase capacity for both water and wastewater systems.

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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 47,300,978	\$ 33,261,319	\$ 80,562,297
Restricted cash and cash equivalents	3,875,585	4,887,527	8,763,112
Taxes receivable, net	95,563	-	95,563
Accounts receivable	96,120	1,532,317	1,628,437
Due from other governments	3,304,951	-	3,304,951
Capital assets:			
Land, nondepreciable improvements, and construction in progress	43,524,868	3,837,349	47,362,217
Other capital assets, net of depreciation	112,200,086	110,702,680	222,902,766
Total Assets	210,398,151	154,221,192	364,619,343
DEFERRED OUTFLOWS OF RESOURCES			
Pension and OPEB deferrals	5,506,523	542,378	6,048,901
Total Deferred Outflows of Resources	5,506,523	542,378	6,048,901
LIABILITIES			
Accounts payable and accrued liabilities	2,213,829	1,169,984	3,383,813
Liabilities payable from restricted assets	1,111,498	93,680	1,205,178
Accrued interest payable	598,573	336,088	934,661
Customer deposits	-	244,141	244,141
Long-term liabilities:			
Due within one year	2,668,172	2,067,941	4,736,113
Due in more than one year	49,712,870	37,455,511	87,168,381
Total Liabilities	56,304,942	41,367,345	97,672,287
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	6,891	-	6,891
Pension and OPEB deferrals	791,621	81,682	873,303
Total Deferred Inflows of Resources	798,512	81,682	880,194
NET POSITION			
Net investment in capital assets	119,583,747	81,058,656	200,642,403
Restricted for:			
Stabilization by State Statute	3,401,072	-	3,401,072
Street improvements	2,184,813	-	2,184,813
Other purposes	11,110	9,023,127	9,034,237
Unrestricted	33,620,478	23,232,760	56,853,238
Total Net Position	\$ 158,801,220	\$ 113,314,543	\$ 272,115,763

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, 2021

Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 3,831,403	\$ 138,356	\$ -	\$ -	\$ (3,693,047)	\$ -	\$ (3,693,047)
Public safety	15,270,800	2,290,330	2,570,671	-	(10,409,799)	-	(10,409,799)
Transportation	7,577,384	93,021	714,796	24,761,905	17,992,338	-	17,992,338
Environmental protection	3,157,245	2,557,760	-	-	(599,485)	-	(599,485)
Cultural and recreation	4,500,629	2,293,696	1,190	-	(2,205,743)	-	(2,205,743)
Economic and physical development	1,767,125	169,475	-	-	(1,597,650)	-	(1,597,650)
Central services	2,889,985	-	-	-	(2,889,985)	-	(2,889,985)
Interest on long-term debt	1,301,596	-	-	-	(1,301,596)	-	(1,301,596)
Total Governmental Activities	40,296,167	7,542,638	3,286,657	24,761,905	(4,704,967)	-	(4,704,967)
Business-Type Activities:							
Water and sewer	16,352,511	13,412,486	807,074	10,254,523	-	8,121,572	8,121,572
Total Business-Type Activities	16,352,511	13,412,486	807,074	10,254,523	-	8,121,572	8,121,572
Total Primary Government	\$ 56,648,678	\$ 20,955,124	\$ 4,093,731	\$ 35,016,428	(4,704,967)	8,121,572	3,416,605
General Revenues:							
Taxes:							
Property taxes levied for general purpose					19,690,964	-	19,690,964
Sales tax					8,975,723	-	8,975,723
Other taxes					195,315	-	195,315
Grants and contributions not restricted to specific programs					712,420	-	712,420
Unrestricted investment earnings					16,711	4,268	20,979
Water and Sewer system development fees					-	7,780,210	7,780,210
Miscellaneous					753,289	242,818	996,107
Transfers					262,480	(262,480)	-
Total general revenues, transfers, and capital contributions					30,606,902	7,764,816	38,371,718
Change in net position					25,901,935	15,886,388	41,788,323
Net position - beginning					132,899,285	97,428,155	230,327,440
Net position - ending					\$ 158,801,220	\$ 113,314,543	\$ 272,115,763

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, 2021

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Capital Projects		
ASSETS				
Cash and cash equivalents	\$ 29,555,053	\$ 8,257,850	\$ 9,488,075	\$ 47,300,978
Restricted cash	2,184,813	1,690,772	-	3,875,585
Receivables:				
Taxes, net	95,563	-	-	95,563
Accounts	96,120	-	-	96,120
Due from other governments	2,909,561	395,390	-	3,304,951
Total Assets	<u>\$ 34,841,110</u>	<u>\$ 10,344,012</u>	<u>\$ 9,488,075</u>	<u>\$ 54,673,197</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,164,680	\$ 49,149	\$ 116,333	\$ 2,330,162
Unearned revenue	-	-	995,165	995,165
Total Liabilities	<u>2,164,680</u>	<u>49,149</u>	<u>1,111,498</u>	<u>3,325,327</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	95,563	-	-	95,563
Prepaid property taxes	6,891	-	-	6,891
Total Deferred Inflows of Resources	<u>102,454</u>	<u>-</u>	<u>-</u>	<u>102,454</u>
FUND BALANCES				
Restricted:				
Federal forfeitures	11,110	-	-	11,110
Stabilization by State statute	3,005,682	395,390	-	3,401,072
Street improvements	2,184,813	1,690,772	-	3,875,585
Committed:				
Capital projects fund	-	8,208,701	-	8,208,701
Assigned:				
Parks and recreation	2,500	-	-	2,500
Capital reserve fund	-	-	6,833,520	6,833,520
Debt service fund	-	-	1,543,057	1,543,057
Law enforcement officers' pension benefits	363,054	-	-	363,054
Projects carried forward	1,163,796	-	-	1,163,796
Subsequent year's expenditures	4,360,450	-	-	4,360,450
Unassigned	21,482,571	-	-	21,482,571
Total Fund Balances	<u>32,573,976</u>	<u>10,294,863</u>	<u>8,376,577</u>	<u>51,245,416</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,841,110</u>	<u>\$ 10,344,012</u>	<u>\$ 9,488,075</u>	<u>\$ 54,673,197</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, 2021*

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

Ending fund balance - governmental funds	\$ 51,245,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	155,724,954
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	95,563
Deferred outflows of resources related to pensions and OPEB are deferred outflows of resources on the Statement of Net Position.	5,506,523
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	(38,892,462)
Accrued interest	(598,573)
Net LEOSSA obligation	(1,788,748)
Total OPEB obligation	(4,297,962)
Net pension liability	(7,401,870)
Pension and OPEB related deferrals	<u>(791,621)</u>
Net position of governmental activities	<u>\$ 158,801,220</u>

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

YEAR ENDED JUNE 30, 2021

	Major Funds		Nonmajor	Total
	General	Capital Projects	Funds	Governmental Funds
Revenues				
Ad valorem taxes	\$ 19,694,439	\$ -	\$ -	\$ 19,694,439
Other taxes and licenses	44,140	-	-	44,140
Unrestricted intergovernmental	9,317,243	-	-	9,317,243
Restricted intergovernmental	4,033,916	2,370,277	-	6,404,193
Permits and fees	2,782,096	-	1,823,750	4,605,846
Sales and services	2,891,654	-	-	2,891,654
Investment earnings	13,931	2,148	632	16,711
Miscellaneous	120,705	5,000	447,538	573,243
Total Revenues	38,898,124	2,377,425	2,271,920	43,547,469
Expenditures				
Current:				
General government	2,832,073	-	-	2,832,073
Public safety	13,179,319	-	-	13,179,319
Transportation	1,774,890	-	-	1,774,890
Environmental protection	2,634,543	-	-	2,634,543
Cultural and recreational	3,916,245	-	-	3,916,245
Economic and physical development	1,183,690	-	-	1,183,690
Central services	2,578,818	-	-	2,578,818
Debt service:				
Principal	-	-	2,385,000	2,385,000
Interest and other charges	-	-	1,552,034	1,552,034
Special contributions:				
Other agencies	97,750	-	-	97,750
Disaster recovery	-	-	-	-
Capital outlay	-	8,306,928	-	8,306,928
Total Expenditures	28,197,328	8,306,928	3,937,034	40,441,290
Excess (deficiency) of revenues over (under) expenditures	10,700,796	(5,929,503)	(1,665,114)	3,106,179
Other Financing Sources (Uses)				
Transfers from other funds	1,628,150	860,134	7,250,511	9,738,795
Transfers to other funds	(7,005,720)	-	(2,470,595)	(9,476,315)
Total Other Financing Sources (Uses)	(5,377,570)	860,134	4,779,916	262,480
Net change in fund balances	5,323,226	(5,069,369)	3,114,802	3,368,659
Fund balance - beginning	27,250,750	15,364,232	5,261,775	47,876,757
Fund balance - ending	\$ 32,573,976	\$ 10,294,863	\$ 8,376,577	\$ 51,245,416

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, 2021*

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

Net change in fund balances - total governmental funds	\$ 3,368,659
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	4,075,743
Loss on disposal	(18,250)
Depreciation expense	(4,934,239)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Donated assets	22,391,628
Change in unavailable revenue for tax revenues	(3,474)
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.	
Principal payments and amortization of bond premiums	2,590,321
Accrued interest payable	45,117
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	(168,403)
Pension expense	372,996
Contributions to the pension plan made subsequently to the measurement date	(1,439,691)
LEOSSA expense	(156,526)
Benefit payments paid and administrative expenses for the LEOSSA subsequent to the measurement date	(21,547)
OPEB expense	(153,656)
OPEB benefit payments and administrative expenses made subsequent to the measurement date.	(46,743)
Change in net position of governmental activities	<u>\$ 25,901,935</u>

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, 2021

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 18,532,141	\$ 19,248,441	\$ 19,694,439	\$ 445,998
Other taxes and licenses	766,300	50,000	44,140	(5,860)
Unrestricted intergovernmental	7,477,170	7,522,170	9,317,243	1,795,073
Restricted intergovernmental	2,852,289	2,882,289	4,033,916	1,151,627
Permits and fees	1,932,500	1,932,500	2,782,096	849,596
Sales and services	3,079,600	3,088,200	2,891,654	(196,546)
Investment earnings	331,344	331,344	13,931	(317,413)
Miscellaneous	149,000	188,095	120,705	(67,390)
Total Revenues	35,120,344	35,243,039	38,898,124	3,655,085
Expenditures				
Current:				
General government	3,548,029	3,637,579	2,832,073	805,506
Public safety	15,849,708	15,970,415	13,179,319	2,791,096
Transportation	2,439,277	2,841,325	1,774,890	1,066,435
Environmental protection	2,628,280	2,667,380	2,634,543	32,837
Cultural and recreational	6,535,245	5,922,907	3,916,245	2,006,662
Economic and physical development	5,504,875	2,398,825	1,183,690	1,215,135
Central services	3,038,949	3,046,549	2,578,818	467,731
Special contributions	47,750	97,750	97,750	-
Total Expenditures	39,592,113	36,582,730	28,197,328	8,385,402
Excess (deficiency) of revenues over (under) expenditures	(4,471,769)	(1,339,691)	10,700,796	12,040,487
Other Financing Sources (Uses)				
Installment purchase proceeds	1,500,000	1,500,000	-	(1,500,000)
Transfers from other funds	2,278,150	1,628,150	1,628,150	-
Transfers to other funds	(3,488,031)	(7,005,720)	(7,005,720)	-
Fund balance appropriations	4,181,650	5,217,261	-	(5,217,261)
Total Other Financing Sources (Uses)	4,471,769	1,339,691	(5,377,570)	(6,717,261)
Net change in fund balance	\$ -	\$ -	5,323,226	\$ 5,323,226
Fund balance - beginning			27,250,750	
Fund balance - ending			\$ 32,573,976	

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, 2021

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 33,261,319
Restricted cash	4,887,527
Accounts receivable (net), billed	709,259
Accounts receivable (net), unbilled	823,058
Total Current Assets	<u>39,681,163</u>
Noncurrent Assets:	
Capital Assets:	
Land and other nondepreciable assets	3,837,349
Other capital asset, net of accumulated depreciation	110,702,680
Capital Assets (net)	<u>114,540,029</u>
Total Noncurrent Assets	<u>114,540,029</u>
Total Assets	<u>154,221,192</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB deferrals	542,378
Total Deferred Outflows of Resources	<u>542,378</u>

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

Exhibit 6

JUNE 30, 2021

	Water and Sewer Fund
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,169,984
Liabilities payable from restricted assets	93,680
Accrued interest payable	336,088
Customer deposits	244,141
Compensated absences, current	30,000
General obligation bonds payable, current	115,000
Revenue bonds payable, current	895,000
Promissory note, current	927,941
Installment purchases, current	100,000
Total Current Liabilities	<u>3,911,834</u>
Noncurrent Liabilities:	
Net pension liability	818,086
Total OPEB liability	477,551
General obligation bonds payable, net	28,730,000
Revenue bonds payable, net	2,117,114
Promissory note	4,639,706
Installment purchases	600,000
Compensated absences	73,054
Total Noncurrent Liabilities	<u>37,455,511</u>
Total Liabilities	<u>41,367,345</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB deferrals	81,682
Total Deferred Inflows of Resources	<u>81,682</u>
NET POSITION	
Net investment in capital assets	81,058,656
Restricted for system development reserves	9,023,127
Unrestricted	23,232,760
Total Net Position	<u><u>\$ 113,314,543</u></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, 2021

	Water and Sewer Fund
Operating Revenues	
Charges for services	\$ 13,412,486
Water and sewer tap fees	585,390
Other operating revenues	221,684
Total Operating Revenues	<u>14,219,560</u>
Operating Expenses	
Water treatment and distribution	5,090,812
Waste collection and treatment	4,550,105
Depreciation	4,641,719
Total Operating Expenses	<u>14,282,636</u>
Operating Loss	<u>(63,076)</u>
Nonoperating Revenue (Expense)	
Investment earnings	4,268
Lease income	99,733
Miscellaneous revenue, net	141,131
Loss on disposal of fixed assets, net	(806,498)
Water and sewer system development fees	7,780,210
Interest and other charges	(1,261,423)
Total Nonoperating Revenue	<u>5,957,421</u>
Income Before Transfers and Contributions	5,894,345
Transfers out	(262,480)
Capital contributions	<u>10,254,523</u>
Change in net position	15,886,388
Total net position - beginning	<u>97,428,155</u>
Total net position - ending	<u><u>\$ 113,314,543</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, 2021

	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 14,155,557
Cash paid for goods and services	(7,436,015)
Cash paid to or on behalf of employees for services	(1,985,321)
Customer deposits	7,340
Other operating revenues	240,863
Net cash flows from operating activities	<u>4,982,424</u>
Cash flows from noncapital financing activities	
Transfers out	<u>(262,480)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,216,064)
Proceeds from sale of capital assets	1,954
Principal paid on bond maturities and installment contracts	(2,392,941)
Interest paid and other finance costs	(1,428,590)
Water and sewer acreage and capacity replacement fees	7,780,210
Net cash flows from capital and related financing activities	<u>1,744,569</u>
Cash flows from investing activities	
Interest on investments	<u>4,268</u>
Net change in cash and cash equivalents	6,468,781
Cash and cash equivalents	
Beginning of year	<u>31,680,065</u>
End of year	<u><u>\$ 38,148,846</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, 2021

	Water and Sewer Fund
Reconciliation of operating income to net cash from operating activities	
Operating loss	\$ (63,076)
Miscellaneous revenues	240,863
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	4,641,719
Change in deferred outflows, liabilities, and deferred inflows:	
Decrease (increase) in accounts receivable	(73,680)
Decrease (increase) in related to pensions and OPEB	145,801
Increase (decrease) in accounts payable and accrued liabilities	46,691
Increase (decrease) in unearned revenue	9,677
Increase (decrease) in customer deposits	7,340
Increase (decrease) in compensated absences	27,089
Net cash from operating activities	<u>\$ 4,982,424</u>
Supplemental schedule of noncash capital and related finance activities	
Donation of capital assets	<u>\$ 10,254,523</u>

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

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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 of Fuquay-Varina 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 Town has no fiduciary funds to report. 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, 2021

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 - The Capital Projects 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, 2021

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, 2021

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 Funds, 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 Funds, 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, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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, 2021

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.

<u>Town of Fuquay-Varina</u>	
Governmental Activities	
General Fund	
Streets – Powell Bill	\$ 2,184,813
Capital Projects Fund Streets	<u>1,690,772</u>
Total governmental activities	<u>3,875,585</u>
Business-Type Activities	
Water and Sewer Fund	
Unspent Bond Proceeds	4,643,386
Deposits	<u>244,141</u>
Total Business-type Activities	<u>4,887,527</u>
Total Restricted Cash and Cash Equivalents	<u><u>\$ 8,763,112</u></u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2018. 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, 2021

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>
Buildings	40 years
Computer equipment	3 - 5 years
Equipment	5 years
Infrastructure	20 - 40 years
Operating plants	25 - 40 years
Other improvements (including sewer capacity rights)	5 - 80 years
Vehicles	2 - 5 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 for the 2021 fiscal year. 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 receivable and deferrals of pension and OPEB expense.

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021

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

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

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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 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 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 Projects Carried Forward – portion of fund balance that was for specific board approved projects that were not started in the current year but will be rolled forward into the coming fiscal year.

Assigned for Subsequent Years 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, 2021

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	\$ 32,573,977
Less:	
Federal forfeitures	11,110
Stabilization by State statute	3,005,682
Streets - Powell bill	2,184,813
Law enforcement officers' pension benefits	363,054
Projects carried forward	1,163,796
Parks and recreations	2,500
Subsequent years' expenditures	<u>4,360,450</u>
Remaining fund balance-General Fund	<u>\$ 21,482,572</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021

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, 2021, the Town's deposits had a carrying amount of \$12,797,437 and a bank balance of \$12,968,080. 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, 2021, the Town's petty cash fund totaled \$2,590.

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

JUNE 30, 2021

Note 2—Cash and investments (continued)

B. Investments

At June 30, 2021, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 76,525,382	n/a	AAAm

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 Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021. The Town has no policy regarding credit risk.

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

JUNE 30, 2021

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 \$7,786.

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, 2021</u>
General Fund:	
Taxes receivable	\$ 26,718
Other accounts receivable	59,340
	<u>\$ 86,058</u>
Water and Sewer Fund:	
Water and sewer receivable	<u>\$ 321,741</u>

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

JUNE 30, 2021

Note 4—Capital assets

A. Governmental capital assets

Capital asset activity for the primary government for the year ended June 30, 2021 were as follows:

	Beginning Balance	Increase	Decrease and Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,807,661	\$ 5,546,787	\$ (10,000)	\$ 41,344,448
Construction in progress	13,873,538	2,895,374	(14,588,492)	2,180,420
Total capital assets not being depreciated	<u>49,681,199</u>	<u>8,442,161</u>	<u>(14,598,492)</u>	<u>43,524,868</u>
Capital assets being depreciated:				
Buildings	28,286,418	5,828,796	(70,754)	34,044,460
Other improvements	2,469,678	5,912,245	(63,251)	8,318,672
Equipment	3,762,645	1,457,687	(702,621)	4,517,711
Vehicles	9,709,818	833,333	(359,321)	10,183,830
Infrastructure	74,219,937	18,591,640	-	92,811,577
Total capital assets being depreciated	<u>118,448,496</u>	<u>32,623,701</u>	<u>(1,195,947)</u>	<u>149,876,250</u>
Less accumulated depreciation for:				
Buildings	6,284,612	704,251	(64,178)	6,924,685
Other improvements	1,468,669	201,295	(63,251)	1,606,713
Equipment	3,206,921	264,581	(697,615)	2,773,887
Vehicles	6,097,057	864,617	(352,653)	6,609,021
Infrastructure	16,862,364	2,899,495	-	19,761,858
Total accumulated depreciation	<u>33,919,623</u>	<u>\$ 4,934,239</u>	<u>\$ (1,177,697)</u>	<u>37,676,165</u>
Total capital assets being depreciated, net	<u>84,528,873</u>			<u>112,200,086</u>
Governmental activities capital assets, net	<u>\$ 134,210,072</u>			<u>\$ 155,724,954</u>

Additions to the capital assets related to Governmental Activities include donations of capital assets from Town developers of approximately \$22,391,628.

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

JUNE 30, 2021

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	\$ 442,916
Public safety	672,450
Transportation	2,974,318
Environmental protection	227,374
Cultural and recreational	461,115
Economic and physical development	18,920
Central services	<u>137,146</u>
Total depreciation expense	<u>\$4,934,239</u>

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

JUNE 30, 2021

Note 4—Capital assets (continued)

B. Business-type capital assets

Capital asset activity for the business-type activities for the year ended June 30, 2021 were as follows:

	Beginning Balance	Increase	Decrease and Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 428,842	\$ -	\$ (7,501)	\$ 421,341
Construction in progress	6,391,475	1,567,791	(4,543,258)	3,416,008
Total capital assets not being depreciated	<u>6,820,317</u>	<u>1,567,791</u>	<u>(4,550,759)</u>	<u>3,837,349</u>
Capital assets being depreciated				
Buildings	30,686	155,000	(30,686)	155,000
Other improvements	92,292,073	14,035,783	-	106,327,856
Equipment	1,537,107	82,232	(218,626)	1,400,713
Vehicles	818,010	566,040	(3,923)	1,380,127
Operating plants	52,961,432	607,000	(3,659,670)	49,908,762
Total capital assets being depreciated	<u>147,639,308</u>	<u>15,446,055</u>	<u>(3,912,905)</u>	<u>159,172,458</u>
Less accumulated depreciation for:				
Buildings	28,808	654	(29,462)	-
Other improvements	35,101,729	3,128,335	-	38,230,064
Equipment	1,281,783	129,768	(218,630)	1,192,921
Vehicles	634,222	99,645	(3,922)	729,945
Infrastructure	9,893,470	1,283,317	(2,859,939)	8,316,848
Total accumulated depreciation	<u>46,940,012</u>	<u>\$ 4,641,719</u>	<u>\$ (3,111,953)</u>	<u>48,469,778</u>
Total capital assets being depreciated, net	<u>100,699,296</u>			<u>110,702,680</u>
Business-type activities capital assets, net	<u>\$ 107,519,613</u>			<u>\$ 114,540,029</u>

Additions to the capital assets of the Water and Sewer Fund include donations of capital assets from Town developers of approximately \$10,254,523.

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

JUNE 30, 2021

Note 4—Capital assets (continued)

C. Active construction

The government has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
Fiber Network Project	\$ 28,543	\$ 18,257
N.W. Judd Parkway	12,892,131	2,146,079
Purfoy/Old Honeycutt Intersection	90,126	39,560
Middle Creek Interceptor	83,184	9,416
AMI	779,598	166,213
Park Depot Greenway	226,333	-
Sunset/Purfoy/Main St. Intersection	-	12,492
Fleming Loop Park	15,883	3,117
Government Facilities	-	22,345
Town Business Park	3,100	2,000
Mills Branch & Middle Creek PS Improvements	29,450	1,550
Fire Station #4	-	380,000
Walter Myatt Pump Station	14,000	6,500
Holly Ridge Pump Station	436,649	83,940
Water Capital Improvements – Water Lines	433,548	147,677
Water Capacity Study	399,814	792,546
WWTP Capacity Expansion, Phase 1	4,398,221	192,195
NCDOT Pedestrian Facilities	-	17,689
Southern Oaks Sewer Line	927,341	338,584
Water Line Replacement Project	155,301	910,329
Future Water Supply Infrastructure	195,247	808,403
1 MG Tank	15,371	178,839
Mims Road	-	60,910
Community Center North/Senior Center	85,166	202,834
James A. Campbell Park Restroom	73,312	109,969
	<u>\$ 21,282,318</u>	<u>\$ 6,641,444</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Pension plan obligations

A. Local governmental employees' retirement system

Plan Description - The Town is a participating employer in the statewide Local Governmental Employee's Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("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 Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report ("ACFR") for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410 or by calling (919) 707-0500, or at 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, 2021

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, 2021 was 10.90% of compensation for law enforcement officers and 10.15% 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 \$1,599,657 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$8,219,956 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the Town's proportion was 0.23%, which was an increase of 0.01% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$2,784,874. At June 30, 2021, 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	\$ 1,038,036	\$ -
Changes of assumptions	611,726	-
Net difference between projected and actual earnings on pension plan investments	1,156,738	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,412	68,983
Town contributions subsequent to the measurement date	1,599,657	-
	<u>\$ 4,407,569</u>	<u>\$ 68,983</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Pension plan obligations (continued)

A. Local governmental employees' retirement system (continued)

\$1,599,657 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 ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Years Ending June 30:

2022	\$	762,018
2023		1,031,919
2024		602,654
2025		342,338
	\$	<u>2,738,929</u>

Actuarial Assumptions - The total pension liability in the December 31, 2019 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, 2019 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, 2021

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, 2020 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%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. 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, 2021

Note 5—Pension plan obligations (continued)

A. Local governmental employees' retirement system (continued)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability 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)	<u>\$ 16,677,387</u>	<u>\$ 8,219,956</u>	<u>\$ 1,191,229</u>

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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>48</u>
Total	<u>49</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75%, including inflation and productivity factor
Discount rate	1.93%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the Pub-201 amount-weighted tables, projected forward to the valuation date using generational improvement with Scale MP-2019.

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 \$28,477 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, 2021, the Town reported a total pension liability of \$1,788,748. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$216,521.

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

JUNE 30, 2021

Note 5—Pension plan obligations (continued)

B. Law enforcement officers' special separation allowance (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,420	\$ -
Changes of assumptions and other inputs	489,726	30,005
Benefit payments and administrative expenses subsequent to the measurement date	21,547	-
Total	<u>\$ 594,693</u>	<u>\$ 30,005</u>

\$21,547 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:

Years Ending June 30:

2022	\$ 94,454
2023	96,140
2024	92,360
2025	87,240
2026	85,895
Thereafter	87,052
	<u>\$ 543,141</u>

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

JUNE 30, 2021

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 1.93 percent, 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 1,981,847</u>	<u>\$ 1,788,748</u>	<u>\$ 1,615,259</u>

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

	2021
Beginning balance	\$ 1,137,538
Service cost	85,447
Interest on the total pension liability	36,620
Difference between expected and actual experience	51,900
Change in assumptions and other inputs	505,720
Benefits payments	(28,477)
	<u>\$ 1,788,748</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, 2019 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, 2021

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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 2,784,874	\$ 216,521	\$ 3,001,395
Pension Liability	8,219,956	1,788,748	10,008,704
Proportionate share of the net pension liability	0.23%	100%	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,038,036	83,420	1,121,456
Changes of assumptions	611,726	489,726	1,101,452
Net difference between projected and actual earning on plan investments	1,156,738	-	1,156,738
Changes in proportion and differences between contributions and proportionate share of contributions	1,412	-	1,412
Benefit payments and administrative costs paid subsequent to the measurement date	1,599,657	21,547	1,621,204
Deferred Inflows of Resources			
Changes of assumptions	-	30,005	30,005
Changes in proportion and differences between contributions and proportionate share of contributions	68,985	-	68,985

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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 ACFR for the State of North Carolina. The State’s ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the 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 \$239,910 for the reporting year, which consisted of \$153,975 from the Town and \$85,935 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 \$1,007,973 for the reporting year, which consisted of \$624,784 from the Town and \$383,189 from the non-law enforcement employees.

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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 Local Government Employees’ Retirement System (the “System”) 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, 2020, the date of the latest actuarial valuation:

Retirees receiving benefits	13
Active plan members	240
Total	<u>253</u>

Total OPEB Liability - The Town’s total OPEB liability of \$4,775,512 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that June 30, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2019 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	2.21%
Dental	4.00%
Vision	2.50%
Healthcare cost trend rates	
Pre-Medicare Medical	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

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

JUNE 30, 2021

Note 5—Pension plan obligations (continued)

E. Other post-employment benefits (continued)

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.

Changes in the Total OPEB Liability -

	Total OPEB Liability
Balance as of June 30, 2019	\$ 3,469,811
Changes for the year	
Service cost at the end of the year	158,810
Interest	125,886
Differences between expected and actual experience	(10,143)
Changes in assumptions or other inputs	1,095,406
Net Benefit payments and implicit subsidy credit**	(64,258)
Net changes	<u>1,305,701</u>
Balance as of June 30, 2020	<u>\$ 4,775,512</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

JUNE 30, 2021

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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 5,936,838	\$ 4,775,512	\$ 3,894,544

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:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 3,760,320	\$ 4,775,512	\$ 6,170,671

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2021, the Town recognized OPEB expense of \$285,402. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,832	\$ 288,978
Changes of assumptions and other inputs	991,870	485,337
Benefit payments and administrative expenses subsequent to the measurement date	51,937	-
Total	<u>\$ 1,046,639</u>	<u>\$ 774,315</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Pension plan obligations (continued)

E. Other post-employment benefits (continued)

\$51,937 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 OPEB pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Years Ending June 30,</u>	
2022	\$ 706
2023	706
2024	706
2025	706
2026	706
Thereafter	216,857
Total	<u>\$ 220,387</u>

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, 2021

Note 6—Deferred outflows and inflows of resources

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

	Statement of Net Position	General Fund Balance Sheet
Contributions and benefit payments made to pension, LEOSA, and OPEB plans in current fiscal year	\$ 1,673,141	\$ -
Differences between expected and actual experiences	1,124,288	-
Changes of assumptions	2,093,322	-
Net difference between projected and actual earnings on pension plan investments	1,156,738	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,412	-
Total	<u>\$ 6,048,901</u>	<u>\$ -</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net	\$ -	\$ 95,562
Prepaid property taxes (General fund)	6,891	6,891
Changes in assumptions	515,342	-
Differences between expected and actual experience	288,978	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,983	-
Total	<u>\$ 880,194</u>	<u>\$ 102,453</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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		77,574,002
Employee benefits		5,000,000
Computer equipment and media		2,050,000
Municipal equipment		592,944

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, 2021

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 \$500,000 at June 30, 2021.

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 \$4,000,000 at June 30, 2021.

The future minimum payments of the above installment purchase as of June 30, 2021, including interest of \$689,900 for the general long-term debt are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 500,000	\$ 135,300
2023	500,000	119,600
2024	500,000	103,900
2025	500,000	88,200
2026	500,000	72,500
2027-2031	2,000,000	113,600
Total	<u>\$ 4,500,000</u>	<u>\$ 689,900</u>

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

JUNE 30, 2021

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 \$700,000 at June 30, 2021.

The future minimum payments of the above installment purchases as of June 30, 2021, including interest of \$55,720 for the Water and Sewer Fund, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 100,000	\$ 13,930
2023	100,000	11,940
2024	100,000	9,950
2025	100,000	7,960
2026	100,000	5,970
2027-2028	200,000	5,970
Total	<u>\$ 700,000</u>	<u>\$ 55,720</u>

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

JUNE 30, 2021

Note 8—Long-term obligations (continued)

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.

\$	5,567,647
\$	5,567,647

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

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 927,941	\$ 128,334
2023	927,941	106,945
2024	927,941	85,556
2025	927,941	64,167
2026	927,941	42,778
2027	927,942	21,390
	<u>\$ 5,567,647</u>	<u>\$ 449,170</u>

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

JUNE 30, 2021

Note 8—Long-term obligations (continued)

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.

Serviced by the General Fund:

\$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%	\$ 2,100,000
\$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%	15,600,000
\$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%	<u>2,625,000</u>
	<u>20,325,000</u>

Serviced by the Water and Sewer Fund:

\$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%	<u>1,150,000</u>
	<u>1,150,000</u>
	<u><u>\$ 21,475,000</u></u>

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

JUNE 30, 2021

Note 8—Long-term obligations (continued)

C. General obligation indebtedness (continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of \$6,767,313 on the general obligation bonds of the General fund bonds:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,330,000	\$ 847,063
2023	1,330,000	755,813
2024	1,335,000	724,438
2025	1,340,000	662,813
2026	1,340,000	601,063
2027-2031	6,450,000	2,077,563
2032-2036	4,650,000	914,750
2037-2039	2,550,000	183,813
Total	<u>\$ 20,325,000</u>	<u>\$ 6,767,313</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$229,713 on the general obligation bonds of the Water and Sewer fund bonds:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 115,000	\$ 43,413
2023	115,000	39,100
2024	115,000	34,500
2025	115,000	29,900
2026	115,000	25,300
2027-2031	575,000	57,500
Total	<u>\$ 1,150,000</u>	<u>\$ 229,713</u>

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

JUNE 30, 2021

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%

\$ 9,995,000

Annual debt service requirements to maturity for limited obligation bonds, including interest of \$4,155,972 on the limited obligation bonds of the General fund bonds:

Fiscal Year Ending June 30,	Principal	Interest
2022	\$ 560,000	\$ 465,063
2023	555,000	437,188
2024	555,000	409,438
2025	555,000	381,688
2026	550,000	354,063
2027-2031	2,775,000	1,356,188
2032-2036	2,790,000	659,063
2037-2039	1,655,000	93,281
Total	<u>\$ 9,995,000</u>	<u>\$ 4,155,972</u>

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

JUNE 30, 2021

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 annually April 1 beginning April 1, 2019
and ending April 1, 2041, interest rate of 3.0% to 5.0%

\$ 27,695,000

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 \$41,470,169. 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 \$13,775,169 on the revenue bonds of the Water and Sewer Fund bonds:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 895,000	\$ 1,178,444
2023	930,000	1,142,644
2024	975,000	1,096,144
2025	1,015,000	1,057,144
2026	1,055,000	1,016,544
2027-2031	6,135,000	4,235,469
2032-2036	7,555,000	2,816,219
2037-2041	9,135,000	1,232,563
Total	<u>\$ 27,695,000</u>	<u>\$ 13,775,169</u>

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

JUNE 30, 2021

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, 2021, which require minimum ratios of 120% and 100% of the calculations below, respectively. The revenue coverage calculations for the year ended June 30, 2021 were as follows:

Income available for debt service in the fiscal year ended June 30, 2021	\$ 4,578,643
15% of system unrestricted net position in the prior year	<u>2,547,222</u>
Total	<u>7,125,865</u>
Long-term debt service requirement for parity indebtedness	<u>2,074,544</u>
Debt service coverage ratio	<u><u>343%</u></u>

Income available for debt service in the fiscal year ended June 30, 2021	\$ 4,578,643
Long-term debt service requirement for parity indebtedness	<u>2,074,544</u>
Debt Service Coverage Ratio	<u><u>221%</u></u>

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

JUNE 30, 2021

Note 8—Long-term obligations (continued)

F. Changes in long-term liabilities

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 21,650,000	\$ -	\$ 1,325,000	\$ 20,325,000	\$ 1,330,000
Limited obligation bonds	10,555,000	-	560,000	9,995,000	560,000
Installment purchase	5,000,000	-	500,000	4,500,000	500,000
Total bonds and notes payable	<u>37,205,000</u>	<u>-</u>	<u>2,385,000</u>	<u>34,820,000</u>	<u>2,390,000</u>
Deferred adjustments:					
Premium	3,165,096	-	205,321	2,959,775	-
Total bonds and notes payable, net	<u>40,370,096</u>	<u>-</u>	<u>2,590,321</u>	<u>37,779,775</u>	<u>2,390,000</u>
Other liabilities:					
Net pension liability	5,511,172	1,890,698	-	7,401,870	-
LEOSSA pension liability	1,137,538	651,210	-	1,788,748	-
Total OPEB obligation	3,122,829	1,175,132	-	4,297,961	-
Compensated absences	944,285	566,023	397,620	1,112,688	278,172
Total other liabilities	<u>10,715,824</u>	<u>4,283,063</u>	<u>397,620</u>	<u>14,601,267</u>	<u>278,172</u>
Total long-term liabilities	<u>\$ 51,085,920</u>	<u>\$ 4,283,063</u>	<u>\$ 2,987,941</u>	<u>\$ 52,381,042</u>	<u>\$ 2,668,172</u>

Compensated absences and pension and OPEB 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, 2021

Note 8—Long-term obligations (continued)

F. Changes in long-term liabilities (continued)

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Business-type activities:					
General obligation bonds	\$ 1,645,000	\$ -	\$ 495,000	\$ 1,150,000	\$ 115,000
Revenue bonds	28,565,000	-	870,000	27,695,000	895,000
Promissory notes	6,495,589	-	927,941	5,567,648	927,941
Installment purchase	800,000	-	100,000	700,000	100,000
Compensated absences	75,965	90,144	63,055	103,054	30,000
Total OPEB obligation	346,981	130,570	-	477,551	-
Net pension liability	<u>608,008</u>	<u>210,078</u>	<u>-</u>	<u>818,086</u>	<u>-</u>
Total bonds and notes payable	<u>38,536,543</u>	<u>430,792</u>	<u>2,455,996</u>	<u>36,511,339</u>	<u>2,067,941</u>
Deferred adjustments:					
Premium	<u>3,166,638</u>	<u>-</u>	<u>154,525</u>	<u>3,012,113</u>	<u>-</u>
Total bonds and notes payable, net	<u>\$ 41,703,181</u>	<u>\$ 430,792</u>	<u>\$ 2,610,521</u>	<u>\$ 39,523,452</u>	<u>\$ 2,067,941</u>

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

JUNE 30, 2021

Note 9—Interfund balances and activity

Transfers to/from other funds for the year ended June 30, 2021 consist of the following:

	Transfers out:			Total
	General Fund	Nonmajor Funds	Proprietary Fund	
Transfers in:				
General Fund	\$ -	\$ 1,628,150	\$ -	\$ 1,628,150
Capital Projects Fund	17,689	842,445	-	860,134
Nonmajor Funds	6,988,031	-	262,480	7,250,511
Total transfers out	<u>\$ 7,005,720</u>	<u>\$ 2,470,595</u>	<u>\$ 262,480</u>	<u>\$ 9,738,795</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs. For the year ended June 30, 2021, the Water and Sewer fund made a \$262,480 transfer for debt service payment to the Debt Service Fund.

Note 10—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, 2021. 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. 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, 2021

Note 11—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 12—Subsequent events

The Town has evaluated subsequent events through November 30, 2021, 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 EIGHT FISCAL YEARS ENDING*

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.23%	0.22%	0.21%	0.20%	0.19%	0.19%	(0.18%)	0.18%
Town's proportion of the net pension liability (asset) (\$)	\$ 8,219,956	\$ 6,119,180	\$ 4,976,225	\$ 3,045,974	\$ 4,063,213	\$ 832,603	\$ (1,058,830)	\$ 2,147,994
Town's covered payroll (of the measurement period)	\$13,989,136	\$13,151,948	\$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	58.76%	46.53%	41.83%	27.72%	42.78%	9.53%	(12.93%)	27.22%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Schedule of Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,599,657	\$ 1,278,955	\$ 1,045,054	\$ 984,082	\$ 819,239	\$ 647,699	\$ 623,270	\$ 582,279
Contributions in relation to the contractually required contribution	1,599,657	1,278,955	1,045,054	984,082	819,239	647,699	623,270	582,279
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$15,489,600	\$13,989,136	\$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	10.33%	9.14%	7.95%	8.27%	7.46%	6.82%	7.14%	7.11%

* Information is not available for years prior to those presented.

** The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

LAST FIVE FISCAL YEARS ENDING*

	Schedule of Changes in Total Pension Liability				
	2021	2020	2019	2018	2017
Total pension liability, beginning balance	\$ 1,137,538	\$ 980,487	\$ 952,702	\$ 811,166	\$ 793,225
Service cost at end of year	85,447	73,406	68,439	58,705	52,473
Interest	36,620	35,122	29,613	30,622	27,601
Difference between expected and actual experience	51,900	37,416	6,992	22,707	-
Changes in assumptions and other inputs	505,720	42,285	(46,081)	65,191	(21,932)
Benefit payments	(28,477)	(31,178)	(31,178)	(35,689)	(40,201)
Total pension liability, ending balance	<u>\$ 1,788,748</u>	<u>\$ 1,137,538</u>	<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				
	2021	2020	2019	2018	2017
Total pension liability	\$ 1,788,748	\$ 1,137,538	\$ 980,487	\$ 952,702	\$ 811,166
Covered payroll	\$ 2,928,650	\$ 2,711,805	\$ 2,345,106	\$ 2,326,223	\$ 2,035,212
Total Pension Liability as a percentage of covered payroll	61.08%	41.95%	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**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

LAST FOUR FISCAL YEARS ENDING*

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 158,810	\$ 172,111	\$ 184,646	\$ 212,847
Interest	125,886	139,569	128,027	113,176
Differences between expected and actual experience	(10,143)	(333,175)	(13,456)	4,584
Changes of assumptions	1,095,406	(61,966)	(241,918)	(424,765)
Benefit payments and implicit subsidy credit	(64,258)	(68,591)	(62,871)	(76,261)
Net change in total OPEB liability	1,305,701	(152,052)	(5,572)	(170,419)
Total OPEB liability - beginning	3,469,811	3,621,863	3,627,435	3,797,854
Total OPEB liability - ending	\$ 4,775,512	\$ 3,469,811	\$ 3,621,863	\$ 3,627,435
Covered payroll	\$ 12,685,077	\$ 12,685,077	\$ 10,227,417	\$ 10,227,417
Total OPEB liability as a percentage of covered payroll	37.65%	27.35%	35.41%	35.47%

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:

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
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, 2021

	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	\$ 18,507,141	\$ 18,845,069	\$ 337,928
Vehicle fee	716,300	808,048	91,748
Penalties and interest	25,000	41,322	16,322
Total ad valorem taxes	19,248,441	19,694,439	445,998
Other taxes and licenses:			
Rental vehicle tax	50,000	44,140	(5,860)
Total other taxes and licenses	50,000	44,140	(5,860)
Unrestricted intergovernmental:			
Local option sales taxes	5,804,170	7,403,245	1,599,075
Court costs and fees	18,000	12,121	(5,879)
Solid waste disposal tax	18,000	21,655	3,655
Video program sales tax	240,000	239,621	(379)
Utility sales tax	1,210,000	1,332,857	122,857
Beer and wine tax	112,000	117,399	5,399
ABC profit distribution	120,000	190,345	70,345
Total unrestricted intergovernmental	7,522,170	9,317,243	1,795,073
Restricted intergovernmental:			
Police, drug forfeiture	-	4,509	4,509
Police, federal grants	-	2,486	2,486
Police, state grants	-	14,787	14,787
Police, county grants	-	37,838	37,838
Fire department, county grants	35,550	515,992	480,442
Fire district, FURINA	1,986,039	1,986,039	-
Powell Bill	730,000	714,796	(15,204)
Disaster relief	30,000	522,075	492,075
Other	100,700	235,394	134,694
Total restricted intergovernmental	2,882,289	4,033,916	1,151,627
Permits and fees:			
Building permits	1,200,000	2,115,681	915,681
Transportation improvement inspections	199,000	73,280	(125,720)
Inspection fees	50,000	150,770	100,770
Fire inspection fees	12,000	12,455	455
Utility inspection fees	120,000	88,956	(31,044)
Other	351,500	340,954	(10,546)
Total permits and fees	1,932,500	2,782,096	849,596

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

YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance With Final Positive (Negative)
Sales and services:			
Event salary reimbursement	\$ 31,000	\$ 11,424	\$ (19,576)
Refuse collection/recycling fees	2,021,000	2,288,485	267,485
Economic and physical development fees	102,500	169,475	66,975
Recreation department fees	675,100	333,973	(341,127)
Arts Center fees	258,600	88,297	(170,303)
Total sales and services	3,088,200	2,891,654	(196,546)
Investment earnings	331,344	13,931	(317,413)
Miscellaneous:			
Donations, nongovernmental	26,397	4,135	(22,262)
Police, nongovernmental	6,075	6,075	-
Insurance or restitution	30,623	42,306	11,683
Surplus property sales	-	12,831	12,831
Miscellaneous revenues, all others	125,000	55,358	(69,642)
Total miscellaneous	188,095	120,705	(67,390)
Total revenues	35,243,039	38,898,124	3,655,085
Expenditures			
General government:			
Governing body	272,556	252,327	20,229
Administration	768,476	722,313	46,163
Finance	514,256	473,430	40,826
Engineering	947,865	728,601	219,264
Public information	401,636	238,163	163,473
Public buildings	732,790	417,239	315,551
Total general government	3,637,579	2,832,073	805,506
Public safety:			
Police	6,621,546	5,948,817	672,729
Fire	7,639,818	5,727,326	1,912,492
Inspections	1,709,051	1,503,176	205,875
Total public safety	15,970,415	13,179,319	2,791,096
Transportation:			
Streets	1,488,527	1,263,784	224,743
Powell bill	1,352,798	511,106	841,692
Total transportation	2,841,325	1,774,890	1,066,435
Environmental protection	2,667,380	2,634,543	32,837
Cultural and recreational	5,922,907	3,916,245	2,006,662
Economic and physical development	2,398,825	1,183,690	1,215,135

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

YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance With Final Positive (Negative)
Central services:			
General	\$ 1,265,800	\$ 911,573	\$ 354,227
Information technology	1,346,453	1,282,412	64,041
Human resources	434,296	384,833	49,463
Total central services	3,046,549	2,578,818	467,731
Special contributions	97,750	97,750	-
Total expenditures	36,582,730	28,197,328	8,385,402
Excess (deficiency) of revenues over (under) expenditures	(1,339,691)	10,700,796	12,040,487
Other financing sources (uses)			
Installment purchase proceeds	1,500,000	-	(1,500,000)
Transfers from other funds			
Capital reserves	1,628,150	1,628,150	-
Transfers to other funds			
Capital projects fund	(17,689)	(17,689)	-
Capital reserves	(3,500,000)	(3,500,000)	-
Debt service fund	(3,488,031)	(3,488,031)	-
Fund balance appropriations			
Powell Bill	640,487	-	(640,487)
Economic Development	-	-	-
General Fund	4,576,774	-	(4,576,774)
Total other financing sources (uses)	1,339,691	(5,377,570)	(6,717,261)
Net change in fund balance	\$ -	5,323,226	\$ 5,323,226
Fund Balance - Beginning		27,250,750	
Fund Balance - Ending		\$ 32,573,976	

TOWN OF FUQUAY-VARINA, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL - CAPITAL PROJECTS FUND***YEAR ENDED JUNE 30, 2021*

	Project Authorization	Prior Year	Closed Projects	Current Year	Total to Date
Revenues					
Investment earnings	\$ 295,025	\$ 653,553	\$ -	2,148	\$ 655,701
Federal grants	17,311,131	9,917,366	(333,434)	1,872,845	11,456,777
State grants	3,888,082	1,904,267	(291,520)	-	1,612,747
County grants	1,056,619	500,000	-	497,432	997,432
Miscellaneous revenue	581,971	631,761	(20,333)	-	611,428
Donations	384,027	100,000	(100,000)	5,000	5,000
Total revenues	<u>23,516,855</u>	<u>13,706,947</u>	<u>(745,287)</u>	<u>2,377,425</u>	<u>15,339,085</u>

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

YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Year	Closed Projects	Current Year	Total to Date
Expenditures					
Government Facilities Project	\$ 11,075,829	\$ 10,333,232	\$ -	\$ 315,083	\$ 10,648,315
Fiber Net Work Project	1,170,660	836,159	-	167,684	1,003,843
Fire Station #4	891,787	412,905	-	-	412,905
N/W Judd Parkway Project	25,100,000	15,691,560	-	4,644,207	20,335,767
S/W Judd Parkway Project	-	3,209,670	(3,209,670)	-	-
N/E Judd Parkway Extension	-	4,275,367	(4,275,367)	-	-
NE Judd- N Main Intersection	7,974,454	7,527,924	-	96,414	7,624,338
Herbert Akins Rd / HTN Rd Intersection Project	250,000	-	-	-	-
Bridge St Ped Improvements	-	467,240	(467,240)	-	-
Sunset/Purfoy/Main Intersect	2,377,978	414,020	-	-	414,020
Bass Lake/Hilltop Needmore/Sunset Lake Road Intersection Improvement	150,000	32	-	-	32
Purfoy/Old Honeycutt Intersection	1,413,875	966,677	-	136,276	1,102,953
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	-	381,888	(381,888)	-	-
Town Business Park	2,433,287	1,747,196	-	-	1,747,196
South Lakes Greeway enhancements	50,000	-	-	50,000	50,000
Hilltop Needmore Town Park and Preserve	30,000	-	-	-	-
DFI Downtown Mixed Use	1,679,714	280	-	1,314,943	1,315,223
Park - Depot Greenway project	1,354,410	524,803	-	817,180	1,341,983
Performing Arts Center	-	5,188,464	(5,188,464)	-	-
Fleming Loop Park Project	5,543,866	5,440,120	-	15,342	5,455,462
E-35 Elementary School	624,072	24,500	-	588,804	613,304
Mineral Spring Park Streambank	555,200	551,316	-	2,517	553,833
Community Center North/Senior Center	650,000	-	-	85,166	85,166
James A Campbell Park Restrooms	192,445	-	-	73,312	73,312

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

YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Year	Closed Projects	Current Year	Total to Date
Downtown Varina Pedestrian Improvements	\$ 1,457,490	\$ -	\$ -	\$ -	\$ -
Hwy 401/Mill Creek Road Intersection	1,536,438	-	-	-	-
NCDOT Pedestrian Facilities Hwy 401	17,689	-	-	-	-
Total expenditures	<u>70,078,362</u>	<u>57,993,353</u>	<u>(13,522,629)</u>	<u>8,306,928</u>	<u>52,777,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,561,507)</u>	<u>(44,286,406)</u>	<u>12,777,342</u>	<u>(5,929,503)</u>	<u>(37,438,567)</u>
Other Financing Sources (Uses)					
Transfers from other funds:					
General Fund	11,947,306	16,164,620	(5,372,638)	17,689	10,809,671
Enterprise Fund	9,566	9,566	-	-	9,566
Debt Service Fund	3,689,000	3,689,000	-	-	3,689,000
Capital Reserve Fund	789,181	636,735	(40,000)	842,445	1,439,180
Proceeds from bond issuance	29,141,454	36,465,000	(7,323,546)	-	29,141,454
Premiums from bond issuance	985,000	2,685,717	(41,158)	-	2,644,559
Total other financing sources (uses)	<u>46,561,507</u>	<u>59,650,638</u>	<u>(12,777,342)</u>	<u>860,134</u>	<u>47,733,430</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 15,364,232</u>	<u>\$ -</u>	<u>(5,069,369)</u>	<u>\$ 10,294,863</u>
Fund Balance - Beginning				<u>15,364,232</u>	
Fund Balance - Ending				<u>\$ 10,294,863</u>	

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

YEAR ENDED JUNE 30, 2021

	Capital Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,945,018	\$ 1,543,057	\$ 9,488,075
Total assets	<u>\$ 7,945,018</u>	<u>\$ 1,543,057</u>	<u>\$ 9,488,075</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 116,333	\$ -	\$ 116,333
Unearned revenue	995,165	-	995,165
Total liabilities	<u>1,111,498</u>	<u>-</u>	<u>1,111,498</u>
Fund balances:			
Assigned	6,833,520	1,543,057	8,376,577
Total fund balances	<u>6,833,520</u>	<u>1,543,057</u>	<u>8,376,577</u>
Total liabilities and fund balances	<u>\$ 7,945,018</u>	<u>\$ 1,543,057</u>	<u>\$ 9,488,075</u>

TOWN OF FUQUAY-VARINA, NORTH CAROLINA**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2021*

	Capital Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Recreation unit fees	\$ 1,823,750	\$ -	\$ 1,823,750
Investment earnings	632	-	632
Miscellaneous	447,538	-	447,538
Total revenues	2,271,920	-	2,271,920
Expenditures			
Principal retirements	-	2,385,000	2,385,000
Interest and other charges	-	1,552,034	1,552,034
Total expenditures	-	3,937,034	3,937,034
Excess (deficiency) of revenues over (under) expenditures	2,271,920	(3,937,034)	(1,665,114)
Other financing sources (uses)			
Transfers from other funds			
General Fund	3,500,000	3,488,031	6,988,031
Capital Reserve Fund	-	481,740	481,740
Water and Sewer Operating Fund	-	262,480	262,480
Transfers to other funds			
General Fund	(1,628,150)	-	(1,628,150)
Debt Service Fund	(481,740)	-	(481,740)
Capital Projects Fund	(842,445)	-	(842,445)
Payment to trustee for refunded bonds	-	-	-
Total other financing sources (uses)	547,665	4,232,251	4,779,916
Net change in fund balances	2,819,585	295,217	3,114,802
Fund balance - beginning	4,013,935	1,247,840	5,261,775
Fund balance - ending	<u>\$ 6,833,520</u>	<u>\$ 1,543,057</u>	<u>\$ 8,376,577</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, 2021

	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues			
Recreation unit fees	\$ -	\$ 1,823,750	\$ 1,823,750
Investment earnings	-	632	632
Miscellaneous	-	447,538	447,538
Total revenues	-	2,271,920	2,271,920
Other financing sources (uses)			
Transfers from other funds			
General fund	-	3,500,000	3,500,000
Transfers to other funds			
General Fund	(1,628,150)	(1,628,150)	-
Debt Service Fund	(481,740)	(481,740)	-
Capital Projects Fund	(842,445)	(842,445)	-
Fund balance appropriations	2,952,335	-	(2,952,335)
Total other financing sources (uses)	-	547,665	547,665
Net change in fund balance	\$ -	2,819,585	\$ 2,819,585
Fund balance - beginning		4,013,935	
Fund balance - ending		\$ 6,833,520	

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, 2021

	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ -	\$ -
Expenditures			
Current:			
Principal retirement	2,385,000	2,385,000	-
Interest and other charges	1,552,251	1,552,034	217
Total expenditures	3,937,251	3,937,034	217
Excess (deficiency) of revenues over (under) expenditures	(3,937,251)	(3,937,034)	217
Other financing sources (uses)			
Transfers from other funds			
General Fund	3,193,031	3,488,031	295,000
Capital Reserve Fund	481,740	481,740	-
Water and Sewer Operating Fund	262,480	262,480	-
Total other financing sources (uses)	3,937,251	4,232,251	295,000
Net change in fund balance	\$ -	295,217	\$ 295,217
Fund balance - beginning		1,247,840	
Fund balance - ending		\$ 1,543,057	

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, 2021

	Budget	Current Year	Variance Positive (Negative)
Revenues			
Operating revenues:			
Water charges for services	\$ 6,787,659	\$ 6,553,647	\$ (234,012)
Sewer charges for services	6,986,100	6,858,839	(127,261)
Water and sewer taps	335,950	585,390	249,440
Total	14,109,709	13,997,876	(111,833)
Other operating revenues:			
Penalty, delinquent bills	165,000	156,121	(8,879)
Water meter sales	50,000	63,753	13,753
Sewer pretreatment fees	1,815	1,810	(5)
Sewer line inspection fees	-	-	-
Total other operating revenues	216,815	221,684	4,869
Total operating revenues	14,326,524	14,219,560	(106,964)
Nonoperating revenues			
Interest and investment earnings	60,000	1,498	(58,502)
Lease income	90,000	99,733	9,733
Miscellaneous revenue	-	141,131	141,131
Total nonoperating revenue	150,000	242,362	92,362
Total revenues	14,476,524	14,461,922	(14,602)
Expenditures			
Water treatment and distribution	5,076,259	4,542,786	533,473
Waste collection and treatment	4,903,894	4,715,492	188,402
Total water and sewer operations	9,980,153	9,258,278	721,875
Debt Service:			
Water:			
Interest and other charges	46,652	44,941	1,711
Principal retirement	527,150	527,150	-
Total debt service (water)	573,802	572,091	1,711

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, 2021

	Budget	Current Year	Variance Positive (Negative)
Sewer:			
Interest and other charges	\$ 1,382,086	\$ 1,383,651	\$ (1,565)
Principal retirement	1,865,791	1,865,791	-
Total debt service (sewer)	3,247,877	3,249,442	(1,565)
Total debt service	3,821,679	3,821,533	146
Nonoperating expenditures	-	-	-
Total expenditures	13,801,832	13,079,811	722,021
Deficiency of revenues under expenditures	674,692	1,382,111	707,419
Other financing sources (uses)			
Transfer to other funds:			
Governmental Debt Service Fund	(262,480)	(262,480)	-
Water and Sewer Capital Projects Fund	(4,575,422)	(4,575,422)	-
Transfer from other funds:			
Water and Sewer Capital Reserve Fund	3,821,678	3,821,678	-
Fund balance appropriations	341,532	-	(341,532)
Total other financing sources (uses)	(674,692)	(1,016,224)	(341,532)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	365,887	\$ 365,887

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, 2021*

	Budget	Current Year	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		\$ 2,392,941	
Amortization of premiums		154,526	
Capital outlay		2,216,064	
Capital contributions		10,254,523	
Changes in net pension obligation		(210,078)	
Changes in OPEB obligation		(130,570)	
Changes in deferred outflow - pension and OPEB		187,218	
Changes in deferred inflow - pension and OPEB		7,629	
Changes in accrued interest		12,643	
Increase in compensated absences		(27,089)	
Expenses incurred in the Capital Project Fund		(2,425,814)	
Interest income Capital Projects Fund and Capital Reserve Fund		2,770	
Water and sewer system development fees		7,780,210	
Transfer to Water and Sewer Capital Projects Fund		4,575,422	
Transfer from Water and Sewer Capital Reserve Fund		(3,821,678)	
Depreciation		(4,641,719)	
Sale of capital assets		1,954	
Loss on disposal of capital assets		(808,451)	
Total reconciling items		15,520,501	
Change in net position		\$ 15,886,388	

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

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

WATER AND SEWER CAPITAL PROJECTS FUNDS

FROM INCEPTION TO JUNE 30, 2021

	Budget	Prior Year	Closed Projects	Current Year	Total to Date
Nonoperating revenues					
Developer improvements	\$ -	\$ 253,434	\$ -	\$ -	\$ 253,434
Interest and investment earnings	350,000	530,141	-	1,647	531,788
Total nonoperating revenue	<u>350,000</u>	<u>783,575</u>	<u>-</u>	<u>1,647</u>	<u>785,222</u>
Expenditures					
Sewer projects	42,086,530	35,523,118	-	1,195,036	36,718,154
Water projects	18,850,541	6,971,503	-	1,230,778	8,202,281
Interest and other charges	-	-	-	-	-
Total expenditures	<u>60,937,071</u>	<u>42,494,621</u>	<u>-</u>	<u>2,425,814</u>	<u>44,920,435</u>
Deficiency of revenues under expenditures	<u>(60,587,071)</u>	<u>(41,711,046)</u>	<u>-</u>	<u>(2,424,167)</u>	<u>(44,135,213)</u>
Other financing sources (uses)					
Transfer from other funds:					
Water and Sewer Capital Reserve Fund	11,759,020	4,625,699	-	7,133,322	11,759,021
Water and Sewer Operating Fund	17,282,793	12,647,313	-	4,575,422	17,222,735
Legal Settlement	(4,750,000)				
Proceeds from installment purchase	-	107,265	-	-	107,265
Proceeds from bond issuance	36,295,258	36,295,053	-	-	36,295,053
Total other financing sources (uses)	<u>60,587,071</u>	<u>53,675,330</u>	<u>-</u>	<u>11,708,744</u>	<u>65,384,074</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 11,964,284</u>	<u>\$ -</u>	<u>9,284,577</u>	<u>\$ 21,248,861</u>
Fund balance, beginning				<u>11,964,284</u>	
Fund balance, ending				<u>\$ 21,248,861</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, 2021*

	Budget	Actual	Variance Positive (Negative)
Nonoperating revenues			
Interest and investment earnings	\$ 100,000	\$ 1,123	\$ (98,877)
System development fees	4,725,000	7,780,210	3,055,210
Total nonoperating revenue	<u>4,825,000</u>	<u>7,781,333</u>	<u>2,956,333</u>
Other financing sources (uses)			
Transfer to other funds:			
Water and Sewer Operating Fund	(3,821,678)	(3,821,678)	-
Water and Sewer Capital Projects Fund	(7,133,322)	(7,133,322)	-
Transfers from other funds:			
Governmental Capital Projects Fund	-	-	-
Fund balance appropriations	6,130,000	-	(6,130,000)
Total other financing sources (uses)	<u>(4,825,000)</u>	<u>(10,955,000)</u>	<u>(6,130,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (3,173,667)</u>	<u>\$ (3,173,667)</u>

Other Schedules

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

YEAR ENDED JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 19,616,516	\$ 19,569,692	\$ 46,824
2019-2020	63,282	16,670	53,542	26,410
2018-2019	19,120	16,670	22,329	13,461
2017-2018	10,774	13,407	20,821	3,360
2016-2017	2,401	-	184	2,217
2015-2016	3,460	-	169	3,291
2014-2015	1,862	-	146	1,716
2013-2014	10,844	-	166	10,678
2012-2013	14,377	-	53	14,324
2011-2012	16,974	-	16,974	-
	<u>\$ 143,094</u>	<u>\$ 19,663,263</u>	<u>\$ 19,684,076</u>	<u>122,281</u>
Less allowance for uncollectible taxes				(26,718)
General Fund Taxes Receivable, net				<u>\$ 95,563</u>
Reconcilement with revenues:				
Ad valorem taxes, General Fund				\$ 19,694,439
Reconciling items:				
Interest & Penalties				(41,323)
Taxes written off				30,960
Total collections and credits				<u>\$ 19,684,076</u>

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

YEAR ENDED JUNE 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current	\$ 4,767,365,728	0.3950	\$ 18,835,735	\$ 17,282,912	\$ 1,552,823
Vehicle tags			818,415	7,980	810,435
Penalties	-		7,786	7,786	
Total	<u>4,767,365,728</u>		<u>19,661,936</u>	<u>17,298,678</u>	<u>2,363,258</u>
Discoveries			<u>42,544</u>	<u>42,544</u>	<u>-</u>
Abatements			<u>(87,964)</u>	<u>(79,876)</u>	<u>(8,088)</u>
Total property valuation	<u>\$ 4,767,365,728</u>				
Net levy			19,616,516	17,261,346	2,355,170
Uncollected taxes at June 30, 2021			<u>46,824</u>	<u>46,824</u>	
Current year's taxes collected			<u>\$ 19,569,692</u>	<u>\$ 17,214,522</u>	<u>\$ 2,355,170</u>
Current levy collection percentage			<u>99.76%</u>	<u>99.73%</u>	<u>100.00%</u>

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

YEAR ENDED JUNE 30, 2021

Secondary Market Disclosures

Sales to Assessment Ratio	100.08%
Real property	\$ 4,210,471,874
Personal property	143,155,944
Public service value	26,431,820
Vehicle value	387,306,090
Total assessed valuation	<u>4,767,365,728</u>
Tax rate per \$100	<u>0.3950</u>
Levy, includes discoveries, abatements, penalties, and vehicle decal fees	<u>\$ 19,616,516</u>

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

YEAR ENDED JUNE 30, 2021

Taxpayer	Type of Business	2020 Assessed Valuation	Percentage of Total Assessed Valuation
Meridian at Broad Street Market LLC	Developer	\$ 48,167,420	1.010%
Marquee Station Acquisition LLC	Developer	44,489,896	0.933%
Retreat At Fuquay-Varina LLC	Developer	40,813,560	0.856%
Stan Johnson & Associates LLC	Developer	38,237,540	0.802%
John Deere Turf Care, Inc.	Manufacturer	27,825,619	0.584%
Pulte Home Company LLC	Developer	27,120,161	0.569%
Progress Residential	Developer	24,732,836	0.519%
Deere and Company	Manufacturer	23,291,025	0.489%
TE Connectivity Corporation	Technology Engineering	22,838,583	0.479%
Kings Grant Commons LLC	Developer	18,214,071	0.382%
Total		\$ 238,357,126	6.62%

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Net invested in capital assets	\$ 47,547,219	\$ 50,376,461	\$ 56,031,662	\$ 52,606,606	\$ 59,671,228	\$ 67,288,658	\$ 81,601,215	\$ 82,138,039	\$ 99,556,691	\$ 119,583,747
Restricted	2,437,897	2,760,093	3,044,577	3,536,917	3,566,723	4,591,347	6,439,655	18,929,007	10,887,260	5,596,995
Unrestricted	19,100,477	22,272,799	24,035,264	22,981,489	24,586,260	25,448,528	12,165,649	12,639,812	22,455,334	33,620,478
Total governmental activities net assets	69,085,593	75,409,353	83,111,503	79,125,012	87,824,211	97,328,533	100,206,519	113,706,858	132,899,285	158,801,220
Business-Type Activities										
Net invested in capital assets	33,977,287	36,816,162	39,976,593	39,319,851	42,255,155	48,342,138	53,976,317	57,064,760	71,635,883	81,058,656
Unrestricted	7,778,907	7,837,206	7,913,435	11,234,691	14,388,153	14,694,721	15,418,950	20,800,317	16,981,479	23,232,760
Restricted	892,782	-	-	-	-	-	-	-	8,810,793	9,023,127
Total business-type activities net assets	42,648,976	44,653,368	47,890,028	50,554,542	56,643,308	63,036,859	69,395,267	77,865,077	97,428,155	113,314,543
Primary Government										
Net invested in capital assets	81,524,506	87,192,623	96,008,255	91,926,457	101,926,383	115,630,796	135,577,532	139,202,799	171,192,574	200,642,403
Restricted	3,330,679	2,760,093	3,044,577	3,536,917	3,566,723	4,591,347	6,439,655	18,929,007	19,698,053	14,620,122
Unrestricted	26,879,384	30,110,005	31,948,699	34,216,180	38,974,413	40,143,249	27,584,599	33,440,129	39,436,813	56,853,238
Total primary government net assets	\$ 111,734,569	\$ 120,062,721	\$ 131,001,531	\$ 129,679,554	\$ 144,467,519	\$ 160,365,392	\$ 169,601,786	\$ 191,571,935	\$ 230,327,440	\$ 272,115,763

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

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	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 1,614,063	\$ 1,735,808	\$ 2,069,541	\$ 2,060,407	\$ 2,230,489	\$ 2,422,468	\$ 3,619,215	\$ 4,009,806	\$ 4,111,737	\$ 3,831,403
Public Safety	7,095,468	7,050,444	7,195,651	7,778,442	8,434,870	9,928,712	11,911,546	12,948,234	14,524,637	15,270,800
Transportation	1,858,007	1,906,966	2,086,194	10,284,260	3,119,951	3,312,049	7,673,075	7,909,053	7,879,448	7,577,384
Environmental Protection	1,383,076	1,402,188	1,554,042	1,576,257	1,532,867	1,993,861	2,751,781	2,742,243	2,878,392	3,157,245
Culture and Recreation	1,424,428	1,525,442	1,548,259	1,866,561	2,619,085	2,848,281	4,043,294	4,008,502	4,537,986	4,500,629
Economic and physical development	519,833	664,099	612,999	697,657	748,065	1,348,022	1,338,016	1,610,558	1,659,178	1,767,125
Central Services	1,418,069	1,524,707	1,571,750	1,703,333	1,990,146	1,928,553	2,157,116	2,444,402	2,192,539	2,889,985
Interest on long-term debt	288,908	499,977	343,709	298,504	493,893	409,393	364,634	998,708	1,410,860	1,301,596
Total governmental activities expense	15,601,852	16,309,631	16,982,145	26,265,421	21,169,366	24,191,339	33,858,677	36,671,506	39,194,777	40,296,167
Business-Type activities:										
Water and sewer	6,794,513	7,352,181	7,290,560	7,961,699	9,666,387	10,479,944	11,461,641	11,693,145	13,430,400	16,352,511
Total primary government expenses	22,396,365	23,661,812	24,272,705	34,227,120	30,835,753	34,671,283	45,320,318	48,364,651	52,625,177	56,648,678
Program Revenues										
Governmental activities:										
Charges for services:										
General government	32,874	12,100	46,292	94,532	29,589	77,686	134,261	240,620	250,572	138,356
Public Safety	508,959	691,502	686,232	839,409	1,073,858	1,087,007	1,080,740	995,480	1,503,009	2,290,330
Transportation	245,423	6,964	28,402	46,059	18,678	40,010	83,407	156,298	228,052	93,021
Environmental Protection	1,234,707	1,322,379	1,401,488	1,505,822	1,603,648	1,717,845	1,805,062	2,296,891	2,314,906	2,557,760
Culture and Recreation	301,165	500,387	739,635	768,790	951,402	1,212,540	969,961	1,497,617	2,130,308	2,293,696
Economic and Physical Development	35,994	49,702	62,110	71,475	94,435	139,025	121,360	129,085	130,780	169,475
Operating grants and contributions:										
General government	-	-	-	-	-	-	-	-	-	-
Public Safety	1,396,453	1,469,757	1,495,404	1,603,591	1,568,912	2,040,915	2,014,233	2,049,432	2,167,954	2,570,671
Transportation	496,216	522,124	546,566	563,018	609,192	630,848	662,909	685,206	713,090	714,796
Environmental Protection	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	24,940	1,190
Capital grants and contributions:										
Public Safety	300,882	90,750	-	-	-	-	-	-	-	-
Transportation	1,797,902	4,087,876	4,971,380	2,287,342	6,879,137	7,354,789	10,023,143	12,819,702	21,946,382	24,761,905
Environmental Protection	10,080	-	-	-	-	-	-	-	-	-
Culture and Recreation	389,500	226,145	-	-	-	-	-	4,000,000	-	-
Total governmental activities program revenues	\$ 6,823,908	\$ 9,106,763	\$ 10,072,127	\$ 7,989,033	\$ 12,915,580	\$ 14,376,719	\$ 16,900,426	\$ 24,881,432	\$ 31,409,993	\$ 35,591,200

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

Table 2
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	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activity: Water and sewer										
Charges for services	\$ 6,251,449	\$ 6,577,148	\$ 6,696,485	\$ 7,801,923	\$ 8,890,450	\$ 9,857,763	\$ 10,962,166	\$ 11,614,572	\$ 12,384,728	\$ 13,412,486
Operating grants and contributions	294,613	340,295	314,743	388,602	421,623	450,724	436,211	419,844	540,662	807,074
Capital grants and contributions	-	-	-	-	3,227,899	3,573,619	3,289,920	4,434,678	11,146,672	10,254,523
Total business activity program revenues	6,546,062	6,917,443	7,011,228	8,190,525	12,539,972	13,882,106	14,688,297	16,469,094	24,072,062	24,474,083
Total primary government program revenues	13,369,970	16,024,206	17,083,355	16,179,558	25,455,552	28,258,825	31,588,723	41,350,526	55,482,055	60,065,283
Net (Expense) Revenue										
Governmental activities	(8,777,944)	(7,202,868)	(6,910,018)	(18,276,388)	(8,253,786)	(9,814,620)	(16,958,251)	(11,790,074)	(7,784,784)	(4,704,967)
Business-type activity	(248,451)	(434,738)	(279,332)	228,826	2,873,585	3,402,162	3,226,656	4,775,949	10,641,662	8,121,572
Total primary government net expense	(9,026,395)	(7,637,606)	(7,189,350)	(18,047,562)	(5,380,201)	(6,412,458)	(13,731,595)	(7,014,125)	2,856,878	3,416,605
General revenues and other charges in net assets										
Governmental activities:										
Property Taxes	8,378,620	8,650,712	9,285,897	9,747,060	10,381,919	12,827,696	13,825,638	14,890,146	15,941,757	19,690,964
Other taxes and licenses	4,227,582	4,334,873	4,631,873	5,460,908	6,170,610	6,518,808	6,951,844	7,796,320	8,390,695	9,171,038
Grants and contributions not restricted to programs	148,243	201,655	195,918	171,209	146,994	156,356	345,019	492,271	144,527	712,420
Unrestricted Investment earnings	13,245	12,652	2,785	4,365	60,947	161,029	370,213	972,346	702,474	16,711
Miscellaneous	51,751	146,736	101,989	156,036	192,515	228,558	400,003	855,924	1,529,598	753,289
Transfers	197,500	180,000	180,000	180,000	-	219,720	306,783	283,406	268,160	262,480
Total Governmental activities	13,016,941	13,526,628	14,398,462	15,719,578	16,952,985	20,112,167	22,199,500	25,290,413	26,977,211	30,606,902
Business-type activity:										
Unrestricted investment earnings	4,888	4,016	1,785	2,074	45,108	143,043	226,298	298,440	267,083	4,268
Water and sewer system development fees	981,715	875,107	1,401,127	1,524,035	3,084,005	2,888,666	3,469,748	3,595,306	8,000,571	7,780,210
Gain (Loss) sale of assets	-	-	-	-	-	-	-	-	769,084	-
Miscellaneous	180,098	220,212	115,899	115,304	86,068	179,400	214,002	83,521	152,838	242,818
Transfers	(197,500)	(180,000)	(180,000)	(180,000)	-	(219,720)	(306,783)	(283,406)	(268,160)	(262,480)
Donations of capital assets	633,824	1,519,795	2,177,181	1,110,309	-	-	-	-	-	-
Total Business-type activity	\$ 1,603,025	\$ 2,439,130	\$ 3,515,992	\$ 2,571,722	\$ 3,215,181	\$ 2,991,389	\$ 3,603,265	\$ 3,693,861	\$ 8,921,416	\$ 7,764,816

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

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	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Primary Government	\$ 14,619,966	\$ 15,965,758	\$ 17,914,454	\$ 18,291,300	\$ 20,168,166	\$ 23,103,556	\$ 25,802,765	\$ 28,984,274	\$ 35,898,627	\$ 37,563,266
Change in Net Position										
Governmental activities	4,238,997	6,323,760	7,488,444	(2,556,810)	8,699,199	10,297,547	5,241,249	13,500,339	19,192,427	25,901,935
Business-type activity	1,354,574	2,004,392	3,236,660	2,800,548	6,088,766	6,393,551	6,738,193	8,469,810	19,563,078	15,886,388
Prior period adjustment	-	-	-	-	-	(793,225)	(2,743,048)	-	-	-
Total Primary Government	\$ 5,593,571	\$ 8,328,152	\$ 10,725,104	\$ 243,738	\$ 14,787,965	\$ 15,897,873	\$ 9,236,394	\$ 21,970,149	\$ 38,755,505	\$ 41,788,323

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

Table 3

	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Restricted:										
Federal forfeitures	\$ 203	\$ 13,707	\$ 3,900	\$ 3,900	\$ 4,061	\$ 1,698	\$ 5,326	\$ 3,382	\$ 11,111	\$ 11,110
Stabilization by State statute	1,264,836	1,273,099	1,380,199	1,697,155	1,977,134	2,237,881	2,200,846	2,535,865	2,359,718	3,005,682
Streets - Powell Bill	1,172,858	1,473,287	1,611,031	1,738,405	1,425,482	1,847,216	2,004,028	1,755,094	1,980,910	2,184,813
Committed:										
Economic Development	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	2,500
Subsequent years expenditures	2,078,000	112,000	-	225,000	-	-	1,932,154	1,189,271	4,000,000	5,524,246
Law enforcement officers' pension benefits	-	-	344,831	344,830	344,830	346,531	349,363	353,032	363,013	363,054
Unassigned	11,260,612	13,399,352	14,448,063	15,422,046	17,807,455	17,428,499	16,189,751	18,452,852	18,533,498	21,482,572
Total General Fund	16,748,723	17,243,659	18,760,238	20,403,550	22,281,176	22,584,039	23,403,682	25,011,710	27,250,750	32,573,977
All Other Governmental Funds										
Restricted:										
Stabilization by State statute	-	-	-	97,457	160,046	504,552	2,229,455	1,107,451	818,806	395,390
Street Improvements	-	-	-	-	-	-	-	13,527,215	5,716,715	1,690,772
Debt Service	-	-	-	-	-	-	-	3,299,939	-	-
Committed:										
Capital projects fund	1,850,066	5,701,741	5,333,973	5,584,865	5,409,518	7,722,977	(3,350,819)	9,279,213	8,828,711	8,208,701
Assigned:										
Capital reserve fund	1,911,442	2,204,121	2,009,284	1,170,719	1,250,155	1,488,088	1,729,018	2,608,527	4,013,935	6,833,520
Debt service fund	1,673,993	1,739,695	1,739,958	1,740,179	1,743,258	1,622,119	853,434	958,993	1,247,840	1,543,057
Total All Other Governmental Funds	5,435,501	9,645,557	9,083,215	8,593,220	8,562,977	11,337,736	1,461,088	30,781,338	20,626,007	18,671,440
Total Governmental Fund Balances	\$ 22,184,224	\$ 26,889,216	\$ 27,843,453	\$ 28,996,770	\$ 30,844,153	\$ 33,921,775	\$ 24,864,770	\$ 55,793,048	\$ 47,876,757	\$ 51,245,417

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

Table 4

	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$ 8,426,304	\$ 8,653,279	\$ 9,331,267	\$ 9,805,722	\$ 10,383,691	\$ 12,826,474	\$ 13,851,251	\$ 14,904,024	\$ 16,546,930	\$ 19,694,439
Other taxes and licenses	148,243	201,655	195,918	171,209	146,994	156,356	345,019	492,271	52,333	44,140
Unrestricted Intergovernmental	4,124,693	4,334,873	4,631,873	5,460,908	6,170,610	6,455,315	6,913,629	7,796,320	7,824,189	9,317,243
Restricted Intergovernmental	2,180,871	2,458,301	2,067,939	3,185,087	2,717,623	3,441,524	6,475,290	6,350,007	6,817,471	6,404,193
Permits and fees	697,463	975,005	1,161,985	1,336,101	1,639,913	1,863,999	1,699,851	2,689,454	3,990,411	4,605,846
Sales and Services	1,442,781	1,610,289	1,804,959	1,992,691	2,134,222	2,412,554	2,510,721	2,673,545	2,667,059	2,891,654
Investment earnings	13,254	12,654	2,785	4,365	60,946	161,028	370,213	972,346	679,080	16,711
Miscellaneous	461,503	289,812	194,499	371,549	231,969	325,653	434,981	828,821	1,210,760	573,244
Total Revenues	17,495,112	18,535,868	19,391,225	22,327,632	23,485,968	27,642,903	32,600,955	36,706,788	39,788,233	43,547,470
Expenditures										
Current:										
General Government	1,517,584	1,622,540	1,991,342	1,991,766	2,154,727	2,249,422	2,422,079	2,502,143	2,627,958	2,832,073
Public Safety	6,864,738	6,743,799	6,964,332	7,609,656	8,225,557	9,199,813	9,864,552	10,993,349	12,146,392	13,179,319
Transportation	1,207,451	1,101,997	1,462,778	1,594,515	2,055,973	1,626,997	1,656,646	2,180,760	1,785,221	1,774,890
Environmental Protection	1,329,127	1,331,894	1,496,603	1,497,640	1,472,061	1,871,439	2,290,067	2,250,468	2,349,473	2,634,543
Culture and Recreation	1,286,314	1,365,259	1,424,960	1,646,370	2,426,420	2,424,306	2,700,476	3,227,311	3,798,941	3,916,245
Economic and Physical development	518,335	664,099	612,999	725,726	760,149	1,333,818	1,314,975	1,033,592	1,007,052	1,183,690
Central Services	1,323,849	1,431,212	1,465,681	1,614,094	1,873,379	1,832,323	1,936,343	2,296,332	2,021,959	2,578,818
Debt Service:										
Principal	605,000	605,000	780,000	780,000	780,000	1,180,000	1,180,000	1,180,000	2,385,061	2,385,000
Interest and other charges	294,034	312,445	334,253	313,489	292,817	356,643	407,091	596,784	1,693,674	1,552,034
Special Contributions:										
Other agencies	85,365	91,800	104,800	106,500	110,500	66,227	71,975	75,000	69,500	97,750
Disaster recovery	-	-	-	-	-	-	-	-	29,086	-
Capital Outlay	1,602,479	2,281,989	2,310,840	3,474,559	7,514,158	2,644,014	18,120,539	14,149,131	14,758,428	8,306,928
Total Expenditures	16,634,276	17,552,034	18,948,588	21,354,315	27,665,741	24,785,002	41,964,743	40,484,870	44,672,745	40,441,290
Revenues over (under) expenditures	860,836	983,834	442,637	973,317	(4,179,773)	2,857,901	(9,363,788)	(3,778,082)	(4,884,512)	3,106,180
Other Financing Sources (Uses):										
Transfers from other funds	1,482,516	3,458,013	3,479,602	4,129,298	2,324,489	7,988,151	8,241,112	6,036,533	6,400,839	9,738,795
Transfers to other funds	(1,302,516)	(3,278,013)	(3,299,602)	(3,949,298)	(2,324,490)	(7,768,430)	(7,934,329)	(5,753,127)	(6,132,679)	(9,476,315)
Payment to Trustee for refunded bonds	-	-	-	-	-	-	-	-	(3,299,939)	-
Proceeds from installment purchase	-	-	-	-	6,000,000	-	-	-	-	-
Proceeds from bond issuance	-	3,500,000	-	-	-	-	-	31,365,000	-	-
Premiums from bond issuance	-	41,158	-	-	(103,467)	-	-	3,295,300	-	-
Bond issuance costs	-	-	-	-	130,624	-	-	(237,346)	-	-
Total other financing sources (uses)	180,000	3,721,158	180,000	180,000	6,027,156	219,721	306,783	34,706,360	(3,031,779)	262,480
Net Change in Fund Balances	\$ 1,040,836	\$ 4,704,992	\$ 622,637	\$ 1,153,317	\$ 1,847,383	\$ 3,077,622	\$ (9,057,005)	\$ 30,928,278	\$ (7,916,291)	\$ 3,368,660
Debt Services as a percentage of non-capital expenditures	7.37%	7.99%	10.00%	6.89%	11.24%	7.02%	5.09%	5.45%	11.36%	10.83%

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

Fiscal Year	Property Taxes	Other Grants & Contributions	Unrestricted Intergovernmental	Miscellaneous	Unrestricted Investment Earnings	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Other Items	Fiscal Year Total
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
2020	15,941,757	144,527	8,390,695	2,451,520	969,557	18,942,355	3,446,646	33,093,054	8,000,571	91,380,682
2021	18,882,916	712,420	9,979,086	187,655	20,979	20,955,124	4,093,731	35,016,428	7,780,210	97,628,549

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

Table 6

Fiscal Year	Ad Valorem Taxes	Other Taxes and Licenses	Intergovernmental	Permits & Fees	Sales & Services	Investment Earnings	Miscellaneous	Fiscal Year Total	Per Capita Revenues (2)
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
2020	16,546,930	52,333	14,641,660	3,990,411	2,667,059	679,080	1,210,760	39,788,233	1,312
2021	19,694,439	44,140	15,721,436	4,605,846	2,891,654	16,711	573,244	43,547,470	1,275

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

Fiscal Year	Real Property	Personal Property (3)	Total	Property Tax Rate (Per \$100 Assessed Value)
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
2020	3,182,968,278	480,858,987	3,663,827,265	0.4325
2021	4,210,471,874	556,893,854	4,767,365,728	0.3950

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. Wake County has elected to revalue property every 4 years. The most recent revaluation was January 2020 and effective for fiscal year 20-21.

(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

Fiscal Year	Town of Fuquay-Varina	Wake County	Combined Tax Rate (Per \$100 Assessed Value)
2012	0.3850	0.534	0.919
2013	0.3850	0.534	0.919
2014	0.3850	0.534	0.919
2015	0.3850	0.5780	0.963
2016	0.4325	0.6145	1.0470
2017	0.4325	0.6005	1.0330
2018	0.4325	0.6150	1.0475
2019	0.4325	0.6544	1.0869
2020	0.4325	0.7207	1.1532
2021	0.3950	0.6000	0.9950

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

Table 9

Taxpayer	FY June 30, 2021			FY June 30, 2012		
	2020 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2011 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Meridian at Broud St Market LLC	\$ 48,167,420	1	1.01%			
Marquee Station Acquisition LLC	44,489,896	2	0.93%			0.00%
Retreat at Fuquay-Varina LLC	40,813,560	3	0.86%			
Stan Johnson & Associates LLC	38,237,540	4	0.80%	24,052,659	2	1.26%
John Deere Turf Care Inc	27,825,619	5	0.58%	47,425,682	1	
Pulte Home Company	27,120,161	6				
Progress Residential Borrower	24,732,836	7				
Deere & Company	23,291,025	8	0.49%			
TE Connectivity Corporation	22,838,583	9	0.48%			
Kings Grant Commons LLC	18,214,071	10	0.38%	12,466,841	5	
TYCO Electronic				19,312,016	3	1.01%
South Lakes Investors LLC				15,167,755	4	0.79%
Kohl's Department Stores Inc				9,398,020	9	0.49%
Car Fuquay Crossing LLC				11,873,312	6	0.62%
BBC Properties Purfoy LLC				8,807,100	10	0.46%
Smith Womble Properties LLC				10,219,474	7	0.54%
WM Fuquay Limited Partnership				9,713,785	8	0.51%
Total assessed value	<u>\$ 4,767,365,728</u>			<u>\$ 1,909,572,444</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
2012	8,454,393	-	8,454,393	8,337,970	98.62%	100,034	8,438,004	99.81%
2013	8,723,148	-	8,723,148	8,602,084	98.61%	106,740	8,708,824	99.84%
2014	8,828,320	-	8,828,320	8,758,237	99.21%	59,405	8,817,642	99.88%
2015	9,832,960	-	9,832,960	9,815,882	99.83%	15,362	9,831,244	99.98%
2016	10,478,189	-	10,478,189	10,446,851	99.70%	28,047	10,474,898	99.97%
2017	12,930,715	-	12,930,715	12,900,099	99.76%	28,399	12,928,498	99.98%
2018	13,781,225	13,407	13,794,632	13,757,392	99.83%	33,880	13,791,272	99.98%
2019	15,343,053	16,670	15,359,723	15,312,987	99.80%	33,275	15,346,262	99.91%
2020	16,559,557	16,670	16,576,227	16,496,275	99.62%	53,542	16,549,817	99.84%
2021	19,616,516	-	19,616,516	19,569,692	99.76%	-	19,569,692	99.76%

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			
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	0.101	3,070
2020	35,370,096	-	5,000,000	-	1,645,000	31,731,640	6,495,588	800,000	81,042,324	0.082	2,673
2021	33,279,775	-	4,500,000	-	1,150,000	30,707,113	5,567,647	700,000	75,904,535	N/A	2,223

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	Population (1)	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
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
2020	30,324	3,663,827,265	33,850,000	1,645,000	32,205,000	0.92%	1,062	1,116
2021	34,152	4,767,365,728	31,470,000	1,150,000	30,320,000	0.66%	888	921

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	Less: Amount of debt Applicable to Debt Limit- Net Bonded Debt (1)	Less: General Obligation Bonds Authorized Not Issued (2)	Legal Debt Margin	Net Debt as a % of Debt Limit
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%
2020	3,663,827,265	293,106,181	(37,205,000)	(8,650,000)	247,251,181	13%
2021	4,767,365,728	381,389,258	(34,820,000)	(8,650,000)	337,919,258	9%

Notes:

(1) Net Bonded Debt Calculation for FY 2021

General Government General Obligation Bonds	\$ 30,320,000
Utility General Obligation Bonds	1,150,000
Installment purchases and promissory notes	<u>10,767,647</u>
Gross Bonded Debt	42,237,647
Statutory Deductions	
Bonded Debt included in Gross Debt Incurred for Utilities	<u>(7,417,647)</u>
Net Bonded Debt	<u>\$ 34,820,000</u>

(2) General Obligation Bonds Authorized, Not issued FY 2021

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
June 30, 2021

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	\$ 34,820,000 ⁽¹⁾	100%	\$ 34,820,000
Overlapping: (3)			
Wake County	1,429,280,000	2.5%	35,940,305
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

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total General Government Expenditures (2)	Ratio of Debt Service to Total General Expenditures
2012	605,000	294,034	899,034	15,031,797	5.98%
2013	605,000	312,445	917,445	15,270,045	6.01%
2014	780,000	334,323	1,114,323	16,637,818	6.70%
2015	780,000	313,489	1,093,489	17,879,756	6.12%
2016	780,000	292,817	1,072,817	20,151,583	5.32%
2017	1,180,000	356,643	1,536,643	22,140,988	6.94%
2018	1,180,000	364,634	1,544,634	23,801,747	6.49%
2019	1,180,000	596,784	1,776,784	26,335,739	6.75%
2020	2,385,061	1,693,674	4,078,735	29,914,317	13.63%
2021	2,385,000	1,552,034	3,937,034	32,134,362	12.25%

Note:

(1) Includes General Long Term debt and capitalized leases

(2) Includes General Fund & Debt Service Fund

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

Table 16

Fiscal Year	(1) Population	(2) Per Capita Personal Income	(5) Median Age	(4) Wake County School Enrollment	(2) Unemployment Rate Percentage
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	30,534	35.50	160,471	3.0
2020	30,324	32,673	34.70	161,907	4.8
2021	34,152	(3)	35.80	157,673	4.5

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	2021			2014 ⁽³⁾		
	(1) Employees	Rank	Percentage of Total Town Employment (2)	(1) Employees	Rank	Percentage of Total Town Employment (2)
Wake County Public Schools	887	1	5%	700	1	7%
John Deere	460	2	3%	400	3	4%
TE Connectivity (formerly Tyco)	375	3	2%	600	2	6%
Harris Teeter	307	4	2%	65	14	1%
Town of Fuquay-Varina	305	5	2%	170	5	2%
Walmart	300	6	2%	360	4	4%
Food Lion	226	7	1%	140	7	1%
Bob Barker Company	220	8	1%	120	10	1%
Home Depot	195	9	1%	130	9	1%
Fidelity Bank	149	10	1%	90	11	1%
Southbend	83	11	0%	140	8	1%
Kohl's	78	12	0%	90	12	1%
Integrated Industrial Service, Inc	60	13	0%	150	6	2%
Kroger	0	0	0	80	13	1%
Totals	<u>2,758</u>			<u>2,535</u>		
Total Employment	<u>18,159</u>			<u>9,785</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.

(3) First Year Data was collected.

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

Table 18

Fiscal Year	Commercial		Residential		Total	
	Number of New Permits	Property Value	Number of New Permits	Property Value	Number of New Permits	Property Value
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
2020	89	34,342,327	887	192,836,350	976	227,178,677
2021	32	38,705,391	1440	333,638,170	1472	372,343,561

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

Fiscal Year	General Government	Public Safety	Transportation	Environmental Protection	Culture and Recreation	Economic and Physical Development	Central Services	Special Contributions	Debt Service	Capital Projects	Fiscal Year Total
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
2020	2,627,958	12,175,478	1,785,221	2,349,473	3,798,941	1,007,052	2,021,959	69,500	4,078,735	14,758,428	44,672,745
2021	2,832,073	13,179,319	1,774,890	2,634,543	3,916,245	1,183,690	2,578,818	97,750	3,937,034	8,306,928	40,441,290

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

Fiscal Year	(3) Administration	Finance	(4) Central Services	Police	Fire	Inspections	(5) Public Works	Planning	Parks and Recreation	Water	Wastewater	Fiscal Year Total
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
2020	8	8	19	57	59	16	34.5	12	28	12	10.5	264.00
2021	8	8	21	63	63	18	34.5	12	30	14	11.5	283.00

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 Information Technology, Engineering and Human Resources and Public buildings
 (5) 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020 (1)	2021 (1)
General Government										
New building permits issued	481	636	673	975	1,176	1,012	939	963	976	1,472
Police										
Public Generated Calls for Service	13,744	14,643	15,419	13,448	14,339	13,925	14,005	14,894	13,954	12,542
Police Officer Generated Calls for service	21,836	16,579	17,071	23,956	23,427	33,892	29,701	45,677	67,109	51,072
Physical arrests	549	655	563	459	526	459	398	813	793	493
Traffic accidents reported	688	792	881	994	1,187	1,150	1,104	1,181	1,035	1,083
Citations	4,451	4,655	2,729	4,060	4,443	6,246	7,292	8,993	9,517	4,196
Fire										
Child safety seat inspections	349	226	258	223	476	363	264	276	219	59
Emergency responses	3,334	3,407	3,513	3,494	3,829	4,094	4,148	4,345	4,284	4,703
Fires extinguished	104	106	65	102	287	112	115	62	77	83
Property losses due to fire (dollars)	\$ 1,027,035	\$ 1,005,706	\$ 928,462	\$ 632,614	\$ 1,041,400	\$ 1,049,996	\$ 1,088,351	\$ 789,578	\$ 1,561,854	\$ 1,035,856
Fire code violations corrected	1,648	1,663	1,538	1,216	1,913	1,798	1,941	1,117	1,966	1,772
Streets										
Miles of road maintained	88	90	95	100	106	111	115	121	132	142
Environmental Protection										
Number of households served	6,645	7,044	7,730	8,300	8,900	9,540	10,106	10,706	11,472	12,844
Municipal Solid Waste collected (tons)	5,974	5,988	6,415	6,814	7,689	8,429	8,970	9,369	10,192	11,405
Recycling collected (tons)	1,129	1,213	1,324	1,391	1,462	1,537	1,612	1,690	1,825	2,098
Yard waste collected (tons)	2,264	2,439	2,638	2,385	2,230	2,667	2,800	2,324	2,634	1,650
Recreation and Parks										
Youth program participants	1,794	2,602	1,577	3,875	5,555	5,627	5,443	5,451	4,028	3,121
Adult Programs	639	552	392	1,068	905	1,184	1,473	3,919	1,539	1,124
Athletic Programs	339	3,063	1,479	3,980	4,414	5,234	5,484	6,916	3,236	4,052
Senior program participants	492	250	261	908	960	2,415	2,670	4,506	3,080	2,291
Fitness participants	1,919	1,207	669	1,231	1,300	3,037	1,950	2,296	1,477	1,236
Facility Rentals	477	474	255	458	2,668	2,526	2,698	2,002	1,522	699

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

(1) Activities were affected by the COVID-19 Pandemic

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

Table 22

Function/Program	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	27	27	27	27	27	27	30	36	41	44
Detective Units	4	4	4	4	5	5	7	7	8	9
Fire										
Fire Stations	2	2	2	2	2	2	2	3	3	3
Fire/Rescue Trucks	14	14	14	14	14	14	14	14	13	13
Streets										
Streets (miles)	87.62	89.9	94.92	100.1	106.3	111.45	115.55	120.59	131.94	142
Sanitation										
Garbage Trucks	3	4	4	5	6	6	6	7	7	8
Recreation and Parks										
Number of developed parks	15	17	17	18	18	18	18	19	19	19
Acreage	171	191	191	231	231	231	231	374	388	388
Baseball fields	11	11	11	11	11	11	11	11	10	10
Tennis courts	10	10	10	10	12	12	12	12	12	12
Soccer fields	27	27	27	27	27	27	27	27	27	27
Community centers	1	1	1	2	2	2	2	3	3	3
Greenway miles	0.79	0.79	0.79	1.78	1.78	1.78	1.78	6.28	6.28	7.33

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, 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, 2021, 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 30, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. 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.

Cherry Bekaert LLP

Raleigh, North Carolina
November 30, 2021

**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's (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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 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, 2021.

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.

Cheryl Bekaert LLP

Raleigh, North Carolina
November 30, 2021

**Report of Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and on
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's (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, 2021. 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 State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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, 2021.

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 30, 2021

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

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:

Assistance Listing Numbers

20.205

21.019

Names of Federal Program or Cluster

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

Coronavirus Relief Fund

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

YEAR ENDED JUNE 30, 2021

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?

X yes 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

DOT-4 Powell Bill

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

YEAR ENDED JUNE 30, 2021

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, 2021

None.

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditure	Total	Pass-Through to subrecipients
FEDERAL GRANTS						
U.S. Department of Transportation						
Passed through North Carolina Department of Transportation:						
Highway Planning and Construction						
NW Judd Parkway	20.205	U-5317	\$ 1,244,581	\$ -	\$ 1,244,581	\$ -
Purfoy/Old Honeycutt Intersection	20.205	U-6096	94,210	-	94,210	-
Total Highway Planning and Construction			1,338,791	-	1,338,791	-
Governor's Highway Safety Program	20.609	M5HVE-18-15-12/OP-18-04	14,787	-	14,787	-
Total U.S. Department of Transportation			1,353,578	-	1,353,578	-
N.C. Department of Natural and Cultural Resources						
Division of Parks and Recreation						
Park Depot Greenway Project	20.219	U-5530	534,054	-	534,054	-
U.S. Dept of the Treasury						
Passed through Wake County, North Carolina						
COVID-19: Coronavirus Relief Program	20.019		516,259	-	516,259	-
U.S. Dept of Justice						
Office of Justice Programs						
Bulletproof Vest partnership	16.607	16083489	2,486.00	-	2,486	-
U.S. Dept of Homeland Security (FEMA)						
Passed through N.C. Dept of Public Safety	97.036	183-25300-00	5,816.00	-	5,816	-
Total assistance - Federal programs			2,412,193	-	2,412,193	-
STATE GRANTS						
N.C. Department of Transportation						
Division of Highways						
Non-State System Street-Aid Allocation Fund (Powell Bill)			-	511,107	511,107	-
N.C. Department of Natural and Cultural Resources						
Division of Parks and Recreation						
E-35 Elementary School Park Project (Willow Lake)			-	67,928	67,928	-
Total assistance - State programs			-	579,035	579,035	-
Total Federal and State Assistance			\$ 2,412,193	\$ 579,035	\$ 2,991,228	\$ -

TOWN OF FUQUAY-VARINA, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

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, 2021. 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.