

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2025





Prepared by the City of Fayetteville Finance Department

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With Special Thanks

Budget and Evaluation

Internal Audit

Departmental Partners



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City of Fayetteville, North Carolina

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February 12, 2026

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

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Fayetteville, North Carolina for the fiscal year ended June 30, 2025. State law requires that every local government publish a complete set of audited financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. This report complies with these requirements.

The ACFR consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect City assets and to compile information for the preparation of the City's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits; therefore, the internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

PBMares, LLP, has issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2025. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE CITY

The City of Fayetteville is the county seat of Cumberland County and covers an area of approximately 150 square miles. The City is situated approximately 60 miles south of Raleigh, the State capital, and 140 miles east of Charlotte, a significant commercial center in the State. The City is located adjacent to Interstate 95, a major north-south corridor that links the City to Washington, D.C., Baltimore and New York to the north, and to Charleston, Orlando and Miami to the south. Major roadways also connects Fayetteville to beaches along the southeast coast and the mountains in the west.

Fayetteville has been recognized four times as an *All-American City* by the National Civic League, most recently in 2023, and is known as a community of *History, Heroes and a Hometown Feeling*. In 1762, the town of Campbellton, located on the Cape Fear River, was chartered by the colonial assembly. In 1778, Campbellton united with the neighboring town of Cross Creek to become Upper and Lower Campbellton. In 1783, the North Carolina General Assembly approved the town's official renaming to Fayetteville in honor of Marquis de Lafayette, the French nobleman who served as a Major General in the Continental Army during the Revolutionary War.

Fort Bragg, located approximately 10 miles from the City's downtown area, is one of the largest and most advanced military complexes in the world, covering nearly 163,000 acres. Fort Bragg has traditionally been known as the home of the Army's XVIII Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command. In 2011, Fort Bragg became the headquarters for the Army's combat-ready conventional forces and Army Reserve following the move of U.S. Army Forces Command and U.S. Army Reserve Command to the base. The installation is also home to Pope Army Air Field providing fixed wing aviation assets and Simmons Army Airfield providing rotary wing aviation assets in support of Fort Bragg's missions.

Fayetteville is the sixth largest municipality in North Carolina based on population and with approximately 150 square miles is the second largest by land mass in North Carolina. According to the North Carolina Office of State Budget and Management, the City's population has grown from approximately 75,850 in 1990 to approximately 211,756 in 2025.

The City serves as the cultural and arts center for Southeastern North Carolina. Fayetteville's cultural and arts venues include the Cape Fear Regional Theatre, Cape Fear Botanical Gardens, the Crown Complex, and Festival Park, along with 7 museums including the Airborne and Special Operations Museum.

In April 2019 the City opened Segra Stadium, a new 4,800-seat minor league baseball stadium in the downtown area. Segra is home to the Fayetteville Woodpeckers, a Houston Astros single A affiliate. The construction of the stadium has spurred more than \$100 million in public and private investment in downtown.

Fayetteville's council-manager form of government has 9 members of the City Council each elected from their respective districts and a Mayor elected at large. Each of the Council Members and the Mayor serve concurrent two-year terms, and as a body are responsible for policy-making and local legislation affecting the City. The Council is also responsible for the approval of the budget and appointment of the City Manager, City Attorney, Public Works Commission (PWC) and members of other City boards, committees and commissions. The City Manager is responsible for implementing Council policies and City ordinances, managing daily operations and appointing City staff.

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

The Mayor, Council and City staff take great pride in providing residents with a full range of services, including police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, stormwater drainage systems and other infrastructure, recreation and cultural activities, fixed-route and demand-response transit service and airport service.

COMMERCE AND INDUSTRY

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

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

The economy of Fayetteville is greatly influenced by the presence of Fort Bragg and the associated defense-related economy and ecosystem. The installation and surrounding community serves and supports approximately 50,000 active-duty soldiers, 14,000 civilian employees and 140,500 active-duty family members, and 125,000 retirees and families that call Fort Bragg and Fayetteville home. The military's impact on the local economy varies depending on the number of deployed military personnel, capital projects and appropriation levels. Commercial contracts awarded to local businesses for equipment, material, supplies and construction spending also influence the local economy.

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

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

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

Fayetteville’s annual unemployment rate, reflecting both the national and state trends, increased from 5.2% at June 30, 2024 to 5.4% at June 30, 2025. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the following table.

NOT-SEASONALLY ADJUSTED UNEMPLOYMENT RATES*			
As of June	Fayetteville	North Carolina	United States
2025	5.4	4.0	4.4
2024	5.2	3.9	4.3
2023	5.1	3.6	3.8
2022	5.4	3.9	3.8
2021	7.9	5.5	6.1
*NC Department of Commerce, Labor and Economic Analysis Division			

The median household income in Cumberland County for 2023 is an estimated \$58,780, compared to \$77,719 nationwide and \$70,804 state-wide for the same period. Growth in compensation for military workers has helped to fuel local per capita income growth over the past decade.

In 2023, Cumberland County’s total employment was 123,330, with a labor participation rate of 64.9%. The largest industries in Cumberland County are health care, retail trade, accommodation, and food services, with the highest-paying industries being utilities, public administration, professional, and information.

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

During fiscal year 2025, the City issued building permits for 349 new single-family residential units valued at \$81.7 million and 61 new commercial building permits valued at \$121 million. For comparison, during fiscal year 2024, the City issued 421 new single-family residential units valued at \$27 million and 48 new commercial building permits valued at \$101 million.

Taxable sales in Cumberland County for fiscal year 2025 totaled approximately \$6.2 billion, representing a 1.15% increase over 2024. While economic growth remained restrained, tax revenues slightly increased in fiscal year 2024. As the table indicates, taxable sales increased throughout the pandemic and continued in fiscal year 2023. Improved economic conditions can also be attributed to federal and state funding awarded to the City and individuals. The additional funds increased incomes and provided an incentive to spend.

Historical sales for Cumberland County are provided in the following table.

TAXABLE SALES*		
Fiscal Year	Cumberland County**	Change
2025	\$6.239	1.17%
2024	\$6.167	0.80%
2023	\$6.118	6.53%
2022	\$5.743	9.64%
2021	\$5.238	20.97%
*NC Department of Revenue, Sales and Use Tax Division		
**Amounts noted in billions.		

The adopted annual operating budget for the fiscal year 2026 was \$300.3 million, excluding internal services funds, \$14.4 million more than the adopted annual operating budget for fiscal year 2025, an increase of 5%. For the General Fund, the adopted budget for fiscal year 2026 decreased by \$10.6 million compared to the adopted budget for fiscal year 2025. The fiscal year 2026 budget for property tax was projected from the 2026 revaluation. The revenue neutral adopted tax rate presented a 13 cent decrease over 2025, and 6.19 cent above revenue neutral. The anticipated total assessed property tax values are projected to grow by 63.5% over the values for the adopted fiscal year 2025 budget. The fiscal year 2026 budget included sales tax revenues of \$51.5 million, a net decrease of 6.3% below the fiscal year 2025 budget due to annexation payments and the change in sales tax distribution from per capita to the ad valorem method. Fayetteville’s strong strategic planning process and conservative fiscal management allow the City to ensure both the delivery of quality services and financial stability continue to be a high priority.

LONG-TERM FINANCIAL PLANNING and MAJOR INITIATIVES

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

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

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

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

The City has dedicated an amount equivalent to \$0.0507 of the \$0.5795 ad valorem tax rate for the capital funding plan. In addition, \$0.0142 cents was dedicated to fund parks and recreation projects and bond debt service. Also, certain revenues are specifically earmarked for the repayment of principal and interest on installment financing agreements for facilities and equipment, general obligation debt and future cash funding of major capital improvements.

During fiscal year 2025 the City accomplished or continued work on significant capital projects, financial and economic development goals including the following:

- \$3.1 million for public safety enhancements, including 3 firetrucks
- \$6.4 million on drainage improvement projects throughout the City
- \$1.5 million on improvements for Fayetteville Regional Airport
- \$4.5 million by Solid Waste on trucks and equipment to provide residential solid waste and recycling services
- \$1.8 million to acquire property for the Police Department's Cross Creek District Office
- \$7.1 million on street resurfacing, pavement preservation and sidewalk improvements throughout the City
- \$3.8 million to Transit which included the purchase of two battery electric buses (BEBs), and the installation of electric vehicle (EV) charging stations as part of the FAST Zero Emission Bus Deployment Project
- \$2.6 million for improvements/upgrades to recreation facilities and playgrounds, downtown parking improvements, the newly renovated Way2Real Community Center, and updates to Hurley Plaza to include a monument to former Mayor John "Bill" William Hurley

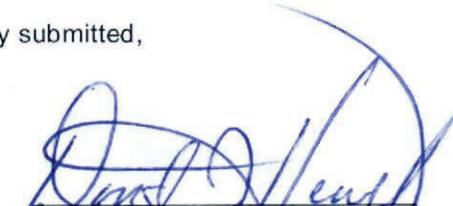
AWARDS AND ACKNOWLEDGEMENTS

The City was awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending June 30, 2024. The certificate was awarded by the Government Finance Officers Association of the United States and Canada (GFOA) based upon a review of the City's annual comprehensive financial report for the fiscal year ended June 30, 2024. The Certificate of Achievement is awarded to a government organization who publishes an easy to read and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of only one year. We believe that our annual comprehensive financial report for the fiscal year ending June 30, 2024 also meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a Certificate of Achievement.

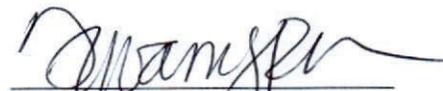
The City received the Distinguished Budget Presentation Award which is awarded by the GFOA based upon a review of the City's annual budget for fiscal year 2025. In order to receive this award, a governmental organization must publish a budget document that meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device. The fiscal year 2026 budget has been submitted to the GFOA to determine its eligibility for an award.

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

Respectfully submitted,



Douglas J. Hewett, ICMA-CM
City Manager



Tiffany Murray, CLGFO
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fayetteville
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

City of Fayetteville, North Carolina

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City Council Members



Mario Benavente, District 3

D.J. Haire, District 4

Derrick Thompson, District 6

Lynne Greene, District 5

Malik Davis, District 2

Brenda McNair, District 7

Kathy Jensen, Mayor Pro Tem, District 1

Courtney Banks-McLaughlin, District 8

Mitch Colvin, Mayor (Center)

Deno Hondros, District 9

City Administrative, Legal and Financial Staff

Dr. Douglas J. Hewett, City Manager

Adam Lindsay, Assistant City Manager

Jodi Phelps, Assistant City Manager

Kelly Strickland, Assistant City Manager

Jeffrey Yates, Assistant City Manager

Lachelle Pulliam, City Attorney

Jennifer Ayre, City Clerk

Tiffany Murray, Chief Financial Officer

City of Fayetteville, North Carolina

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ANNUAL COMPREHENSIVE FINANCIAL REPORT



Organizational Chart



Current as of June 2025

City of Fayetteville, North Carolina

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Report of Independent Auditor



Independent Auditor's Report

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

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Fayetteville, North Carolina (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Fayetteville's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Fayetteville, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements as of June 30, 2024 have been restated due to the implementation of GASB Statement No. 101 – *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page C-1, the Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability, the Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll, the Local Government Employees' Retirement System Schedules of the City's Proportionate Share of Net Pension Liability (Asset) and the City of Fayetteville's Contributions, and the Other Postemployment Benefits Retiree Health Plan Schedules of Funding Progress and Employer Contributions on pages G-1 through G-6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville's basic financial statements. The combining and individual fund financial statements and schedules, budgetary schedules and other supplementary data listed in the table of contents as "Supplemental Information", as well as the accompanying Schedule of Expenditures of Federal and State Awards, and Passenger Facility Charges, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State Single Audit Implementation Act and the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended June 30, 2025 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 GAAS. In our opinion, the other supplemental financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2026, on our consideration of the City of Fayetteville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fayetteville's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
February 12, 2026

City of Fayetteville, North Carolina

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Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As management of the City of Fayetteville ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report, and the City's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$657.6 million (*net position*). Of this amount, unrestricted net position of \$4.0 million is used to meet the government's ongoing obligations to residents and creditors. The government's total net position increased by \$26.8 million. Beginning net position was restated to reflect the implementation of GASB Statement No. 101, which updated guidance on the recognition and measurement of compensated absences.

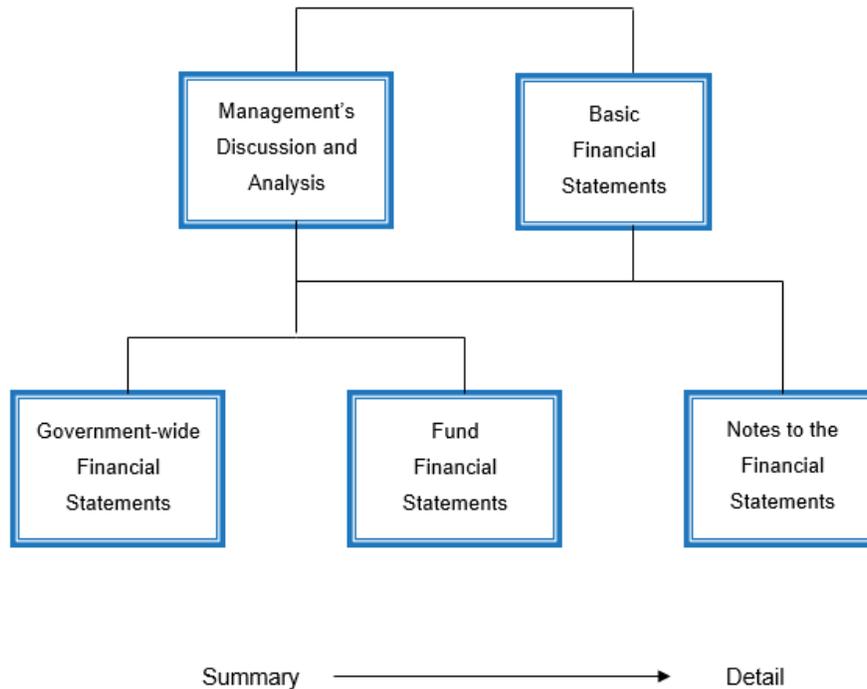
- Net position in the Governmental activities increased \$15.9 million to \$457.8 million in fiscal year 2025 after the restatement of net position from the implementation of GASB 101, up from \$441.9 million in fiscal year 2024. By far the largest portion of net position, \$399.3 million or 87.2%, reflects the net investment in capital assets less any related debt still outstanding.
- Net position in the Business type activities increased \$10.8 Million to \$199.7 million in fiscal year 2025 after the restatement of net position from the implementation of GASB 101, up from \$188.9 million in 2024. The largest portion of net position, \$157.3 million or 78.8%, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire assets in the Stormwater Management, Transit, Airport, Solid Waste, and Intergovernmental activities.
- As of the close of fiscal year 2025, the City's governmental funds reported an ending fund balance of \$138.4 million, a decrease of \$6.7 million in comparison to the prior year. Approximately 67.25% of total fund balance, or \$93.1 million, is non-spendable or restricted.
- At the end of fiscal year 2025, unassigned fund balance for the General Fund was \$27.0 million or 12.3% of the fiscal year 2025 General Fund original adopted budget of \$218.6 million.
- The City's total debt at fiscal year-end 2025 decreased by \$18.6 million. General obligation debt, limited obligation debt, revenue bond debt, installment agreements, lease and subscription liabilities and notes payable decreased \$15.3 million. Bond premium and PWC assessments decreased by \$0.7 million, and compensated absences, net pension liabilities and other postemployment benefits decreased by \$2.5 million. The decrease was primarily attributable to scheduled debt service payments and favorable actuarial changes.
- During fiscal year 2025, the City maintained its Aa1 and AA+ credit rating for its outstanding general obligation bonds from Moody's and Standard & Poor's, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Fayetteville's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown below. The basic financial statements present two different views of the City, through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City. This report includes all funds of the City of Fayetteville, as well as its component units, which are described in the following pages. Note 1 in the financial report includes further discussion of the reporting entity and description of funds.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City of Fayetteville's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the City of Fayetteville's government. These statements provide more detail than the government-wide statements.

There are four parts to the Fund Financial Statements: 1) the governmental fund statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.



The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information include reports concerning the City's progress in funding its obligations to provide Pension Benefits, the Law Enforcement Officers' Special Separation Allowance, and Other Post-Employment Benefits.

Additional supplementary information is provided to show details about the City's major and non-major governmental funds, proprietary funds and non-major internal service funds. The governmental and internal service funds are added together in one column on the basic financial statements. Budgetary information required by General Statute can also be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements include activities for the primary government and its component unit. The primary government function is divided into two categories: 1) governmental activities and 2) business-type activities. Governmental activities include most of the City's basic services such as general administration, public safety, environmental protection, transportation, economic and physical development, and recreation and community facilities. Property and other taxes, and state and federal grant funds finance most of these activities. Business-type activities are those that the City charges customers to provide. These include stormwater, airport, transit, and solid waste services offered by the City of Fayetteville.

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

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

Fund Financial Statements – The fund financial statements provide a more detailed look at the City of Fayetteville's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in North Carolina, use fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City of Fayetteville's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash, flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps them determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Fiduciary Funds – Private Purpose Trust funds are used to account for the activities of funds the City holds in trust for others. The City has two private-purpose trust funds. Custodial funds are used to account for assets the City holds on behalf of others. The City maintains one custodial fund which is the Police Evidence Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages F-1 through F- 63 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages G-1 through G-6 of this report.

Government-Wide Financial Analysis

Net Position – The following is a summary of net position for the City of Fayetteville at June 30, 2025 with comparative data for June 30, 2024. The City's combined net position increased \$26.7 million, or 4.24%, from fiscal year 2024. Net position may serve over time as one useful indicator of a government's financial condition. The information below provides a more detailed view of the City's net position. Year-over-year comparisons are affected by the timing of federal and state grant reimbursements, particularly those associated with ARPA-funded projects and capital infrastructure initiatives.

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 230,734	\$ 232,032	\$ 69,985	\$ 67,155	\$ 300,719	\$ 299,186
Capital assets, net	479,080	469,439	162,429	154,574	641,509	624,012
Total Assets	709,814	701,471	232,414	221,729	942,228	923,200
Deferred outflows of resources	36,636	46,778	4,874	6,221	41,510	52,999
Total Assets and Deferred Outflows of Resources	746,450	748,249	237,288	227,950	983,738	976,199
Current and other liabilities	40,484	40,114	13,509	11,097	53,993	51,211
Long-term liabilities outstanding	231,041	240,348	19,103	20,975	250,144	261,323
Total Liabilities	271,525	280,462	32,612	32,072	304,137	312,534
Deferred inflows of resources	17,112	19,153	4,931	6,272	22,043	25,425
Total Liabilities and Deferred inflows of resources	288,637	299,615	37,543	38,344	326,180	337,959
Net Position:						
Net investment in capital assets	399,345	433,397	157,331	150,883	556,676	584,280
Restricted	93,066	81,070	3,795	3,092	96,861	84,162
Unrestricted	(34,598)	(65,833)	38,619	35,631	4,021	(30,202)
Total Net Position	\$ 457,813	\$ 448,634	\$ 199,745	\$ 189,606	\$ 657,558	\$ 638,240

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$657.6 million as of June 30, 2025. Net position is reported in three categories: net investment in capital assets of \$556.7 million, restricted net position of \$96.9 million, and unrestricted net position of \$4.0 million.

The net investment in capital assets category is defined as the City's investment in City owned capital assets (e.g. infrastructure, land, buildings, automobiles, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of

the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

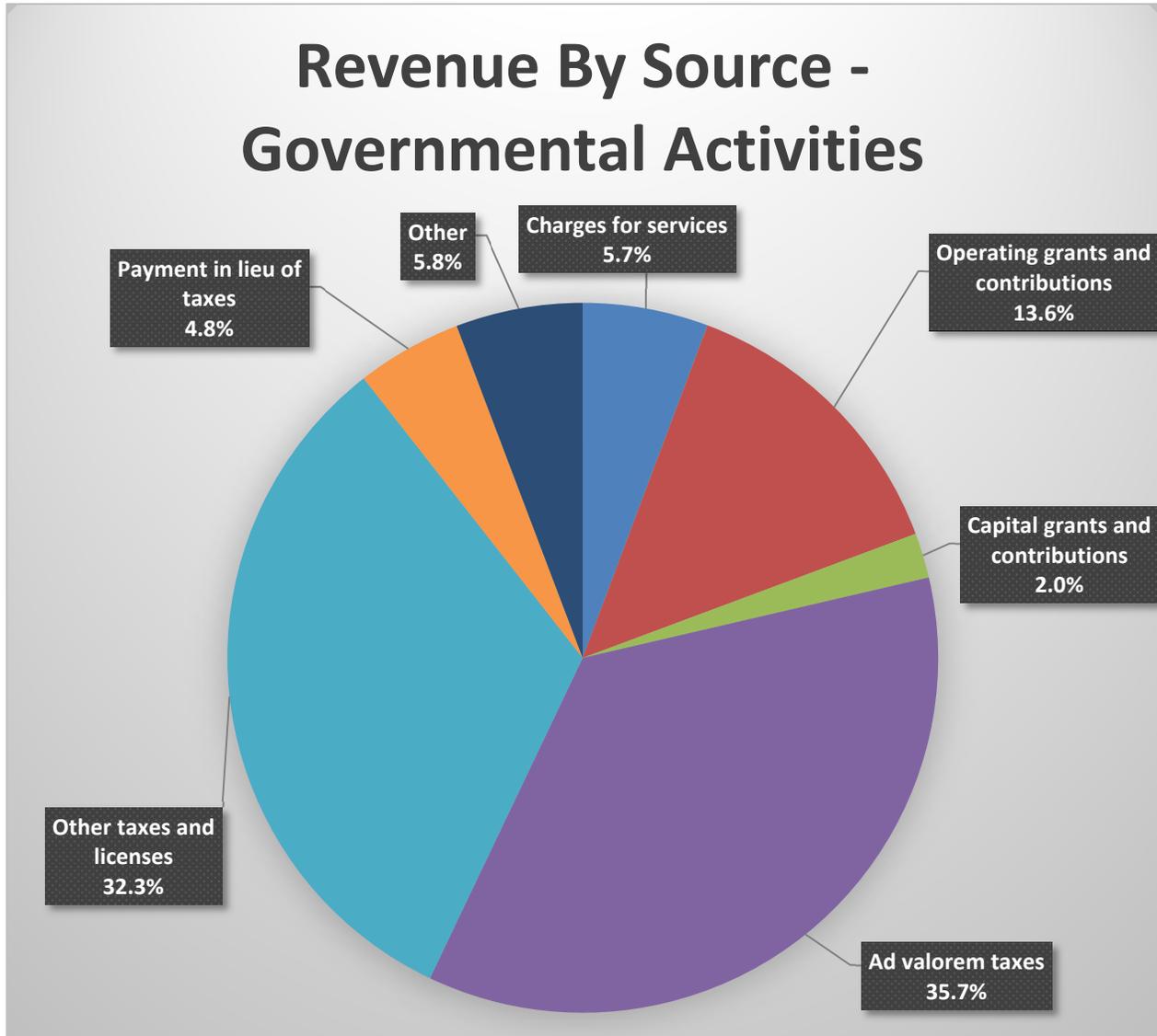
The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to residents and creditors. On June 30, 2025, the City had positive unrestricted net position of \$4.0 million of the reported total net position of \$657.6 million.

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 14,226	\$ 25,127	\$ 40,186	\$ 34,570	\$ 54,412	\$ 59,697
Operating grants and contributions	33,970	10,743	17,198	3,230	51,168	13,973
Capital grants and contributions	5,080	4,420	-	5,832	5,080	10,252
General Revenues:						
Ad valorem taxes	89,092	80,258	-	-	89,092	80,258
Other taxes and licenses	80,678	88,429	646	537	81,324	88,966
Payment in lieu of taxes	11,969	9,577	-	-	11,969	9,577
Other	14,407	8,734	3,392	3,053	17,799	11,787
Total Revenues	249,422	227,286	61,422	47,221	310,844	274,507
Expenses:						
Administration	52,308	39,371	-	-	52,308	39,371
Public safety	113,597	95,985	-	-	113,597	95,985
Environmental protection	1,565	459	-	-	1,565	459
Transportation	22,557	22,427	-	-	22,557	22,427
Economic and physical development	9,645	17,157	-	-	9,645	17,157
Recreation and community facilities	23,349	22,268	-	-	23,349	22,268
Interest on long-term debt	3,395	3,817	-	-	3,395	3,817
Stormwater management	-	-	11,084	10,277	11,084	10,277
Transit	-	-	16,037	15,030	16,037	15,030
Airport	-	-	12,203	12,731	12,203	12,731
Solid Waste	-	-	16,947	14,895	16,947	14,895
Intergovernmental	-	-	1,406	-	1,406	-
Total Expenses	226,416	201,484	57,677	52,933	284,093	254,417
Increase (Decrease) in Net Position:						
before transfers	23,006	25,802	3,745	(5,712)	26,751	20,090
Transfers	(7,095)	(8,814)	7,095	8,814	-	-
Change in net position	15,911	16,988	10,840	3,102	26,751	20,090
Net position, beginning	448,634	431,646	189,606	186,504	638,240	618,150
Changes in accounting principal (GASB 101)	(6,731)	-	(701)	-	(7,432)	-
Net position, beginning, as restated	441,903	-	188,905	-	630,808	-
Net position, ending	\$ 457,813	\$ 448,634	\$ 199,745	\$ 189,606	\$ 657,558	\$ 638,240

Governmental Activities – Revenues for the City’s governmental activities were \$249.4 million, while total expenses were \$226.4 million in fiscal year 2025.



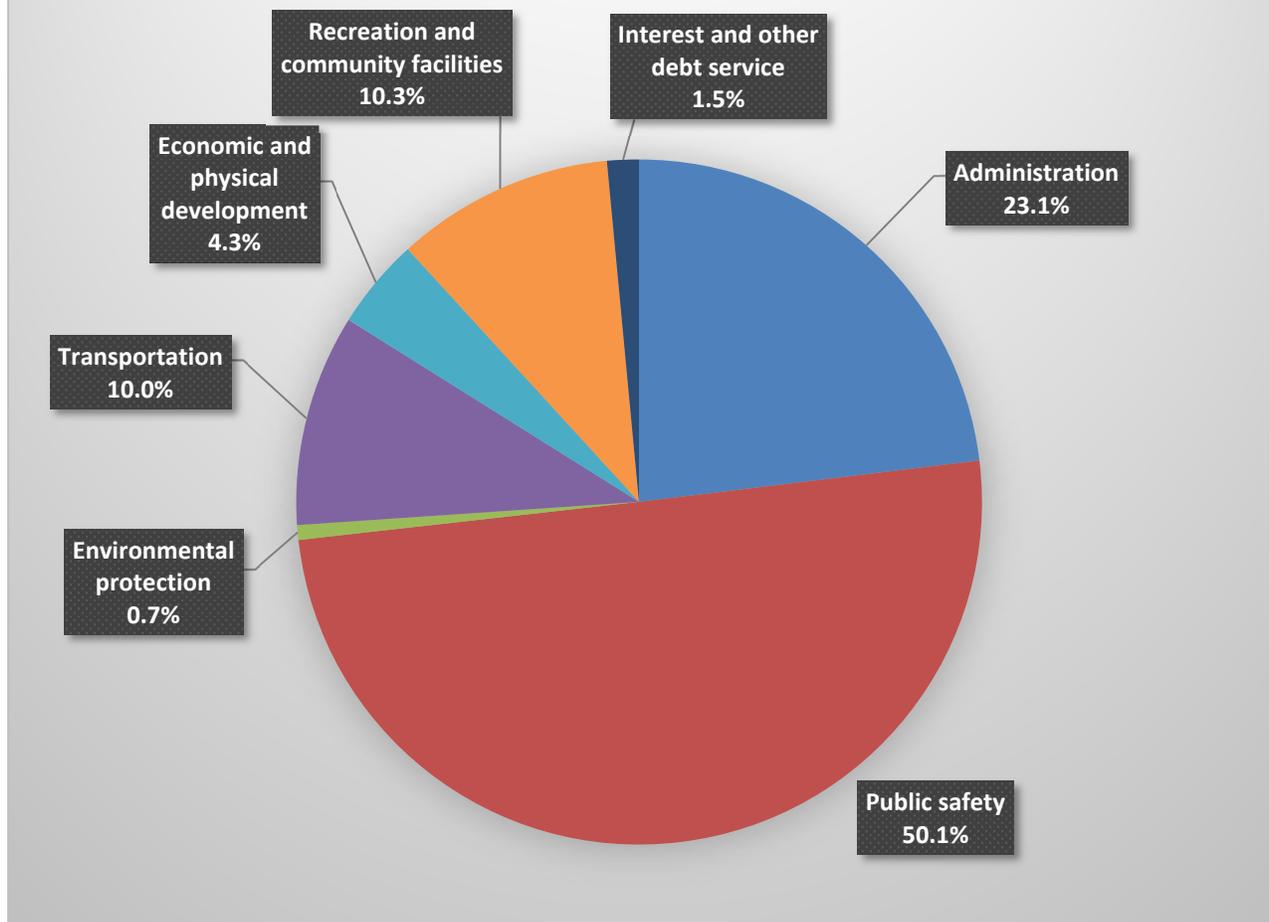
The increase in net position for governmental activities, after transfers out, was \$15.9 million.

Current year revenues increased by \$22.1 million primarily due to increased operating/capital grants and contributions, strong property tax collections.

Key elements of this change are as follows:

- Property taxes of \$89.1 million represent 35.7% of total governmental revenues and is the largest revenue category. The ad valorem tax rate is 57.95 cents of which 1.42 cents is dedicated to supporting Parks and Recreation bond projects approved in a March 2016 bond referendum. The City's fiscal year 2025 tax collection rate was 99.6%.
- Other taxes and licenses including sales tax, utilities sales tax, telecommunications sales tax, video franchise tax and vehicle license taxes totaling \$80.7 million represent 32.3% and is the second largest revenue category.
- Operating grants and contributions increased to \$34.0 million during fiscal year 2025, an increase of 216.2% from 2024. Most of the increase related federal and state grants, primarily spending related to ARPA projects for administrative initiatives, public safety, transportation infrastructure, and park and recreation improvements during the fiscal year.
- Capital grants and contributions increased to \$5.1 million during fiscal year 2025, an increase of \$660 thousand from 2024. Most of the increase was related to receiving more federal and state grants for transportation infrastructure including streets, sidewalks and drainage improvements and economic and physical development.
- Another large revenue source supporting the governmental activities include \$12.0 million for payments in lieu of taxes from PWC.
- Charges for services from fee-based programs such as parks and recreation, permitting and inspections, and parking fees decreased to 14.9 million during fiscal year 2025, a decrease of \$10.2 million from fiscal year 2024.

Expenses by Function - Governmental Activities



- The cost of all governmental activities this year was \$226.4 million as compared to \$201.5 million reported in fiscal year 2024. These costs were incurred in order to provide municipal services to the residents of Fayetteville. These services include but are not limited to: public safety (police, fire, office of community safety, etc.), administrative (city manager, city attorney, finance, human resources, information technology), transportation (street maintenance), and recreation and community facilities.
- The City's four largest governmental programs – public safety (50.1%), administration (23.1%), transportation (10.0%), and recreation and community facilities (10.3%), represent 93.5% of the total governmental activities.



Business-Type Activities – Revenues for the City’s business-type activities were \$61.4 million, while total expenses were \$57.7 million in fiscal year 2025 compared to fiscal year 2024 revenues of \$47.2 million, and total expenses of \$52.9 million. Net position increased to \$199.7 million in 2025, compared to \$188.9 million in 2024.

Change in Net Position (in thousands)

	Stormwater				
	Management	Transit	Airport	Solid Waste	Intergovernmental
2025	\$ 61,288	\$ 25,148	\$ 102,229	\$ 11,331	\$ (251)
2024	55,160	21,824	101,992	10,630	-
Change	\$ 6,128	\$ 3,324	\$ 237	\$ 701	\$ (251)

Stormwater Management - Net position in stormwater management activities increased to \$61.3 million in fiscal year 2025. Net investment in storm water capital assets increased \$5.9 million to \$46.5 million.

Transit - The City, federal, and state agencies continue to subsidize transit operations. Net position is \$25.1 million in fiscal year 2025 which represents a 15.2% increase from 2024. Nearly all of transit’s net position was its \$28.2 million net investment in transit assets. Transit’s increase of net position is the result of increased operating and capital grants and contributions received.

Airport - Net position of the airport fund at the end of the year amounted to \$102.2 million, an increase of \$0.23 million. The increase is primarily due to federal and state contributions for airport enhancements. Net investment in capital assets was \$71.2 million.

Solid Waste - Net position for the solid waste function in fiscal year 2025 was \$11.3 million which represents a 9.3% increase from 2024. Net investment in capital assets used to provide solid waste services was \$11.4 million.

Intergovernmental - Net position for the intergovernmental function was a deficit of \$251 thousand at fiscal year-end 2025 due to timing differences between service delivery and collection for charges for services. All outstanding receivables were subsequently collected..

Financial Analysis of the City’s Funds

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

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

The General Fund is the chief operating fund of the City. At the end of fiscal year 2025, unassigned fund balance of the General Fund was \$27.0 million, while total fund balance was \$102.7 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 12.4% of total General Fund expenditures and transfers out, while total fund balance represents 47.0% percent of that same amount.

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

The fund balance of the City's General Fund increased by \$3.3 million during the current fiscal year. This increase can be primarily attributed to an increase in revenues supporting operations for police, and fire:

- Overall General Fund revenues increased \$17.4 million in fiscal year 2025. Ad valorem tax increased \$8.5 million from the previous year.
- At \$196.2 million, General Fund expenditures increased \$11.5 million in 2025. Debt service principal and interest payments decreased \$2.1 million. Operations expenditures for public safety increased by \$17.5 million due to the investment in employee compensation. Economic and physical development expenditures decreased \$6.9 million primarily due to closing of projects in 2025 compared to fiscal year 2024.

At June 30, 2025, the governmental funds of the City reported a combined fund balance of \$138.4 million, reflecting a decrease in fund balance of \$6.7 million. The overall decrease in governmental fund balance reflects planned capital project expenditures, the timing of grant reimbursements, and continued investment in infrastructure and environmental initiatives. Non-major governmental fund balance decreased by \$7.9 million in fiscal year 2025, compared to the decrease in fiscal year 2024. The Federal and State Financial Assistance ending fund balance is \$10.0 million, a decrease of \$1.9 million. The Environmental Protection ending fund balance is negative \$371 thousand a decrease of \$192 thousand million.

General Fund Budgetary Highlights

The City Council approved a \$219 million General Fund budget for fiscal year 2025 which represented an \$8.4 million increase from the original budget for fiscal year 2024. The general ad valorem tax rate changed to 57.95 cents per \$100 of assessed valuation.

In fiscal year 2025 the City continued to focus on our strategic plan and Vision 2032 Statement that establishes that we are striving to be an attractive, culturally diverse and inclusive city that is safe, prosperous, innovative and unified. The 2025 fiscal year budget provided for continuation of municipal services, improvements to service delivery and technology, and sustained investment in employee compensation, retention, and infrastructure. These priorities translated into targeted investments across public safety, infrastructure, and economic development in the adopted FY25 budget.

During the past year the City provided funds for Fayetteville Regional Airport expansion and growth, vehicles and heavy equipment, improvements to City streets, to continue the Corridor Revitalization program, to support the Fayetteville Cumberland Economic Development Corporation and the Center for Economic Empowerment and Development, to subsidize the management cost of the downtown Arts and Entertainment District and to continue the partnership with Cumberland County to fund strategies to assist homeless residents.

The most significant addition to the fiscal year 2025 budget in terms of cost and impact was an adjustment to continue the Police, Fire, and 911 Communications employee pay step plans, with an adjustment to the step to maintain competitive increases by adopting a tax increase of \$0.04 dedicated to public safety market increases. Additionally, all other employees received a 4% increase from their midpoint, and an additional 1% increase to



their 401(K) contributions, bringing the city's contribution to 3%. Sworn police officers continued to receive a mandatory 5% city contribution to a 401(K)-contribution plan. The budget included funding to establish the Office of Community Safety strategically aligned with the City goal for a safe and secure community. The budget continues to support the Downtown Municipal Service District, including a \$0.07 ad valorem tax rate increase.

The City continues to leverage the American Rescue and Recovery Act funding on priorities identified by City Council. That funding joins the more than \$10 million also awarded to the City by the State of North Carolina to address, among other things, parks and recreation projects, historic sites preservation and stormwater infrastructure projects. The voters overwhelmingly approved the \$97 million bond measure on the November 2022 ballot, supporting the City's plans to issue \$97 million in general obligation bonds and spend \$60 in support of projects related to public safety, \$25 million for infrastructure needs and \$12 million for housing.

Actual Revenues Compared to Final Budget – General Fund actual revenue was \$220.1 million and final budgeted revenue was \$225.3 million for fiscal year 2025.

The City's permits and fees continue to be strong revenue source for the General Fund in fiscal year 2025 with \$0.3 million more collected than the budgeted expectations.

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

Actual Expenditures Compared to Budgeted Appropriations – The City budgets General Fund appropriations by portfolio. As shown on the General Fund Budget and Actual Statement on page E-5, expenditures in each portfolio are compared to final budgeted appropriations, with overall actuals being \$19.1 million less than budget. The following is an analysis of actual expenditures compared to budget by portfolio:

- Community investment portfolio expenditures were \$1.4 million less than budget.
- Operations portfolio expenditures were \$5.2 million less than budget.
- Support services portfolio expenditures were \$3.5 million less than budget.
- Law enforcement officer's separation allowance expenditures were \$1.5 million less than budget.
- Other appropriations, excluding debt service, were \$5.9 million less than budget.
- Debt service expenditures were \$1.2 million less than budget.

Capital Asset and Debt Administration

Capital Assets – The City’s capital assets for its governmental and business-type activities as of June 30, 2025 total \$641.5 million net of accumulated depreciation and amortization. These assets include land, construction in progress, infrastructure, buildings and improvements, equipment, furniture and fixtures, computer software, vehicles, subscription-based information technology agreements and right to use leased assets. These investments support long-term service delivery, regulatory compliance, and asset management in the City’s capital improvement planning process.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
	Land and land rights	\$ 46,602	\$ 44,209	\$ 6,416	\$ 6,196	\$ 53,018
Construction in progress	51,519	32,104	12,437	7,317	63,956	39,421
Infrastructure	219,865	223,986	39,474	35,439	259,339	259,425
Buildings and improvements	130,761	133,805	78,248	83,666	209,009	217,471
Equipment, furniture, and fixtures	2,996	4,343	2,074	2,307	5,070	6,649
Computer software	2,382	2,913	60	152	2,442	3,065
Vehicles	19,068	19,352	23,620	19,355	42,688	38,707
Intangible right-of-use assets	5,888	8,727	100	142	5,988	8,869
Total	\$ 479,081	\$ 469,438	\$ 162,429	\$ 154,574	\$ 641,510	\$ 624,012

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

- \$2.6 million was spent to construct a new senior center, a tennis center, renovate parks, and upgrade recreation facilities.
- \$3.1 million was spent on public safety enhancements.
- \$1.8 million was spent to acquire property for the Police Department’s Cross Creek District Office.
- \$7.1 million on street resurfacing, pavement preservation, and sidewalk improvements.

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

- \$6.4 million was spent on stormwater drainage system improvements.
- \$3.8 million was spent on transit capital improvements including bus purchases.
- \$1.5 million was spent on airport terminal renovations.
- \$4.5 million was spent on solid waste on trucks and equipment to provide residential solid waste and recycling services.

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

Long-Term Debt – The City issues debt to finance the acquisition and construction of many of its capital assets. As of June 30, 2025, the City had total outstanding debt of \$88.3 million consisting of general obligation debt, limited obligation debt, leases and subscription debt, revenue bonded debt, installment agreements and notes payable. Long-term debt decreased \$15.3 million over 2025. A summary of total long-term debt is shown in Figure 5.

Outstanding Debt (dollars in thousands)

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
General obligations debt	\$ 27,350	\$ 29,440	\$ -	\$ -	\$ 27,350	\$ 29,440
Direct Placement:						
Limited obligation debt	36,520	39,320	-	-	36,520	39,320
Leases and subscription liability	6,069	9,123	85	133	6,154	9,256
Revenue bonds	-	-	1,295	2,130	1,295	2,130
Direct Borrowing:						
Installing agreements	16,599	22,000	224	1,278	16,823	23,278
Notes payable	-	-	125	150	125	150
Total Long-Term Debt	\$ 86,538	\$ 99,883	\$ 1,729	\$ 3,691	\$ 88,267	\$ 103,574

The City's other long-term obligations related to governmental activities are as follows:

- \$61.1 million representing the City's portion of the N.C. Local Government Employers' Retirement System net pension liability, which is managed by the N.C. Department of State Treasurer.
- \$39.4 million net Other Postemployment Benefits (OPEB) liability, which is retiree healthcare benefits for employees hired before July 1, 2014.
- \$19.1 million net Law Enforcement Officers' Special Separation Allowance.
- \$17.9 million compensated absences, a liability for the estimated amount of vacation, compensatory time and banked holiday leave to ultimately be paid.
- \$4.3 million PWC Assessments Payable, which is offset by amounts owed to the City.

The City's other long-term obligations related to business activities are as follows:

- \$8.6 million representing the City's portion of the N.C. Local Government Employers' Retirement System net pension liability, which is managed by the N.C. Department of State Treasurer.
- \$7.2 million net Other Postemployment Benefits (OPEB) liability, which is retiree healthcare benefits for employees hired before July 1, 2014.
- \$1.6 million compensated absences, a liability for the estimated amount of vacation, compensatory time and banked holiday leave to ultimately be paid.



The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property. The legal debt margin for the City is approximately \$1.1 billion.

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

Economic Factors and Next Year's Budget and Rates

The City Council approved a \$300.3 million budget for fiscal year 2026, which represented a \$14.4 million increase from the original budget for fiscal year 2025.

The general ad valorem tax rate is 44.95 cents per \$100 of assessed valuation. While this rate is \$0.0619 above the revenue-neutral rate of \$0.3876, it reflects a \$0.13 reduction from the prior year's rate, providing approximately 22.4% in tax relief to property owners while maintaining fiscal balance. The adopted rate is expected to generate \$83.6 million in property tax revenue, a \$6.9 million increase over 2025. Cumberland County's 2025 countywide property revaluation produced a total assessed valuation increase of 61.1% - 88.4% in residential and 27.5% in commercial property—significantly expanding the City's tax base and providing an opportunity to recalibrate rates while maintaining essential service levels.

For fiscal year 2026, the supporting general fund operating budgets reflect a decrease of 4.83% over the values projected for the adopted fiscal year 2025 budget. This year-over-year decline represent the balance of adopting a general fund operating tax rate above revenue neutral to offset the net loss in sales tax revenue due to a distribution change and rising costs of employee wage increases, operating inflation, declines in motor vehicle tax revenue, and service expansion initiatives. Based on expected growth and the increased tax rate, the 2025 general fund budgeted ad valorem tax revenues of \$106.8 million are projected to decrease 1.82%.

The City's other major unrestricted revenue is sales tax. A major external factor affecting next year's financial outlook is the Cumberland County Board of Commissioners' decision to change the local sales tax distribution method from per capita to ad valorem, effective July 1, 2025. This change is projected to reduce the City's annual share of sales tax revenue by approximately \$13 million, or 20.2%, with a net loss of \$3.1 million following a one-year transition agreement. To offset this decline and maintain service delivery, the adopted FY 2026 budget incorporates \$0.0619 above the revenue neutral property tax rate to replace lost revenue.

Other revenue sources and rates remain stable. The City maintained the stormwater fee at \$7.00 per month and the solid waste fee at \$275 annually per household. While both funds remain self-sustaining in FY 2026, preliminary projections indicate that a stormwater rate adjustment may be required in 2027 to address future infrastructure and capital needs. Revenues from user fees, licenses, and permits are projected to remain relatively flat due to ongoing market constraints and modest population growth.

Personnel costs remain the City's largest operating expenditure, accounting for 56.9%, or approximately \$172 million, of the 2026 operating budget. The adopted budget includes a 4% midpoint compensation increase for non-step employees, continuation of step progression for public safety personnel, and an additional 1% employer contribution to the 401(k) plan for non-sworn employees an increase from 3% to 4%. These investments support the City's "Employer of Choice" initiative and help offset recruitment and retention challenges. To preserve structural balance, the City implemented \$2.8 million in service reductions and deferred approximately \$7.2 million in departmental enhancement requests, focusing resources on public safety, infrastructure maintenance, and community engagement priorities.

The 2026 general property tax rate of 44.95 cents per \$100 value includes .83 cents for parks and recreation projects and bond debt service, 4.0 cents for the general capital funding plan, 4.00 cents for the 2024 bond debt service, and 38.52 cents for general operations. The property tax rate for the Central Business Tax District, 14.89 cents per \$100 of assessed valuation, is the revenue neutral tax rate. The stormwater fee will remain at \$7 per month, the residential solid waste fee remains at \$275 per year, and additional minor fee adjustments are



proposed with minimal expected revenue impacts. Bus fares, code enforcement, building permits, taxicab permits, fire inspection fees, and parks and recreational fees include minor adjustments with negligible expected revenue impacts. Payment in lieu of taxes from the Public Works Commission (PWC) is projected to be \$12.2 million in FY26.

The FY26 budget is balanced with a \$7.86 million General Fund appropriation, including \$2.6 million from the fund balance assigned for the general capital funding plan, \$.9 million from the fund balance assigned for ERP Remediation, and \$3.3 million from the fund balance reserved for North Carolina History Center on the Civil War, and \$1.06 million for Fast Transit Center Buildout. This represents an increase of \$6.3 million, in the use of unassigned fund balance as compared to the \$1.6 million original fund balance appropriation for fiscal year 2025. This marked increase is primarily due to the one-time capital funding. The increased use of fund balance in FY26 is primarily attributable to one time capital and strategic investments and does not represent a structural reliance on reserves for ongoing operations.

The fiscal year 2026 budget enhances our services as a major metropolitan area – the 6th largest city in the 9th largest state in the most powerful country in history – while also addressing our need to take care of our most valuable resource, our employees.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, City of Fayetteville, 433 Hay Street, Fayetteville, NC 28301. You can also call (910) 433-1474, visit our website www.fayettevillenc.gov/finance.



Basic Financial Statements

CITY OF FAYETTEVILLE
STATEMENT OF NET POSITION

JUNE 30, 2025

	Primary Government			Public Works Commission
	Governmental Activities	Business-Type Activities	Total Primary Government	
Assets				
Cash and investments	\$ 133,753,936	\$ 57,430,505	\$ 191,184,441	\$ 185,116,238
Taxes receivable	17,663,225	-	17,663,225	-
Accounts receivable	16,699,366	3,729,888	20,429,254	57,844,107
Leases receivable, current	219,443	504,188	723,631	768,984
Assessments receivable	5,918,126	-	5,918,126	-
Due from other governments	8,405,056	-	8,405,056	-
Internal balances	4,444,310	(4,444,310)	-	-
Notes Receivable	8,919,393	-	8,919,393	-
Inventories	118,215	199,855	318,070	24,739,073
Prepaid expenses	2,580,456	4,500	2,584,956	-
Restricted asset - cash and investments	21,593,907	432	21,594,339	292,737,673
Restricted asset - accounts receivable	5,181,142	8,986,051	14,167,193	14,662,758
Collateral pledged in lieu of deposits	-	-	-	701,720
Property held for resale	27,871	-	27,871	-
Leases receivable, noncurrent	5,209,533	3,573,821	8,783,354	2,597,962
Other assets	-	-	-	4,825,556
Capital assets:				
Intangible right to use lease assets, net of amortization	2,502,090	-	2,502,090	7,064,369
Intangible right to use subscription assets, net of amortization	3,385,855	99,462	3,485,317	-
Land and construction in progress	98,120,224	18,853,309	116,973,533	344,083,365
Other capital assets, net of depreciation and amortization	375,072,209	143,475,967	518,548,176	1,056,288,839
Total assets	709,814,357	232,413,668	942,228,025	1,991,430,644
Deferred Outflows of Resources				
Charge on refunding	-	-	-	480,389
OPEB deferrals	2,383,747	432,119	2,815,866	3,772,171
Pension deferrals	34,252,646	4,442,250	38,694,896	24,033,556
Total deferred outflow of resources	36,636,393	4,874,369	41,510,762	28,286,116
Liabilities				
Accounts payable and accrued expenses	19,747,721	6,844,236	26,591,957	34,575,132
Restricted liabilities - accounts payable	5,479	-	5,479	-
Restricted unearned deposits	13,762,292	6,665,181	20,427,473	35,716,308
Unearned deposits	-	-	-	688,517
Unearned revenues	6,968,261	-	6,968,261	-
Long-term liabilities:				
Due within one year	15,412,112	1,643,349	17,055,461	26,564,735
Due in more than one year	215,629,654	17,459,146	233,088,800	622,365,616
Total liabilities	271,525,519	32,611,912	304,137,431	719,910,308
Deferred Inflows of Resources				
Prepaid and tax receivable	843,648	-	843,648	-
OPEB deferrals	3,940,168	723,856	4,664,024	585,451
Pension deferrals	4,670,947	325,867	4,996,814	358,988
Lease deferrals	5,029,641	3,881,695	8,911,336	3,167,296
Accounts receivable	2,627,777	-	2,627,777	-
Total deferred inflow of resources	17,112,181	4,931,418	22,043,599	4,111,735
Net position				
Net investment in capital assets	399,345,489	157,330,652	556,676,141	920,442,142
Restricted for:				
Nonspendable	11,713,257	-	11,713,257	-
Capital projects	-	3,795,483	3,795,483	44,381,322
Stabilization by State Statute	40,672,959	-	40,672,959	-
Central business district	130,119	-	130,119	-
Donations	177,113	-	177,113	-
County recreation	1,418,678	-	1,418,678	-
Public safety	3,077,967	-	3,077,967	-
Recreation and community facilities	8,210,921	-	8,210,921	-
Economic and physical development	27,664,994	-	27,664,994	-
Renewable energy	-	-	-	9,929,172
Other internal restrictions	-	-	-	159,268,341
Unrestricted	(34,598,447)	38,618,572	4,020,125	161,673,740
Total net position	\$ 457,813,050	\$ 199,744,707	\$ 657,557,757	\$ 1,295,694,717

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

CITY OF FAYETTEVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Public Works Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Administration	\$ 52,308,027	\$ 1,700,202	\$ 12,836,360	\$ -	\$ (37,771,465)	\$ -	\$ (37,771,465)	\$ -
Public safety	113,597,414	9,212,955	5,978,538	30,434	(98,375,487)	-	(98,375,487)	-
Environmental protection	1,565,265	5,150	136,381	-	(1,423,734)	-	(1,423,734)	-
Transportation	22,556,989	1,094,100	7,822,949	3,941,542	(9,698,398)	-	(9,698,398)	-
Economic and physical development	9,645,393	197,225	2,925,004	971,922	(5,551,242)	-	(5,551,242)	-
Recreation and community facilities	23,348,684	2,016,413	4,270,887	135,762	(16,925,622)	-	(16,925,622)	-
Interest and other debt service	3,395,002	-	-	-	(3,395,002)	-	(3,395,002)	-
Total governmental activities	226,416,774	14,226,045	33,970,119	5,079,660	(173,140,950)	-	(173,140,950)	-
Business-type activities:								
Stormwater management	11,084,008	13,642,163	3,439,106	-	-	5,997,261	5,997,261	-
Transit	16,036,663	1,000,639	9,069,879	-	-	(5,966,145)	(5,966,145)	-
Airport	12,203,243	6,796,555	4,205,270	-	-	(1,201,418)	(1,201,418)	-
Solid waste	16,946,743	17,590,876	483,348	-	-	1,127,481	1,127,481	-
Intergovernmental	1,406,153	1,155,491	-	-	-	(250,662)	(250,662)	-
Total business-type activities	57,676,810	40,185,724	17,197,603	-	-	(293,483)	(293,483)	-
Total primary government	\$ 284,093,584	\$ 54,411,769	\$ 51,167,722	\$ 5,079,660	\$ (173,140,950)	\$ (293,483)	\$ (173,434,433)	\$ -
Component Unit								
Public Works Commission	\$ 346,942,068	\$ 398,162,841	\$ 918,988	\$ 11,422,930	\$ -	\$ -	\$ -	\$ 63,562,691
Total component unit	\$ 346,942,068	\$ 398,162,841	\$ 918,988	\$ 11,422,930	-	-	-	63,562,691
General revenues:								
Ad valorem taxes					\$ 89,091,821	\$ -	\$ 89,091,821	\$ -
Other taxes								
Sales tax					62,769,547	-	62,769,547	-
Utilities sales tax					11,792,982	-	11,792,982	-
Telecommunications sales tax					606,944	-	606,944	-
Video franchise tax					1,408,621	-	1,408,621	-
Vehicle license tax					3,199,842	646,224	3,846,066	-
Vehicle gross receipts tax					900,474	-	900,474	-
Payment in lieu of taxes					11,968,928	-	11,968,928	-
Interest earned on investments					7,844,294	2,879,948	10,724,242	21,650,728
Miscellaneous					6,324,819	11,669	6,336,488	-
Special item - PFAS settlement					-	-	-	9,011,372
Gain on sale of capital assets					237,950	500,364	738,314	-
Total general revenues not including transfers					196,146,222	4,038,205	200,184,427	30,662,100
Transfers					(7,095,104)	7,095,104	-	-
Total general revenues and transfers					189,051,118	11,133,309	200,184,427	30,662,100
Change in net position					15,910,168	10,839,826	26,749,994	94,224,791
Net position - beginning, as previously stated					448,633,915	189,606,238	638,240,153	1,201,469,926
Changes in accounting principal (GASB 101)					(6,731,033)	(701,357)	(7,432,390)	-
Net position, beginning of year, as restated					441,902,882	188,904,881	630,807,763	1,201,469,926
Net position - ending					\$ 457,813,050	\$ 199,744,707	\$ 657,557,757	\$ 1,295,694,717

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

CITY OF FAYETTEVILLE
BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2025

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Federal and State Financial Assistance	Environmental Protection		
Assets					
Cash and investments	\$ 74,444,414	\$ -	\$ -	\$ 21,843,992	\$ 96,288,406
Taxes receivable	17,663,225	-	-	-	17,663,225
Accounts receivable	3,670,023	4,764,898	4,843,610	1,811,770	15,090,301
Due from other governments	2,879,846	560,368	2,051,650	2,913,192	8,405,056
Interfund receivable	16,067,760	-	-	-	16,067,760
Assessments receivable	1,051,551	-	-	4,866,575	5,918,126
Prepaid items	2,248,443	-	-	-	2,248,443
Lease receivable	5,428,976	-	-	-	5,428,976
Inventories	118,215	-	-	-	118,215
Restricted cash and investments	1,421,289	7,717,409	-	12,455,209	21,593,907
Restricted accounts receivable	262,760	4,918,382	-	-	5,181,142
Notes receivable	3,071,352	5,848,041	-	-	8,919,393
Property held for resale	-	27,871	-	-	27,871
Total assets	\$ 128,327,854	\$ 23,836,969	\$ 6,895,260	\$ 43,890,738	\$ 202,950,821
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 9,202,275	\$ 1,553,535	\$ 51,248	\$ 4,701,295	\$ 15,508,353
Interfund payables	-	-	7,214,831	4,154,984	11,369,815
Restricted unearned deposits	800,605	8,464,826	-	4,496,861	13,762,292
Unearned revenue	5,615,543	1,237,869	-	93,850	6,947,262
Restricted accounts payable and accrued expenses	-	-	-	5,479	5,479
Total liabilities	15,618,423	11,256,230	7,266,079	13,452,469	47,593,201
Deferred inflows of resources:					
Taxes receivable	769,353	-	-	-	769,353
Accounts receivable	3,121,910	2,627,777	-	-	5,749,687
Assessments receivable	1,051,550	-	-	4,268,930	5,320,480
Lease receivable	5,029,641	-	-	-	5,029,641
Prepaid taxes	74,295	-	-	-	74,295
Total deferred inflows of resources	10,046,749	2,627,777	-	4,268,930	16,943,456
Fund balances:					
Nonspendable					
Inventories	118,215	-	-	-	118,215
Prepays	2,248,443	-	-	-	2,248,443
Loan	3,071,352	5,875,912	-	-	8,947,264
Leases	399,335	-	-	-	399,335
Restricted					
Stabilization by State Statute	40,012,777	-	-	660,182	40,672,959
Central business district	130,119	-	-	-	130,119
County business	1,418,678	-	-	-	1,418,678
Donations	177,113	-	-	-	177,113
Public safety	-	272,720	-	2,805,247	3,077,967
Economic and physical development	-	8,356,280	-	19,308,714	27,664,994
Recreation and community facilities	-	-	-	8,210,921	8,210,921
Environmental protection	-	14,328	-	-	14,328
Committed					
Administration	-	-	-	7,139,439	7,139,439
Public safety	-	-	-	127,247	127,247
Economic and physical development	-	-	-	1,546,134	1,546,134
Recreation and community facilities	-	-	-	5,447,315	5,447,315
Law Enforcement Officers' Special Separation Allowance	13,494,341	-	-	-	13,494,341
Assigned					
Subsequent year's expenditures	7,853,418	-	-	-	7,853,418
Capital projects	6,745,221	-	-	-	6,745,221
Unassigned (deficit)	26,993,670	(4,566,278)	(370,819)	(19,075,860)	2,980,713
Total fund balances	102,662,682	9,952,962	(370,819)	26,169,339	138,414,164
Total liabilities, deferred inflows of resources and fund balances	\$ 128,327,854	\$ 23,836,969	\$ 6,895,260	\$ 43,890,738	\$ 202,950,821

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

CITY OF FAYETTEVILLE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2025

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

Ending fund balance - governmental funds		\$ 138,414,164
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Land and Construction in Process	98,120,224	
Capital Assets being depreciated, net	375,001,553	
	<u>473,121,777</u>	473,121,777
<p>Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Right-to-use assets being amortized, net		3,654,607
Deferred inflows of resources for taxes and receivables.		7,390,840
Internal service funds are used by management to charge insurance expenses and fleet maintenance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		33,790,686
Accrued interest payable on long-term debt is not a current expenditure and, therefore, not recorded in the funds.		273,231
Accrued federal subsidy receivable associated with accrued interest payable and, therefore, not recorded in the funds.		1,053,295
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:</p>		
General obligation bonds	(27,350,000)	
Unamortized premium	(2,744,715)	
Limited obligation bonds	(36,520,000)	
Installment agreements	(16,598,994)	
Lease and subscription liabilities	(3,652,475)	
Assessments due PWC	(4,268,930)	
Compensated absences liability	(17,793,637)	
Net pension liability	(79,283,837)	
Total OPEB liability	<u>(39,250,761)</u>	
	<u>(227,463,349)</u>	(227,463,349)
<p>Deferred outflows and inflows of resources on the statement of net position related to:</p>		
Pension related deferrals	33,765,082	
OPEB related deferrals	2,377,338	
Pension related deferrals	(4,635,184)	
OPEB related deferrals	<u>(3,929,437)</u>	
	<u>27,577,799</u>	27,577,799
Net position of governmental activities		<u>\$ 457,813,050</u>

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

CITY OF FAYETTEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Federal and State Financial Assistance	Environmental Protection		
Revenues					
Ad valorem taxes	89,254,171	\$ -	\$ -	\$ -	\$ 89,254,171
Other taxes and fees	92,647,338	-	-	-	92,647,338
Unrestricted intergovernmental	17,736,522	-	-	-	17,736,522
Restricted intergovernmental	-	12,099,590	136,381	4,001,554	16,237,525
Permits and fees	3,317,663	-	-	-	3,317,663
Sales and services	8,405,592	-	-	-	8,405,592
Miscellaneous	4,807,681	98,276	-	1,418,862	6,324,819
Interest earned on investments	3,995,145	898,991	-	965,444	5,859,580
Total revenues	<u>220,164,112</u>	<u>13,096,857</u>	<u>136,381</u>	<u>6,385,860</u>	<u>239,783,210</u>
Expenditures					
Current:					
Administration	40,122,626	5,852,940	-	1,296,422	47,271,988
Public safety	104,254,042	667,667	-	416,738	105,338,447
Environmental protection	812,026	-	371,458	-	1,183,484
Transportation	9,115,214	-	-	-	9,115,214
Economic and physical development	2,982,212	7,233,752	-	-	10,215,964
Recreation and community facilities	20,494,698	-	-	16	20,494,714
Debt service:					
Principal	13,398,872	-	-	-	13,398,872
Interest	3,519,557	-	-	-	3,519,557
Capital outlay	1,526,965	1,561,728	-	27,039,805	30,128,498
Total expenditures	<u>196,226,212</u>	<u>15,316,087</u>	<u>371,458</u>	<u>28,752,981</u>	<u>240,666,738</u>
Revenues over (under) expenditures	<u>23,937,900</u>	<u>(2,219,230)</u>	<u>(235,077)</u>	<u>(22,367,121)</u>	<u>(883,528)</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	237,950	-	-	-	237,950
Transfers in	1,080,784	304,530	43,003	14,452,640	15,880,957
Transfers out	(21,983,061)	-	-	-	(21,983,061)
Leases issued	51,522	-	-	-	51,522
Total other financing sources (uses)	<u>(20,612,805)</u>	<u>304,530</u>	<u>43,003</u>	<u>14,452,640</u>	<u>(5,812,632)</u>
Net change in fund balance	3,325,095	(1,914,700)	(192,074)	(7,914,481)	(6,696,160)
Fund balance					
Beginning	99,337,587	11,867,662	(178,745)	34,083,820	145,110,324
Ending	<u>\$ 102,662,682</u>	<u>\$ 9,952,962</u>	<u>\$ (370,819)</u>	<u>\$ 26,169,339</u>	<u>\$ 138,414,164</u>

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

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

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

YEAR ENDED JUNE 30, 2025

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

Net change in fund balances - total governmental funds \$ (6,696,160)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlays exceeded depreciation or amortization in the current period:

Capital outlays	30,128,498	
Capital contributions	9,277,751	
Depreciation and amortization expense	<u>(29,626,478)</u>	9,779,771

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

Decrease in assessment receivable	480,043	
Increase in accrued tax penalties	<u>(2,384,637)</u>	(1,904,594)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Lease and subscription liabilities issued		(51,522)
Principal repayments		13,398,873
Change in assessments due PWC		465,230
Change in compensated absences		<u>(2,656,717)</u>

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. 12,502,949

Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities. 844,681

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities. 1,935,212

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

OPEB gain		1,074,834
Pension expense		(15,970,195)
Change in accrued interest payable		64,554
Amortization of bond premium		319,288

Internal service funds are used by management to charge the costs of risk management and fleet maintenance to individual funds. The net revenue of certain activities of the internal service funds are reported with governmental activities. 2,803,964

Change in net position of governmental activities \$ 15,910,168

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

CITY OF FAYETTEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 90,309,591	\$ 90,309,591	\$ 89,254,171	\$ (1,055,420)
Other taxes	94,964,400	94,964,400	92,647,338	(2,317,062)
Unrestricted intergovernmental	12,282,794	16,898,126	17,736,522	838,396
Restricted intergovernmental	-	-	-	-
Permits and fees	3,039,656	3,039,656	3,317,663	278,007
Sales and services	8,863,252	8,863,252	8,405,592	(457,660)
Miscellaneous	6,923,299	6,983,926	4,807,681	(2,176,245)
Interest earned on investments	4,245,225	4,245,225	3,995,145	(250,080)
Total revenues	220,628,217	225,304,176	220,164,112	(5,140,064)
Expenditures				
Current:				
Community investment	7,975,429	8,585,107	7,160,097	1,425,010
Operations	129,545,352	133,055,424	127,864,710	5,190,714
Support services and administration	22,520,274	26,291,690	22,809,604	3,482,086
Other appropriations	21,341,606	22,847,266	16,961,604	5,885,662
Parking	1,098,509	1,098,509	1,007,963	90,546
Central business tax district	324,114	380,764	303,868	76,896
Law enforcement officers' special separation allowance	3,179,584	3,179,584	1,672,972	1,506,612
Debt Service:				
Principal	14,564,676	14,564,676	13,398,872	1,165,804
Interest	3,825,785	3,825,785	3,519,557	306,228
Bond issuance costs	-	-	-	-
Capital outlay	2,225,598	2,706,380	1,475,443	1,230,937
Total expenditures	206,600,927	216,535,185	196,174,690	20,360,495
Revenues over (under) expenditures	14,027,290	8,768,991	23,989,422	15,220,431
Other financing sources (uses)				
Sale of capital assets	92,000	92,000	237,950	145,950
Transfers in from other funds	1,080,784	1,480,784	1,080,784	(400,000)
Transfers out to other funds	(16,774,597)	(21,983,061)	(21,983,061)	-
Appropriated fund balance	1,574,523	11,641,286	-	(11,641,286)
Total other financing sources (uses)	(14,027,290)	(8,768,991)	(20,664,327)	(11,895,336)
Revenues and other financing sources (uses) over (under) financing (uses)	\$ -	\$ -	3,325,095	\$ 3,325,095
Fund balance				
Beginning			99,337,587	
Ending			102,662,682	
Adjustments to Modified Accrual GAAP				
Capital outlay - leases and subscriptions			(51,522)	
Lease and subscription liabilities issued			51,522	
Fund balance			\$ 102,662,682	

Portfolio	Function:						Total
	Administration	Public Safety	Environmental Protection	Transportation	Economic and Physical Development	Recreation and Community Facilities	
Community investment	\$ 349,184	\$ 4,132,569	\$ -	\$ -	\$ 2,678,344	\$ -	\$ 7,160,097
Operations	3,048	98,448,501	812,026	8,106,437	-	20,494,698	127,864,710
Support services	22,809,604	-	-	-	-	-	22,809,604
Other appropriations	16,961,604	-	-	-	-	-	16,961,604
Parking	(814)	-	-	1,008,777	-	-	1,007,963
Central business tax district	-	-	-	-	303,868	-	303,868
Law enforcement officer's special separation allowance	-	1,672,972	-	-	-	-	1,672,972
Totals by function	\$ 40,122,626	\$ 104,254,042	\$ 812,026	\$ 9,115,214	\$ 2,982,212	\$ 20,494,698	\$ 177,780,818

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

CITY OF FAYETTEVILLE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Enterprise Funds				Non-Major Enterprise Fund		Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Intergovernmental Fund	Total	
Assets							
Current assets							
Cash and investments	\$ 16,646,942	\$ 87,971	\$ 35,191,841	\$ 5,503,751	\$ -	\$ 57,430,505	\$ 37,465,530
Accounts receivable	1,131,822	316,082	1,081,016	678,461	522,507	3,729,888	1,607,318
Inventories	-	159,379	5,990	34,486	-	199,855	-
Prepaid expenses	-	-	-	4,500	-	4,500	332,013
Leases receivable	-	66,976	437,212	-	-	504,188	-
Total unrestricted current assets	17,778,764	630,408	36,716,059	6,221,198	522,507	61,868,936	39,404,861
Restricted current assets							
Restricted cash and investments	432	-	-	-	-	432	-
Restricted accounts receivable	-	6,455,767	2,530,284	-	-	8,986,051	-
Total restricted current assets	432	6,455,767	2,530,284	-	-	8,986,483	-
Total current assets	17,779,196	7,086,175	39,246,343	6,221,198	522,507	70,855,419	39,404,861
Noncurrent assets							
Leases receivable	-	88,486	3,485,335	-	-	3,573,821	-
Capital assets, net	51,550,142	28,141,004	71,251,352	11,386,778	-	162,329,276	70,656
Right to use assets, net	-	16,412	83,050	-	-	99,462	2,233,338
Total noncurrent assets	51,550,142	28,245,902	74,819,737	11,386,778	-	166,002,559	2,303,994
Total assets	69,329,338	35,332,077	114,066,080	17,607,976	522,507	236,857,978	41,708,855
Deferred outflows of resources							
OPEB deferrals	62,647	154,249	45,660	169,563	-	432,119	6,409
Pension deferrals	722,318	1,986,371	541,738	1,191,823	-	4,442,250	487,564
Total deferred outflows of resources	784,965	2,140,620	587,398	1,361,386	-	4,874,369	493,973
Liabilities							
Current liabilities							
Accounts payable and accrued expenses	3,478,008	742,793	902,902	1,312,802	407,731	6,844,236	4,512,597
Current portion of long term liabilities	942,476	156,565	127,536	416,772	-	1,643,349	246,204
Interfund payables	-	4,078,872	-	-	365,438	4,444,310	253,635
Total current liabilities	4,420,484	4,978,230	1,030,438	1,729,574	773,169	12,931,895	5,012,436
Current liabilities to be paid from restricted assets							
Unearned deposits	1,121,345	400	5,543,436	-	-	6,665,181	-
Total current liabilities to be paid from restricted assets	1,121,345	400	5,543,436	-	-	6,665,181	-
Total current liabilities	5,541,829	4,978,630	6,573,874	1,729,574	773,169	19,597,076	5,012,436
Noncurrent liabilities							
OPEB obligation	1,048,241	2,580,999	764,052	2,837,237	-	7,230,529	107,154
Net pension liability	1,394,369	3,834,516	1,046,322	2,300,710	-	8,575,917	941,197
Unearned revenues	-	-	-	-	-	-	20,999
Lease liabilities	-	-	-	-	-	-	2,214,990
Subscription lease liabilities	-	-	42,885	-	-	42,885	-
Long-term liabilities	683,556	385,727	140,985	399,547	-	1,609,815	68,872
Total noncurrent liabilities	3,126,166	6,801,242	1,994,244	5,537,494	-	17,459,146	3,353,212
Total liabilities	8,667,995	11,779,872	8,568,118	7,267,068	773,169	37,056,222	8,365,648
Deferred inflows of resources							
OPEB deferrals	104,941	258,386	76,489	284,040	-	723,856	10,731
Pension deferrals	52,987	145,713	39,738	87,429	-	325,867	35,763
Lease deferrals	-	141,161	3,740,534	-	-	3,881,695	-
Total deferred inflows of resources	157,928	545,260	3,856,761	371,469	-	4,931,418	46,494
Net position							
Net investment in capital assets	46,537,793	28,157,415	71,248,667	11,386,777	-	157,330,652	(112,596)
Restricted net position							
Capital projects	-	-	3,795,483	-	-	3,795,483	-
Unrestricted (deficit)	14,750,587	(3,009,850)	27,184,449	(55,952)	(250,662)	38,618,572	33,903,282
Total net position	\$ 61,288,380	\$ 25,147,565	\$ 102,228,599	\$ 11,330,825	\$ (250,662)	\$ 199,744,707	\$ 33,790,686

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

CITY OF FAYETTEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Enterprise Funds				Non-Major Enterprise Fund	Total	Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Intergovernmental Fund		
Operating revenues							
Charges for services	\$ 13,516,172	\$ 700,369	\$ 5,760,577	\$ 17,270,214	\$ 1,155,491	\$ 38,402,823	\$ -
Other revenue from operations	125,991	237,532	381,389	320,662	-	1,065,574	1,646,627
Interfund charges and employee contributions	-	-	-	-	-	-	33,055,234
Total operating revenues	13,642,163	937,901	6,141,966	17,590,876	1,155,491	39,468,397	34,701,861
Operating expenses							
Salaries and employee benefits	3,514,867	8,835,647	2,244,608	5,872,909	-	20,468,031	2,742,584
Other operating expenses	5,871,692	5,173,946	2,304,506	9,488,501	1,406,153	24,244,798	29,369,524
Depreciation and amortization	1,649,013	2,026,873	7,652,678	1,573,509	-	12,902,073	199,224
Total operating expenses	11,035,572	16,036,466	12,201,792	16,934,919	1,406,153	57,614,902	32,311,332
Operating income (loss)	2,606,591	(15,098,565)	(6,059,826)	655,957	(250,662)	(18,146,505)	2,390,529
Nonoperating revenues (expenses)							
Interest earned on investments	1,045,008	-	1,507,153	327,787	-	2,879,948	1,984,713
Federal and State grants	3,439,106	9,069,879	4,205,270	-	-	16,714,255	-
Miscellaneous revenue	1,070	7,622	-	2,977	-	11,669	(506,079)
Gain (loss) on disposal of capital assets	91,551	24,240	12,599	371,974	-	500,364	2,081
County tax revenue	-	-	-	483,348	-	483,348	-
Vehicle license tax revenue	-	646,224	-	-	-	646,224	-
Lease revenues	-	62,738	654,589	-	-	717,327	-
Interest expense	(48,436)	(197)	(1,451)	(6,395)	-	(56,479)	(74,279)
Miscellaneous expense	-	-	-	(5,429)	-	(5,429)	-
Total nonoperating revenues (expenses)	4,528,299	9,810,506	6,378,160	1,174,262	-	21,891,227	1,406,436
Income (loss) before contributions and transfers	7,134,890	(5,288,059)	318,334	1,830,219	(250,662)	3,744,722	3,796,965
Transfers in	-	8,878,124	-	-	-	8,878,124	-
Transfers out	(913,011)	-	-	(870,009)	-	(1,783,020)	(993,000)
Change in net position	6,221,879	3,590,065	318,334	960,210	(250,662)	10,839,826	2,803,965
Net position - beginning, as previously stated	55,160,214	21,823,763	101,992,379	10,629,882	-	189,606,238	31,019,588
Changes in accounting principal (GASB 101)	(93,713)	(266,263)	(82,114)	(259,267)	-	(701,357)	(32,867)
Net position, beginning of year, as restated	55,066,501	21,557,500	101,910,265	10,370,615	-	188,904,881	30,986,721
Net position - ending	\$ 61,288,380	\$ 25,147,565	\$ 102,228,599	\$ 11,330,825	\$ (250,662)	\$ 199,744,707	\$ 33,790,686

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

CITY OF FAYETTEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Enterprise Funds				Non-Major Enterprise Fund		Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Intergovernmental Fund	Total	
Operating activities							
Cash received from customers	\$ 12,935,779	\$ (3,868,880)	\$ 8,578,243	\$ 17,379,852	\$ 632,984	\$ 35,657,978	\$ 34,441,206
Cash paid to or on behalf of employees for services	(3,571,216)	(8,722,045)	(2,176,388)	(5,880,385)	-	(20,350,034)	(2,891,718)
Cash paid for goods and services	(3,888,983)	(4,435,618)	(4,740,277)	(8,267,415)	(998,422)	(22,330,715)	(29,313,701)
Net cash provided by (used in) operating activities	5,475,580	(17,026,543)	1,661,578	3,232,052	(365,438)	(7,022,771)	2,235,787
Noncapital financing activities							
Transfers in	-	8,878,124	-	-	-	8,878,124	-
Intergovernmental contributions	3,440,176	11,141,659	4,205,270	486,325	365,438	19,638,868	253,635
Transfers out	(913,011)	-	-	(870,009)	-	(1,783,020)	(993,000)
Vehicle revenue fees	-	646,224	-	-	-	646,224	-
Net cash provided (used) by noncapital financing activities	2,527,165	20,666,007	4,205,270	(383,684)	365,438	27,380,196	(739,365)
Capital and related financing activities							
Gain or (loss) from sale of capital assets	91,551	24,240	12,599	394,952	-	523,342	2,081
Acquisition and construction of capital assets	(10,333,814)	(4,455,845)	(1,923,391)	(4,834,729)	-	(21,547,779)	-
Lease revenue	-	62,738	-	-	-	62,738	(273)
Principal paid on debt maturities	(860,030)	(41,749)	(27,777)	(1,054,194)	-	(1,983,750)	-
Interest paid on debt maturities	(59,549)	(197)	(1,451)	(9,180)	-	(70,377)	(580,358)
Net cash provided (used) by capital and related financing activities	(11,161,842)	(4,410,813)	(1,940,020)	(5,503,151)	-	(23,015,826)	(578,550)
Investing activities							
Interest and dividends	1,045,008	-	1,507,153	327,787	-	2,879,948	1,984,713
Net cash provided by investing activities	1,045,008	-	1,507,153	327,787	-	2,879,948	1,984,713
Net increase (decrease) in cash and cash equivalents	(2,114,089)	(771,349)	5,433,981	(2,326,996)	-	221,547	2,902,585
Cash and cash equivalents							
Beginning of year	18,761,463	859,320	29,757,860	7,830,747	-	57,209,390	34,562,945
End of year	\$ 16,647,374	\$ 87,971	\$ 35,191,841	\$ 5,503,751	\$ -	\$ 57,430,937	\$ 37,465,530
Unrestricted cash and cash equivalents	\$ 16,646,942	\$ 87,971	\$ 35,191,841	\$ 5,503,751	\$ -	\$ 57,430,505	\$ 37,465,530
Restricted cash and cash equivalents	432	-	-	-	-	432	-
Total cash and cash equivalents	\$ 16,647,374	\$ 87,971	\$ 35,191,841	\$ 5,503,751	\$ -	\$ 57,430,937	\$ 37,465,530

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

CITY OF FAYETTEVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Enterprise Funds				Non-Major Enterprise Fund		Internal Service Funds
	Stormwater Management Fund	Transit Fund	Airport Fund	Solid Waste Fund	Intergovernmental Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 2,606,591	\$ (15,098,565)	\$ (6,059,826)	\$ 655,957	\$ (250,662)	\$ (18,146,505)	\$ 2,390,529
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	1,649,013	2,026,873	7,652,678	1,573,509	-	12,902,073	199,224
Nonoperating payments for goods and services	-	-	-	(5,429)	-	(5,429)	-
Nonoperating receipts from customers	-	-	654,589	-	-	654,589	-
Change in assets, liabilities and deferrals:							
(Increase) decrease in accounts and leases receivable and related deferrals	(730,929)	(4,806,781)	5,434,882	(209,262)	(522,507)	(834,597)	(273,223)
(Increase) decrease in inventory	-	506,423	(1,652)	15,919	-	520,690	-
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	(76,847)
Increase (decrease) in unearned revenues/deposits	24,545	-	(3,668,265)	(1,762)	-	(3,645,482)	9,312
Increase (decrease) in accounts payable and accrued liabilities	1,881,556	458,124	(2,304,251)	1,195,639	407,731	1,638,799	132,670
Increase (decrease) in accrued compensated absences	7,440	6,988	(18,337)	(14,627)	-	(18,536)	(213,576)
Increase (decrease) Pension and OPEB expense	37,364	(119,605)	(28,240)	22,108	-	(88,373)	67,698
Total adjustments	2,868,989	(1,927,978)	7,721,404	2,576,095	(114,776)	11,123,734	(154,742)
Net cash provided by (used in) operating activities	\$ 5,475,580	\$ (17,026,543)	\$ 1,661,578	\$ 3,232,052	\$ (365,438)	\$ (7,022,771)	\$ 2,235,787

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

CITY OF FAYETTEVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2025

	Private-purpose Trusts	Custodial Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ -
Restricted cash	-	1,165,824
Total assets	<u>-</u>	<u>1,165,824</u>
Liabilities		
Accounts payable	-	1,165,824
Total liabilities	<u>-</u>	<u>1,165,824</u>
Net position		
Restricted for pension benefits and other purposes	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF FAYETTEVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Private-purpose Trusts	Custodial Funds
Additions		
Other contributions	\$ 199,937	\$ -
Police Evidence fund deposits	-	150,176
Investment earnings	195	-
Total additions	<u>200,132</u>	<u>150,176</u>
Deductions		
Benefit payments and premiums	1,640,445	-
Police Evidence fund releases	-	29,120
Total deductions	<u>1,640,445</u>	<u>29,120</u>
Change in net position	(1,440,313)	121,056
Total net position - beginning	<u>1,440,313</u>	<u>(121,056)</u>
Total net position - ending	<u>\$ -</u>	<u>\$ -</u>

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

City of Fayetteville, North Carolina

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Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies

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

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

A - Reporting Entity

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

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

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

Fayetteville Public Works Commission

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

City of Fayetteville Linear Park, Inc.

The City of Fayetteville Linear Park, Inc., is a non-profit corporation formed for the purpose of assisting in the development of the Linear Park downtown. Linear Park, Inc., is shown in a blended presentation as it provides services exclusively to the City. Its operating fund is presented in the accompanying financial statements as a non-major special revenue fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

B - Basis of Presentation

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

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

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

Fund Financial Statements: The fund financial statements provide information about the City’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented, even though the fiduciary is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, recreation and community facilities, transportation, economic and physical development, and environmental protection. The Central Business Tax Fund and Parking Fund are legally budgeted funds under North Carolina General Statutes and are consolidated into the General Fund in accordance with GASB statement No. 54.

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

Environmental Protection Fund. This capital project fund accounts for projects related to dam restoration and improvements in the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following non-major enterprise funds:

Intergovernmental Fund. This fund accounts for solid waste collections and recycling services for the Fort Bragg area.

The City reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are custodial in nature and do not involve the measurement of operating results. Custodial funds are used to account for assets the City holds on behalf of others. The City maintains the Police Evidence custodial fund which accounts for police evidence funds until they are authorized for release by court order.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Activity occurs during the year involving transfers of resources between funds, which are reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made for the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (governmental and internal services funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only net amounts are included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only net amounts are included as transfers in the business-type activities column.

C - Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the budgetary basis of accounting.

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, including leases and subscription based information technology arrangement (SBITAs) liabilities, 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 leases and subscription based information technology arrangements (SBITAs) are reported as other financing sources.

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

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

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

D - Budgetary Data

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, selected special revenue, and enterprise funds, including the Emergency Telephone System Fund and the PWC Assessment fund. All annual appropriations lapse at fiscal year-end. Project and grant ordinances are adopted for the Federal and State Financial Assistance special revenue fund, Linear Park special revenue fund and capital project funds. Enterprise capital project funds are consolidated with the operating funds for reporting purposes.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

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

Deposits and Investments

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

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

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

The NCCMT Government Portfolio security is measured at fair value with Level 1 inputs. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

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

Cash and Cash Equivalents

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

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-136(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2025.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Allowance for Uncollectible Receivables

The City recorded an allowance for uncollectible receivables of \$2,371,940 in the general fund and \$375,155 in the PWC Assessment fund.

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

The receivables shown on the Statement of Net Position are presented net of the following allowances for doubtful accounts as of June 30, 2025:

General Fund	
Taxes receivable	\$ 426,656
Accounts receivable	1,122,265
Assessments receivable	823,019
Total general fund	2,371,940
Federal and State Financial Assistance	
Accounts receivable	2,370,166
Environmental Protection Fund	
Accounts receivable	15,441
Special Revenue Funds	
Assessments receivable	375,155
Capital Projects Funds	
Assessments receivable	87,938
Enterprise Funds	
Transit Fund - Accounts receivable	914,582
Airport Fund - Accounts receivable	514,919
Solid Waste Recycling Fund - Accounts receivable	40,025
Stormwater Management Fund - Accounts receivable	1,119,174
Total	\$ 7,809,340

Interfund Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Lease Receivables

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

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

Inventories and Prepaid Expenses

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

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid expenses. The costs of governmental fund-type prepaid expenses are recorded as expenditures when they are consumed rather than when they are purchased. The costs of enterprise fund-type prepaid expenses are expensed when used rather than when purchased.

Restricted Assets, Restricted Liabilities and Restricted Net Position

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

The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-13 and F-14. The restriction for "Recreational and Cultural" incorporates restrictions for county recreation and other recreation and community facilities. Restriction for Downtown is created by enabling legislation. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Governmental Activities	Externally Restricted
Restricted Cash and Investments	
General Fund	
Trustee accounts	\$ 2,611
For county recreation	1,418,678
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	7,717,409
Economic and Physical Development Fund	
Unexpended grant proceeds	1,099,954
Recreational and Cultural Bond Fund	
Unexpended debt proceeds	11,355,255
Total governmental activities - restricted cash and investments	\$ 21,593,907
Restricted Receivables	
General Fund	
For county recreation	\$ 262,760
Federal and State Financial Assistance Fund	
For OPIOD Settlement	2,627,777
For federal and state grants	2,290,605
Total governmental activities - restricted accounts receivable	\$ 5,181,142
Restricted Accounts Payable and Accrued Expenses	
Economic and Physical Development Fund	\$ 5,479
Total governmental activities - restricted accounts payable and accrued expenses	\$ 5,479
Restricted Unearned Deposits	
General Fund	\$ 800,605
Federal and State Financial Assistance Fund	8,464,826
Transportation Fund	256,232
Recreation and Culture Fund	4,006,846
Economic and Physical Development Fund	233,783
Total governmental activities - restricted unearned deposits	\$ 13,762,292

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 1—Summary of significant accounting policies (continued)

<u>Business-type Activities</u>	<u>Externally Restricted</u>
Restricted Cash and Investments	
Stormwater Fund	
Restricted stormwater deposits	\$ 432
Total business-type activities - restricted cash and investments	<u>\$ 432</u>
Restricted Accounts Receivable - amounts due from federal and state granting agencies	
Transit Fund	\$ 6,455,767
Airport Fund	2,530,284
Total business-type activities - restricted accounts receivable	<u>\$ 8,986,051</u>
Restricted Unearned Deposits	
Stormwater Fund	\$ 1,121,345
Transit Fund	400
Airport Fund	5,543,436
Total business-type activities - restricted unearned deposits	<u>\$ 6,665,181</u>

Capital Assets

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2001 and stormwater network assets acquired prior to July 1, 2004 are reported at estimated historical cost using deflated current cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations. The City reviews assets for impairment at year end, no assets were impaired on June 30, 2025.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

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

Asset Class	Estimated Useful Lives (Years)
Infrastructure	15 - 60
Buildings	40
Utility plant systems	20 - 45
Improvements	5 - 15
Vehicles	5 - 20
Furniture and equipment	5 - 10
Lease Arrangements	3 - 35
SBITA Arrangements	2 - 5
Computer software	3
Computer equipment	3

Depreciation includes amortization of intangible assets.

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

Right to Use Lease Assets

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

Deferred Outflows/Inflows of Resources

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Compensated Absences

Annual Leave

The City’s policy permits employees to accumulate vacation based on years of service, with a max accumulation of 280 hours (7 weeks) of earned but unused annual leave, which are eligible for payment at the employee’s current pay rate upon separation from employment.

Sick Leave

The City’s policy permits employees to accumulate earned but unused sick leave. For retiring employees, any unused sick leave accumulated may be used in the determination of length of service for retirement benefit purposes. All other sick leave lapses upon separation of services. The City applied a First-In, First-Out (FIFO) flows assumption. This approach assumes that any leave paid in subsequent periods is deducted from the accumulated leave balances that exist as part of the year-end liability. As such, the liability was calculated using the aggregate balance of accrued, unused leave as of the end of the year.

Compensatory Time

The City’s policy permits regular employees to accumulate up to 240 hours of earned but unused compensatory time and public safety employees to accumulate up to 480 hours of earned but unused compensatory time. Such hours are eligible for payment at the employee’s current pay rate upon separation from employment.

The City implemented GASB Statement No. 101, Compensated Absences, effective June 30, 2024, requiring a restatement of net position as of June 30, 2024. Calculating the compensated absence liability as of June 30, 2024 resulted in a decrease of \$7,432,390 to net position at June 30, 2024. The following table presents a reconciliation of net position impacted by implementing the new accounting standard:

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net Position at June 30, 2024, as previously reported	\$ 448,633,915	\$ 189,606,238	\$ 638,240,153
Change in Accounting Principle (Implementation of GASB 101)	(6,731,033)	(701,357)	(7,432,390)
As of June 30, 2024, as restated	\$ 441,902,882	\$ 188,904,881	\$ 630,807,763

Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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:

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

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

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

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

Loans receivable - portion of fund balance that is not an available resource because it represents the year-end balance of the loan receivable, which are not spendable resources.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

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

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

Restricted for economic and physical development – portion of fund balance restricted by revenue source for economic and physical development activities and encumbrances related to economic and physical development activities outstanding at the end of the year.

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

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

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

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

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

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

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

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

Subsequent year’s expenditures - portion of fund balance that is appropriated in the adopted 2025 - 2026 budget ordinance that is not already classified as restricted or committed.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

Fund Balance Policy

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS.

For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F - Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1—Summary of significant accounting policies (continued)

G - Pronouncements Implemented

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

Note 2—Cash, cash equivalents and investments, and leases receivable

A - Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Depository Insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names.

The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 2—Cash, cash equivalents and investments, and leases receivable (continued)

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

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

At June 30, 2025, the City's demand deposits had a carrying amount of \$14,284,630 and a bank balance of \$15,219,001. Of the bank balance, Federal Deposit Insurance covered \$250,000 and the remainder was covered by collateral under the Pooling Method.

The Firefighter's Fund had been fully disbursed and transferred to Firemen Relief Fund Board which is an independent entity from the City.

The City had \$10,944 in petty cash and change funds.

B - Investments

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

At June 30, 2025, the City investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2025	Maturity	Rating*
US Government Treasuries	Fair Value Level 1	\$ 33,055,007	< 1 year	AA+
US Government Agencies	Fair Value Level 2	41,572,910	1-3 years	AA+
Truist Capital Markets - Commercial Paper	Fair Value Level 2	35,197,146	< 1 year	A1/P1
Truist Safekeeping Principal Cash Uninvested	Fair Value Level 1	336,610	N/A	N/A
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	89,487,357	N/A	AAAm
Total:		\$ 199,649,030		

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 2—Cash, cash equivalents and investments, and leases receivable (continued)

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

Credit Risk. The City has no formal policy regarding credit risk; however, the State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City minimizes credit risk by limiting investments to the types allowed by North Carolina General Statutes 159-30. The City diversifies the investment portfolio to minimize the impact of potential losses from any one security or from any one individual issuer. Also, the City pre-qualifies the financial institutions’ brokers/dealers and requires them to meet specific financial and registration conditions. The City’s investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s. The City’s investment in Commercial Paper has an A1/P1 rating as of June 30, 2025. US Government Treasuries and US Government Agencies both hold an AA+ rating by Standard & Poor’s.

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

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$	199,649,030
Cash (demand deposits)		14,284,630
Petty cash		10,944
Total cash and investments	\$	213,944,604

Totals per Statement of Net Position and Fiduciary Net Position:

Cash and investments - unrestricted	\$	191,184,441
Cash and investments - restricted		21,594,339
Agency		1,165,824
Total cash and investments	\$	213,944,604

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 2—Cash, cash equivalents and investments, and leases receivable (continued)

C - Leases receivable

The City leases City-owned properties such as buildings, land, terminal concessions and other commercial space for offices and business activities. The lease agreements provide for minimum rental payments, have terms of 2 to 25 years and are due to expire at various dates from 2025 to 2048. As of June 30, 2025, the City reported principal lease receivables of \$5,428,976 and \$4,078,009 for its Governmental and Business-type activities, respectively. As a result, the City also reported a deferred inflow of resources in the amount of \$5,029,641 and \$3,881,695 for its Governmental and Business-type activities, respectively, at June 30, 2025. Minimum lease provisions at June 30, 2025 will result in rental income for future years as follows:

Governmental activities

<u>Year(s) Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 219,443	\$ 163,885	\$ 383,328
2027	187,814	157,663	345,477
2028	172,069	152,831	324,900
2029	177,726	147,174	324,900
2030	183,132	141,768	324,900
2031-2035	969,230	626,520	1,595,750
2036-2040	1,234,798	465,202	1,700,000
2041-2045	1,567,648	257,352	1,825,000
2046-2050	717,116	32,884	750,000
	<u>\$ 5,428,976</u>	<u>\$ 2,145,279</u>	<u>\$ 7,574,255</u>

Business-type activities

<u>Year(s) Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 504,188	\$ 105,785	\$ 609,973
2027	498,101	93,718	591,819
2028	212,957	84,894	297,851
2029	199,068	79,871	278,939
2030	203,903	75,036	278,939
2031-2035	801,667	305,529	1,107,196
2036-2040	830,424	189,271	1,019,695
2041-2045	827,701	56,034	883,735
	<u>\$ 4,078,009</u>	<u>\$ 990,138</u>	<u>\$ 5,068,147</u>

In fiscal year 2025, the City recognized \$362,488 of lease revenue and \$268,707 of interest revenue for the Governmental activities leases and \$717,327 of lease revenue and \$119,245 of interest revenue for the Business-type activities leases.

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 3—Capital assets

A - Capital assets

Capital asset activity for the year ended June 30, 2025, was as follows:

Primary Government

	Balance June 30, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 44,209,295	\$ 1,711,663	\$ -	\$ 680,668	\$ 46,601,626
Construction in progress	32,104,031	20,703,968	(19,711)	(1,269,690)	51,518,598
Total capital assets not being depreciated	76,313,326	22,415,631	(19,711)	(589,022)	98,120,224
Capital assets being depreciated or amortized:					
Infrastructure	563,654,407	8,034,522	-	475,882	572,164,811
Buildings and improvements	222,076,625	4,658,508	-	113,140	226,848,273
Equipment, furniture and fixtures	40,331,658	662,993	(303,063)	-	40,691,588
Computer software	10,239,465	174,181	(52,211)	-	10,361,435
Vehicles	50,374,346	3,473,467	(654,468)	-	53,193,345
Intangible right to use assets	22,012,598	51,522	-	-	22,064,120
Total capital assets being depreciated and amortized	908,689,099	17,055,193	(1,009,742)	589,022	925,323,572
Less accumulated depreciation and amortization for:					
Infrastructure	(339,668,519)	(12,631,058)	-	-	(352,299,577)
Buildings and improvements	(88,271,888)	(7,815,296)	-	-	(96,087,184)
Equipment, furniture and fixtures	(35,988,924)	(2,004,865)	297,759	-	(37,696,030)
Computer software	(7,326,295)	(712,283)	59,133	-	(7,979,445)
Vehicles	(31,022,359)	(3,771,940)	669,292	-	(34,125,007)
Intangible right to use assets	(13,285,915)	(2,890,260)	-	-	(16,176,175)
Total accumulated depreciation and amortization	\$ (515,563,900)	\$ (29,825,702)	\$ 1,026,184	\$ -	(544,363,418)
Total capital assets being depreciated, net	393,125,199				380,960,154
General governmental activity capital assets, net	\$ 469,438,525				\$ 479,080,378

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

Administration	\$ 4,762,435
Public safety	5,837,633
Environmental protection	366,224
Transportation	13,898,332
Economic and physical development	368,804
Recreation and community facilities	4,592,274
Total depreciation and amortization expense	\$ 29,825,702

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 3—Capital assets (continued)

	Balance June 30, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Business-type activities:					
Capital assets not being depreciated					
Land and land rights	\$ 6,196,096	\$ 219,859	\$ -	\$ -	\$ 6,415,955
Construction in progress	7,317,353	5,966,657	(95,955)	(750,701)	12,437,354
Total capital assets not being depreciated	13,513,449	6,186,516	(95,955)	(750,701)	18,853,309
Capital assets being depreciated or amortized:					
Buildings and improvements	173,064,457	2,125,656	-	142,986	175,333,099
Equipment, furniture and fixtures	12,323,811	472,793	(522,102)	-	12,274,502
Computer software	1,083,708	15,651	-	-	1,099,359
Vehicles	40,019,854	8,190,873	(4,119,921)	-	44,090,806
Infrastructure	58,864,428	4,556,664	-	607,715	64,028,807
Intangible right to use assets	440,268	22,092	(84,144)	-	378,216
Total capital assets being depreciated and amortized	285,796,526	15,383,729	(4,726,167)	750,701	297,204,789
Less accumulated depreciation and amortization for:					
Buildings and improvements	(89,398,431)	(7,689,393)	2,763	-	(97,085,061)
Equipment, furniture and fixtures	(10,017,056)	(705,575)	522,102	-	(10,200,529)
Computer software	(931,943)	(107,719)	-	-	(1,039,662)
Vehicles	(20,664,879)	(3,205,716)	3,400,127	-	(20,470,468)
Infrastructure	(23,425,862)	(1,129,024)	-	-	(24,554,886)
Intangible right to use assets	(298,252)	(64,646)	84,144	-	(278,754)
Total accumulated depreciation and amortization	\$ (144,736,423)	\$ (12,902,073)	\$ 4,009,136	\$ -	(153,629,360)
Total capital assets being depreciated, net	141,060,103				143,575,429
Business-type activity capital assets, net	\$ 154,573,552				\$ 162,428,738

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

Stormwater management	\$ 1,649,013
Transportation	2,026,873
Airport	7,652,678
Solid Waste	1,573,509
Total depreciation and amortization expense	\$ 12,902,073

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 3—Capital assets (continued)

PWC (discretely presented component unit)

	Balance 30-Jun-24	Additions	Disposals	Transfers	Balance 30-Jun-25
PWC:					
Capital assets not being depreciated:					
Land and land rights	\$ 24,182,299	\$ -	\$ (302)	\$ 914,787	\$ 25,096,784
Construction in progress	226,807,876	175,769,107	(539,834)	(83,050,568)	318,986,581
Total Capital assets not being depreciated and amortized	250,990,175	175,769,107	(540,136)	(82,135,781)	344,083,365
Capital assets being depreciated and amortized:					
Electric utility system	570,731,602	1,548,292	(1,588,095)	26,106,159	596,797,958
Water system	477,628,354	64,464	(544,595)	17,126,322	494,274,545
Sewer system	726,009,965	155,049	-	37,694,405	763,859,419
Buildings	71,015,766	298,491	(7,148)	406,878	71,713,987
Equipment and machinery	38,727,621	1,333,998	(558,491)	802,306	40,305,434
Intangibles	32,421,478	32,109	(137,849)	-	32,315,738
Computer equipment	28,242,395	7,857	(130,899)	-	28,119,353
Vehicles	27,295,866	4,183,023	(1,880,839)	(289)	29,597,761
Office equipment	1,678,182	-	(3,627)	-	1,674,555
Right to use assets	6,988,334	5,807,452	(298,981)	-	12,496,805
Total Capital assets being depreciated and amortized	1,980,739,563	13,430,735	(5,150,524)	82,135,781	2,071,155,555
Less accumulated depreciation and amortization for:					
Electric utility system	(315,507,037)	(15,190,201)	1,326,466	-	(329,370,772)
Water system	(212,521,642)	(10,285,130)	519,332	-	(222,287,440)
Sewer system	(291,557,192)	(15,215,471)	-	-	(306,772,663)
Buildings	(39,399,930)	(1,783,177)	7,148	-	(41,175,959)
Equipment and machinery	(27,409,607)	(1,441,959)	556,462	-	(28,295,104)
Intangibles	(30,133,780)	(874,744)	80,462	-	(30,928,062)
Computer equipment	(26,050,401)	(828,888)	73,512	-	(26,805,777)
Vehicles	(15,016,258)	(1,895,451)	1,843,788	-	(15,067,921)
Office equipment	(1,665,229)	(4,610)	3,626	-	(1,666,213)
Right to use assets, accumulated amortization	(3,112,972)	(2,618,445)	298,981	-	(5,432,436)
Total accumulated depreciation and amortization:	(962,374,048)	(50,138,076)	4,709,777	-	(1,007,802,347)
Electric fund capital assets, net	\$ 1,269,355,690	\$ 139,061,766	\$ (980,883)	\$ -	\$ 1,407,436,573

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 3—Capital assets (continued)

B - Intangible right to use assets

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

Intangible right to use asset activities for the City for fiscal year ended June 30, 2025 are as follows:

Governmental activities	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Intangible right to use assets				
Leased buildings	\$ 5,101,401	\$ -	\$ -	\$ 5,101,401
Leased vehicles	465,817	-	-	465,817
Leased equipment	585,468	51,522	-	636,990
Subscription software	15,859,912	-	-	15,859,912
Total intangible right to use assets	<u>22,012,598</u>	<u>51,522</u>	<u>-</u>	<u>22,064,120</u>
Less accumulated amortization for:				
Leased buildings	(1,821,638)	(471,855)	-	(2,293,493)
Leased vehicles	(514,230)	(29,650)	-	(543,880)
Leased equipment	(796,924)	(67,821)	-	(864,745)
Subscription software	(10,153,123)	(2,320,934)	-	(12,474,057)
Total accumulated amortization	<u>(13,285,915)</u>	<u>(2,890,260)</u>	<u>-</u>	<u>(16,176,175)</u>
Intangible right to use assets, net	<u>\$ 8,726,683</u>	<u>\$ (2,838,738)</u>	<u>\$ -</u>	<u>\$ 5,887,945</u>
Business-type activities	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Intangible right to use assets				
Leased equipment	\$ 84,144	\$ -	\$ (84,144)	\$ -
Subscription software	356,124	22,092	-	378,216
Total intangible right to use assets	<u>440,268</u>	<u>22,092</u>	<u>(84,144)</u>	<u>378,216</u>
Less accumulated amortization for:				
Leased equipment	(84,144)	-	84,144	-
Subscription software	(214,108)	(64,646)	-	(278,754)
Total accumulated amortization	<u>(298,252)</u>	<u>(64,646)</u>	<u>84,144</u>	<u>(278,754)</u>
Intangible right to use assets, net	<u>\$ 142,016</u>	<u>\$ (42,554)</u>	<u>\$ -</u>	<u>\$ 99,462</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 4—Accounts payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following at June 30, 2025:

Governmental funds

	General	Federal and State Assistance	Financial Environmental Protection	Nonmajor Governmental	Internal Service	Subtotal
Accounts payable	\$ 2,440,450	\$ 1,258,678	\$ 51,248	\$ 4,169,295	\$ 731,423	\$ 8,651,094
Incurred but not reported	-	-	-	-	3,713,426	3,713,426
Interest payable	-	-	-	-	6,033	6,033
Retainage payable	-	294,857	-	537,479	-	832,336
Interfund payable	-	-	7,214,831	4,154,984	253,635	11,623,450
Salaries and benefits payable	6,761,825	-	-	-	61,715	6,823,540
Total	\$ 9,202,275	\$ 1,553,535	\$ 7,266,079	\$ 8,861,758	\$ 4,766,232	31,649,879

Adjustment for interest payable						302,062
						<u>\$ 31,951,941</u>

Reconciliation to accounts payable on the financial statements:

Unrestricted	\$ 9,202,275	\$ 1,553,535	\$ 7,266,079	\$ 8,856,279	\$ 4,766,232	\$ 31,644,400
Restricted	-	-	-	5,479	-	5,479
	<u>\$ 9,202,275</u>	<u>\$ 1,553,535</u>	<u>\$ 7,266,079</u>	<u>\$ 8,861,758</u>	<u>\$ 4,766,232</u>	<u>31,649,879</u>

Adjustment for interest payable						302,062
						<u>\$ 31,951,941</u>

Proprietary funds

	Stormwater Management	Transit	Airport	Solid Waste	Intergovernmental	Subtotal
Accounts payable	\$ 3,131,695	\$ 478,418	\$ 677,298	\$ 1,108,559	\$ 407,731	\$ 5,803,701
Interest payable	51	186	16,720	1,014	-	17,971
Retainage payable	-	184,806	87,361	-	-	272,167
Interfund payable	-	4,078,872	-	-	365,438	4,444,310
Salaries and benefits payable	346,262	79,383	121,523	203,229	-	750,397
Total	\$ 3,478,008	\$ 4,821,665	\$ 902,902	\$ 1,312,802	\$ 773,169	\$ 11,288,546

Reconciliation to accounts payable on the financial statements:

Unrestricted	\$ 3,478,008	\$ 4,821,665	\$ 902,902	\$ 1,312,802	\$ 773,169	\$ 11,288,546
	<u>\$ 3,478,008</u>	<u>\$ 4,821,665</u>	<u>\$ 902,902</u>	<u>\$ 1,312,802</u>	<u>\$ 773,169</u>	<u>\$ 11,288,546</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations

A - General Obligation Indebtedness

The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are collateralized by the full faith, credit, and taxing power of the City. They are serviced by the general fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2025 are as follows:

Governmental activities

\$16,000,000 Parks and Recreation Bonds, Series 2019 due in various annual installments through June 1, 2039; interest at various rates between 2.0% and 5.0%.	\$ 11,200,000
\$19,000,000 Parks and Recreation Bonds, Series 2022 due in various annual installments through June 1, 2042; interest at various rates between 3.25% and 5.0%.	16,150,000
	27,350,000
Add unamortized premium	2,443,078
Total governmental general obligation bonds and premiums	\$ 29,793,078

Interest expense related to the general obligation bonds totaled \$1,153,719 for the year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

B - Limited Obligation Indebtedness

The City has issued direct placement limited obligation bonds to provide funds for the construction of capital facilities. The bonds are limited obligations of the City and payments thereon shall be limited to funds appropriated for that purpose by the City Council of the City in its sole discretion. Direct placement limited obligation bonds outstanding for the year ended June 30, 2025 are as follows:

Governmental activities

\$50,520,000 direct placement taxable limited obligation bonds Series 2018 due in annual installments through June 1, 2038; interest at various rates between 2.87% and 4.24%.	\$ 32,820,000		
\$2,620,000 direct placement taxable limited obligation bonds Series 2019A due in annual installments through June 1, 2038; interest at various rates between 2.63% and 3.93%.	1,785,000		
\$2,740,000 direct placement tax-exempt limited obligation bonds Series 2019B due in annual installments through June 1, 2039; interest at various rates between 4.0% and 5.0%.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">1,915,000</td> </tr> <tr> <td style="border-bottom: 1px solid black;">36,520,000</td> </tr> </table>	1,915,000	36,520,000
1,915,000			
36,520,000			
Add: Unamortized Premium	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">301,637</td> </tr> </table>	301,637	
301,637			
Total governmental limited obligation bonds and premiums	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 36,821,637</td> </tr> </table>	\$ 36,821,637	
\$ 36,821,637			

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

C - Revenue Bonds (City)

The City has issued direct placement revenue bonds, which have been used to finance the construction of facilities used in the City's operations. Resources generated by the facilities' operations are retiring the bonds.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

Direct placement revenue bonds outstanding for the year ended June 30, 2025 are as follows:

Business-type activities

\$10,595,000 direct placement Stormwater Revenue Bonds, Series 2011
due in various annual installments through August 1, 2026;
interest at 3.135%.

\$ 1,295,000

Total revenue bonds

\$ 1,295,000

Interest expense related to the direct placement revenue bonds totaled \$48,438 for the year ended June 30, 2025.

Revenue bond debt service requirements to maturity are as follows:

Stormwater revenue bonds

Year Ending	Principal	Interest	Total
2026	\$ 855,000	\$ 33,936	\$ 888,936
2027	440,000	6,897	446,897
	\$ 1,295,000	\$ 40,833	\$ 1,335,833

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

The total principal and interest remaining to be paid on the outstanding direct placement revenue bonds was \$1,335,833 as of June 30, 2025. These revenue bonds are secured by a covenant to budget and collect revenues in the Stormwater system sufficient enough to pay the principal and interest requirements. The City is in compliance with the covenants for the bonds, which require the debt service coverage for parity indebtedness (revenue bonds only, as of June 30, 2025) to be 1.20 and for all indebtedness to be 1.00. Financial information below is from the Stormwater Management Enterprise Fund.

Income Available for Debt Service		
Stormwater fee revenues	\$ 13,516,172	
Other operating revenues	125,991	
Nonoperating revenue (expense)	4,528,299	
Less/plus adjustments for:		
Interest expense	48,436	
Total revenues		\$ 18,218,898
Operating expenses	10,950,871	
Less adjustments for:		
Depreciation	(1,649,013)	
Change in OPEB accrual	76,358	
Total current expenses		9,378,216
Income Available for Debt Service		8,840,682
Unrestricted Cash, 6/30/24 (prior year)	18,761,333	
15% of unrestricted cash		2,814,200
Total resources available for debt service		\$ 11,654,882
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds – Principal	\$ 835,000	
Series 2011 Revenue Bonds – Interest	48,436	
		\$ 883,436
Total Available Resources Debt Service Coverage – Parity Indebtedness		13.19
Revenue Bond Covenant Requirement		1.20
Parity, Subordinated, and System G.O. Debt Service Requirement		
NC Stormwater Note Payable 0196	\$ 11,613	
NC Stormwater Note Payable 0231	13,417	
Series 2011 Revenue Bonds – Principal	835,000	
Series 2011 Revenue Bonds – Interest	48,436	
		\$ 908,466
Income Available for Debt Service Debt Service Coverage – All Indebtedness		9.73
Revenue Bond Covenant Requirement		1.00

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

D - Notes Payable (City)

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

Direct placement and direct borrowing notes payable for the year ended June 30, 2025, in the accompanying financial statements are comprised of the following:

Business-type activities

\$232,252 direct borrowing Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	\$ 58,063
\$268,346 direct borrowing Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	67,087
Total business-type notes payable	\$ 125,150

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

E - Installment Purchase Agreements (City)

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

Governmental activities

<p>In 2010, the City entered into a \$5,950,000 direct borrowing installment purchase to finance construction of a downtown parking deck. The obligations are payable in various semi-annual installments of approximately \$210,930 in 2025 including interest at 5.1%. The City receives a subsidy from the Federal Government reducing the effective interest rate. The City executed and delivered a Deed of Trust creating a lien on the mortgaged property as collateral. In case of default, the lender may declare the unpaid principal of the installment immediately due and payable, proceed to appropriate court action to enforce the City's performance of the applicable covenants or avail itself of all available remedies under the agreement.</p>	\$ 201,501
<p>In 2011, the City entered into a \$2,676,943 direct borrowing installment purchase to finance construction of Fire Station 19. The obligations are payable in various semi-annual installments of approximately \$92,198 in 2025 including interest of 1.90%. The City executed and delivered a Deed of Trust creating a lien on the mortgaged property as collateral. In case of default, the entire amount of principal and accrued interest will be immediately due and payable, the lender may exercise all remedies available at law or under the Deed of Trust including the sale of the mortgaged property or proceed by appropriate court action to enforce performance by the City.</p>	181,006
<p>In 2017, the City entered into a \$1,885,000 direct placement installment to renovate City Hall. The obligations are payable in various semiannual installments of approximately \$65,635 in 2025 including fixed rate interest of 3.05%. The City delivered the Deed of Trust creating a lien on the mortgaged property and hereby granting to the Trustee a security interest in all money and securities held by or on behalf of the Trustee as collateral. In the event of default the Trustee may, by a notice in writing to the City, declare the principal of all the bonds then outstanding to be due and payable immediately.</p>	1,351,626
<p>In 2017, the City entered into a \$3,600,000 direct borrowing to construct Fire Station 12. The obligations are payable in various semi-annual installments of approximately \$120,375 in 2025 including fixed rate interest estimated at 2.50%. The City executed a Deed of Trust as collateral for the debt. In the event of default the lender may require the entire amount of principal and accrued interest due and payable, exercise all remedies available at law or proceed by appropriate court action.</p>	2,720,250
<p>In 2022, the City entered into a \$10,430,000 direct borrowing to construct Fire Station 4. The obligations are payable in various semi-annual Installments of approximately \$406,829 in 2025 including fixed rate interest of 3.29%. The City executed a Deed of Trust as collateral for the debt. Upon the occurrence of an event of default and to the extent permitted by law, the Deed of Trust Trustee shall have the right to enter upon the mortgaged property to such extent and as often as the Deed of Trust Trustee, in his sole discretion, deems necessary or desirable in order to cure any default by the City. The Deed of Trust is intended to be a security agreement pursuant to the Uniform Commercial Code, as in effect in the State of North Carolina.</p>	11,461,256
<p>In 2022, the City entered into a \$4,015,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$403,911 in 2025 including interest of 1.35%. The City executed a Security Agreement granting the lender a security interest if any of the events outlined in section 4 of the security agreement should occur, all payments under the agreement may become at once due and payable, regardless of the maturity date or other due date thereof. Upon the occurrence of an event of default, the secured party may proceed against the collateral as provided in and in accordance with the applicable provisions of the UCC. Subject to any limitations imposed by the applicable provisions of the UCC</p>	808,111
<p>In 2023, the City entered into a \$1,265,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$171,400 in 2025 including interest of 3.70%. The City executed a Security Agreement granting the lender a security interest if any of the events outlined in section 4 of the security agreement should occur, all payments under the agreement may become at once due and payable, regardless of the maturity date or other due date thereof. Upon the occurrence of an event of default, the secured party may proceed against the collateral as provided in and in accordance with the applicable provisions of the UCC. Subject to any limitations imposed by the applicable provisions of the UCC</p>	684,488

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 5—Long-term obligations (continued)

Governmental activities (continued)

In 2025, the City entered into a \$3,186,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$437,574 in 2025 including interest of .63%. The City executed a security agreement granting the lender a security interest in the vehicles and equipment. In the event of default the lender may require the entire principal component of installment payments and unpaid accrued interest to be immediately due and payable, the lender may exercise all remedies available at law, in equity or under the security agreement or the lender may proceed by appropriate court action to enforce performance by the City of applicable covenants of the agreement.

	2,626,224
Less amount representing interest	20,034,462
	3,435,468
Present value of the minimum installment payments	\$ 16,598,994

Business-type activities

In 2022, the City entered into a \$4,015,000 direct borrowing installment purchase to finance vehicles and equipment. The obligations are payable in various semi-annual installments of approximately \$113,069 in 2025 including interest of 1.35%. The City executed a Security Agreement granting the lender a security interest if any of the events outlined in section 4 of the security agreement should occur, all payments under the agreement may become at once due and payable, regardless of the maturity date or other due date thereof. Upon the occurrence of an event of default, the secured party may proceed against the collateral as provided in and in accordance with the applicable provisions of the UCC.

	\$ 226,218
Less amount representing interest	226,218
	2,259
Present value of the minimum installment payments	223,959
Total Installment Obligations	\$ 16,822,953

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

The following is an analysis of property purchased using installment agreements as of June 30, 2025:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 8,129,097	\$ 5,637,706	\$ 2,491,391
Vehicles	17,389,502	12,912,446	4,477,056
Buildings and Improvement	17,544,788	6,024,974	11,519,814
	\$ 43,063,387	\$ 24,575,126	\$ 18,488,261

Interest expense related to the installment agreements totaled \$617,970 for the year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

F - Leases and Subscriptions

The City has entered into agreements to lease buildings, equipment, vehicles, and subscriptions for certain software. These agreements qualify as long-term leases and subscription-based information technology arrangements under GASB 87 and GASB 96. They have been recorded at the present value of the future minimum lease and subscription payments as of the date of their inception. The terms of these agreements range from two to thirty-five years and may be paid on a monthly, quarterly or annual basis according to the terms of the contract. The lease liability and subscription is measured at a discount rate range of 1.3 to 4.4% based on the City's imputed borrowing rate. As shown in the schedule below, the City has recorded lease principal payments in the amount of \$558,409 and \$7,038 for its Governmental and Business-type Activities, respectively, at June 30, 2025. For SBITAs, the City has recorded principal payments in the amount of \$2,542,489 and \$69,526 for its Governmental and Business-type Activities, respectively, at June 30, 2025.

Governmental activities - Leases

Year(s) Ending	Principal Payments	Interest Payments	Total
2026	\$ 294,155	\$ 74,317	\$ 368,472
2027	159,548	67,315	226,863
2028	148,961	62,947	211,908
2029	151,299	58,223	209,522
2030	157,763	53,542	211,305
2031-2035	874,382	192,518	1,066,900
2036-2040	836,719	50,342	887,061
	<u>\$ 2,622,827</u>	<u>\$ 559,204</u>	<u>\$ 3,182,031</u>

Governmental activities - SBITAs

Year Ending	Principal Payments	Interest Payments	Total
2026	\$ 1,918,420	\$ 78,720	\$ 1,997,140
2027	1,198,968	29,795	1,228,763
2028	325,432	4,470	329,902
2029	3,418	4	3,422
	<u>\$ 3,446,238</u>	<u>\$ 112,989</u>	<u>\$ 3,559,227</u>

Business-type activities - SBITAs

Year Ending	Principal Payments	Interest Payments	Total
2026	\$ 42,847	\$ 353	\$ 43,200
2027	42,353	847	43,200
	<u>\$ 85,200</u>	<u>\$ 1,200</u>	<u>\$ 86,400</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 5—Long-term obligations (continued)

G - Changes in Long-Term Obligations (City)

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2025.

	Balance June 30, 2024 (Restated)	Increases	Decreases	Balance June 30, 2025	Current Portion
Governmental Activities:					
General obligation debt	\$ 29,440,000	\$ -	\$ 2,090,000	\$ 27,350,000	\$ 1,750,000
Plus: Unamortized premium	2,736,916	-	293,838	2,443,078	-
Direct placement:					
Limited obligation debt	39,320,000	-	2,800,000	36,520,000	2,795,000
Plus: Unamortized premium	327,087	-	25,450	301,637	-
Direct borrowing:					
Installment agreements	21,999,930	-	5,400,936	16,598,994	3,071,836
PWC assessment	4,674,159	-	405,229	4,268,930	-
Lease liability	3,136,752	51,522	565,447	2,622,827	294,155
Subscription liability	5,986,087	2,640	2,542,489	3,446,238	1,918,420
Compensated absences*	15,171,123	2,735,991	-	17,907,114	5,582,701
Net pension liability (LGERS)	64,665,269	-	3,522,169	61,143,100	-
Net pension liability (LEOSSA)	19,454,921	-	372,988	19,081,933	-
OPEB liability	40,106,963	-	749,048	39,357,915	-
Total long-term obligations	\$ 247,019,207	\$ 2,790,153	\$ 18,767,594	\$ 231,041,766	\$ 15,412,112

	Balance June 30, 2024 (Restated)	Increases	Decreases	Balance June 30, 2025	Current Portion
Business-Type Activities:					
Direct placement:					
Revenue bonds	\$ 2,130,000	\$ -	\$ 835,000	\$ 1,295,000	\$ 855,000
Direct borrowing:					
Notes payable	150,180	-	25,030	125,150	25,030
Installment agreements	1,278,152	-	1,054,194	223,958	223,958
Subscription liability	132,633	22,093	69,526	85,200	42,315
Compensated absences*	1,548,205	18,536	-	1,566,741	497,046
Net pension liability (LGERS)	9,069,360	-	493,443	8,575,917	-
OPEB liability	7,368,138	-	137,609	7,230,529	-
Total long-term obligations	\$ 21,676,668	\$ 40,629	\$ 2,614,802	\$ 19,102,495	\$ 1,643,349

*The change in the compensated absences liability is presented as a net change.

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 5—Long-term obligations (continued)

G - Changes in Long-Term Obligations (PWC)

The following is a summary of changes in the PWC’s long-term obligations for the fiscal year ended June 30, 2025:

	<u>Balance June 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>	<u>Current Portion</u>
Business-type activities:					
Direct placement:					
Revenue bonds	\$ 479,150,000	\$ -	\$ 12,630,000	\$ 466,520,000	\$ 16,105,000
Plus: Unamortized premium	35,204,551	-	1,725,501	33,479,050	-
Notes payable	48,395,044	21,423,010	2,193,783	67,624,271	2,193,783
Grants related to capital assets	-	4,265,781	-	4,265,781	-
Unearned deposits	569,278	797,277	678,038	688,517	-
Compensated absences	5,529,404	6,585,554	5,529,404	6,585,554	5,901,908
Lease and subscription liability	3,741,050	5,807,452	3,003,850	6,544,652	2,364,044
Net pension liability (LGERS)	39,073,896	3,520,741	-	42,594,637	-
Net OPEB liability	21,624,502	1,797,618	2,742,299	20,679,821	-
Total business-type activities	<u>\$ 633,287,725</u>	<u>\$ 44,197,433</u>	<u>\$ 28,502,875</u>	<u>\$ 648,982,283</u>	<u>\$ 26,564,735</u>

The Commission has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$538,660,000 in direct placement revenue and revenue refunding bonds issued at various times from 2014 through 2025. Proceeds from the bonds provided financing for extensions, additions and capital improvements to or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the electric, water, and wastewater systems. The bonds are payable solely from electric, water and wastewater customer net revenues and are payable through 2053. The total principal and interest remaining to be paid on the bonds is \$718,443,127. Principal and interest paid for the current year and total customer revenues were \$32,478,012 and \$407,170,213.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage. The Commission is in compliance with all such significant covenants at June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

H - Maturities of Long-Term Obligations (City)

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

Governmental activities

Year(s) Ending	General Obligation Bonds		Limited Obligation Bonds from Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 1,750,000	\$ 1,047,625	\$ 2,795,000	\$ 1,491,791
2027	1,750,000	960,125	2,790,000	1,387,122
2028	1,750,000	872,625	2,790,000	1,279,939
2029	1,750,000	785,125	2,805,000	1,170,102
2030	1,750,000	697,625	2,805,000	1,056,957
2031-2035	18,600,000	3,479,688	22,535,000	4,273,129
	<u>\$ 27,350,000</u>	<u>\$ 7,842,813</u>	<u>\$ 36,520,000</u>	<u>\$ 10,659,040</u>

Year(s) Ending	Construction and Improvement Installment Obligations from Direct Borrowings		Vehicles and Equipment Installment Obligations from Direct Borrowings		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,172,796	\$ 389,866	\$ 1,899,040	\$ 127,169	\$ 7,616,836	\$ 3,056,451
2027	796,000	357,772	1,145,000	72,819	6,481,000	2,777,838
2028	796,000	333,231	847,000	27,795	6,183,000	2,513,590
2029	796,000	308,690	-	-	5,351,000	2,263,917
2030	796,000	284,149	-	-	5,351,000	2,038,731
2031-2035	8,351,158	1,561,464	-	-	49,486,158	9,314,281
	<u>\$ 12,707,954</u>	<u>\$ 3,235,172</u>	<u>\$ 3,891,040</u>	<u>\$ 227,783</u>	<u>\$ 80,468,994</u>	<u>\$ 21,964,808</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 5—Long-term obligations (continued)

The following table includes the City’s expected estimated schedule of maturity for the business-type activities noted above, as well as the annual requirements to amortize all business-type long-term debt outstanding (excluding leases, compensated absences, pension liabilities, and net OPEB liability).

Business-type activities

Year(s) Ending	Revenue Bonds from Direct Placements		Notes Payable from Direct Borrowings		Installment Obligations from Direct Borrowings		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 855,000	\$ 33,936	\$ 25,030	\$ -	\$ 223,958	\$ 2,259	\$ 1,103,988	\$ 36,195
2027	440,000	6,897	25,030	-	-	-	465,030	6,897
2028	-	-	25,030	-	-	-	25,030	-
2029	-	-	25,030	-	-	-	25,030	-
2030	-	-	25,030	-	-	-	25,030	-
	<u>\$ 1,295,000</u>	<u>\$ 40,833</u>	<u>\$ 125,150</u>	<u>\$ -</u>	<u>\$ 223,958</u>	<u>\$ 2,259</u>	<u>\$ 1,644,108</u>	<u>\$ 43,092</u>

I - Legal Debt Margin (City)

Pursuant to the North Carolina General Statutes, the City’s outstanding general obligation debt is subject to a legal limitation based on eight percent of the total assessed value of real and personal property. As of June 30, 2025, the City’s legal debt limit was \$1,232,275,927. The outstanding debt subject to this limit was \$89,591,933 leaving a legal debt margin of \$1,142,683,994.

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

At June 30, 2025, the City had a total of \$97,000,000 in bonds authorized but un-issued, including \$60,000,000 for Public Safety, \$25,000,000 for Public Infrastructure, and \$12,000,000 for Housing Affordability.

At June 30, 2025, the City had no unused lines of credit.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 5—Long-term obligations (continued)

K - Net Investment in Capital Assets

	City		
	Government Activities	Business-Type Activities	PWC
Capital assets, net	\$ 479,080,378	\$ 162,428,738	\$ 1,407,436,573
Less: Long term debt related to capital assets	(80,468,994)	(1,644,108)	(534,144,271)
Less: Unamortized bond premium	(2,744,715)	-	(33,479,050)
Less: Deferred loss related to unspent bond proceeds	(766,050)	-	(133,035)
Less: Retainage and payables related to capital assets	(1,041,320)	(3,368,243)	(3,910,674)
Add: Deferred loss on bond refunding	-	-	480,389
Less: Lease and subscription liabilities	(6,069,065)	(85,735)	(6,544,652)
Add: Unspent bond/lease proceeds	11,355,255	-	90,736,862
Total net investment in capital assets	<u>\$ 399,345,489</u>	<u>\$ 157,330,652</u>	<u>\$ 920,442,142</u>

Note 6—Unearned revenue

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

	<u>Unearned Revenue</u>
Amounts arising from cash:	
Unearned revenue (General)	\$ 5,615,543
Unearned grant receipts (Special Revenue)	1,237,869
Unearned assessments (Special Revenue)	93,850
Prepaid retiree insurance premiums (Internal Service)	20,999
Total	<u>\$ 6,968,261</u>

In addition, the City had \$16,390,069 and \$6,665,181 of restricted unearned deposits in the governmental funds and enterprise funds respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 7—Deferred outflows and inflows of resources

In the government-wide financial statements, deferred outflows of resources is the deferred amount for unamortized refunding charges and the contribution to the pension plan at June 30, 2025.

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding.

City pension plan contributions subsequent to the measurement date and changes in proportion and differences between City contributions and other pension related deferrals were also reported as deferred outflows of resources on the statement of net position at June 30, 2025. The amounts reported totaled \$12,645,513 and \$1,610,983 for governmental activities and business-type activities, respectively, for LGERS.

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

	Unavailable Revenue
Prepaid taxes (General)	\$ 74,295
Taxes receivable, net (General)	769,353
Accounts and notes receivable (General)	3,121,910
Leases receivable (General)	5,029,641
Special assessments receivable, net (General)	1,051,550
Accounts receivable (Federal and State Financial Assistance)	2,627,777
PWC assessments receivable, net (Special revenue)	4,268,930
	\$ 16,943,456

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

	Outflows	Inflows
Prepaid taxes	\$ -	\$ 843,648
Accounts receivable	-	2,627,777
OPEB deferrals	2,383,747	3,940,168
Pension deferrals LGERS	31,673,625	2,323,452
Pension deferrals LEOSSA	2,579,021	2,347,495
Lease deferrals	-	5,029,641
	\$ 36,636,393	\$ 17,112,181

Deferred outflows and inflows of resources for business-type activities in the government-wide financial statements are:

	Outflows	Inflows
OPEB deferrals	\$ 432,119	\$ 723,856
Pension deferrals	4,442,250	325,867
Lease deferrals	-	3,881,695
	\$ 4,874,369	\$ 4,931,418

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 8—Risk management

The City is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$175,000 per individual and approximately \$16,221,540 for all employees for the policy period ending June 30, 2025), general liability (up to \$500,000 per occurrence), workers’ compensation (\$850,000 per occurrence), public officials liability (up to \$500,000 per occurrence), law enforcement liability (\$500,000 per occurrence), and automobile liability (up to \$500,000 per occurrence). The City maintains excess liability insurance (\$11,000,000) to cover catastrophic losses. Property insurance on City buildings is for replacement value (less \$100,000 self-funded retention). The health insurance coverage for individual large claims also includes a second deductible, known as an Aggregating Specific. If one or more claims exceeds the \$175,000, the claims over that amount are applied to the Aggregating Specific deductible of \$161,835. Once that amount has been exhausted, the stop loss policy will reimburse eligible claims in excess of the individual deductible at 100%. Also, the health insurance plan’s excess coverage allows expenditures by the City up to 125% of expected claims adjusted for industry standard trend adjustments, and for expenditures by the City of up to \$175,000 per individual. Losses from asserted claims and from un-asserted claims identified under the City’s incident reporting system are accrued based on estimates that incorporate the City’s past experience, as well as other considerations including the nature of each claim and relevant trend factors.

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

At June 30, 2025, a liability for incurred but not reported claims of \$3,713,426 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City is presented below.

	2025	2024
Liability, beginning	\$ 2,485,125	\$ 3,573,317
Current year claims and changes in estimate	19,556,523	16,866,768
Actual claim payments	(18,328,222)	(17,954,960)
Liability, ending	\$ 3,713,426	\$ 2,485,125

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 9—Commitments and contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. No provision has been made in the accompanying financial statements for the refund of grant money.

The City is a defendant in various lawsuits. Although the outcome of these proceedings is not presently determinable, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial position, results of operations or cash flows of the City.

The City's bond issues are subject to Federal arbitrage regulations, and the City has elected to review its potential arbitrage liability annually on the bond issue dates. The arbitrage rebate payments are payable on the fifth anniversary of the bond issue date and every fifth year subsequent to that date. Although the actual amount to be paid is not presently determinable, the City believes that an adequate provision for arbitrage payables has been provided for in the accompanying financial statements.

The City has authorized expenditures totaling approximately \$658.1 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, environmental protection, Linear Park, stormwater, transit, airport, and solid waste projects. At June 30, 2025, cumulative expenditures to date totaled approximately \$443.3 million leaving an unexpended balance of \$214.8 million for projects that are expected to be completed at various dates in future fiscal years.

Note 10—Employee retirement systems

A - Local Governmental Employees' Retirement System

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2025, was 14.04% of compensation for law enforcement officers and 12.90% for general employees and firefighters. Contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$14,256,499 for the year ended June 30, 2025.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

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

At June 30, 2025, the City reported a liability of \$69,719,017 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the City’s proportion was 1.03417%, which was an decrease of 0.07913% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City recognized pension expense of \$19,849,513. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,217,316	\$ 82,144
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plans investments	9,478,185	-
Changes in proportion and differences between City contributions and proportionate share of contributions	163,878	2,567,175
City contributions subsequent to the measurement date	14,256,496	-
Total	\$ 36,115,875	\$ 2,649,319

The City reported \$14,256,496 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2026	\$ 5,972,991
2027	12,825,108
2028	1,483,676
2029	(1,071,715)
	\$ 19,210,060

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.00%	2.40%
Global Equity	38.00%	6.90%
Real Estate	8.00%	6.00%
Alternatives	8.00%	8.60%
Credit	7.00%	5.30%
Inflation Protection	6.00%	4.30%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 5.5%	Discount Rate 6.5%	1% Increase 7.5%
City's proportionate share of the net pension liability	\$ 123,543,176	\$ 69,719,017	\$ 25,440,253

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

B - Law Enforcement Officers’ Special Separation Allowance

Plan Description

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

The Separation Allowance covers all full-time City law enforcement officers. At December 31, 2023, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	77
Active plan members	<u>403</u>
Total	<u>480</u>

Summary of Significant Accounting Policies

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

Actuarial Assumptions

The Entry Age Normal actuarial cost method was used in the December 31, 2023, valuation. The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25 to 7.75%, including inflation and productivity factor
Discount Rate	4.28%

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

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

Contributions

The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,485,583 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, 2025, the City reported a total pension liability of \$19,081,933. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of \$1,938,995.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 506,374	\$ 369,857
Changes of assumptions	1,227,966	1,977,638
City benefit payments and plan administrative expense made subsequent to the measurement date	844,681	-
Total	\$ 2,579,021	\$ 2,347,495

The \$844,681 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the next fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

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

<u>Years Ending June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amount Recognized as an Increase/(Decrease) to Pension Expense</u>
2026	\$ 1,156,269	\$ 867,117	\$ 289,152
2027	206,130	812,171	(606,041)
2028	206,130	542,472	(336,342)
2029	163,435	68,334	95,101
2030	2,376	57,401	(55,025)
	<u>\$ 1,734,340</u>	<u>\$ 2,347,495</u>	<u>\$ (613,155)</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 4.28%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28%) or 1-percentage-point higher (5.28%) than the current rate:

	<u>1% Decrease 3.28%</u>	<u>Current Discount Rate 4.28%</u>	<u>1% Increase 5.28%</u>
Total pension liability	\$ 20,557,925	\$ 19,081,933	\$ 17,742,361

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, 2023, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

	<u>2025</u>
Beginning balance	\$ 19,454,921
Service cost	746,646
Interest on the total pension liability	748,485
Differences between expected and actual experience in the measurement of the total pension liability	16,536
Changes of assumptions or other inputs	(399,072)
Benefit payments	(1,485,583)
Ending balance of the total pension liability	<u>\$ 19,081,933</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 10—Employee retirement systems (continued)

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

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

	LGERS	LEOSSA	TOTAL
Pension expense	\$ 19,849,513	\$ 1,938,995	\$ 21,788,508
Pension liability	69,719,017	19,081,933	88,800,950
Proportionate share of the net pension liability	1.03417%	n/a	-
Deferred outflows of resources			
Differences between expected and actual experience	12,217,316	506,374	12,723,690
Changes of assumptions	-	1,227,966	1,227,966
Net difference between projected and actual earnings on plan investments	9,478,185	-	9,478,185
Changes in proportion and differences between contributions and proportionate share of contributions	163,878	-	163,878
Benefit payments and administrative costs paid subsequent to the measurement date	14,256,496	844,681	15,101,177
Deferred inflows of resources			
Differences between expected and actual experience	82,144	369,857	452,001
Changes of assumptions	-	1,977,638	1,977,638
Changes in proportion and differences between contributions and proportionate share of contributions	2,567,175	-	2,567,175

C - Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City contributed \$1,554,560 for the year ended June 30, 2025.

D - NC 401(k) Plan

The City contributes to the NC 401(k) Plan (401(k)), a defined contribution plan administered by the North Carolina Total Retirement Plans. The City contributes 2% of employee base pay to the 401(k) on behalf of eligible employees. This plan is available to all non-law enforcement employees that are eligible for the NC Retirement System. The City contributed \$3,470,803 for the year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 11—Other postemployment benefits (OPEB)

A - Healthcare Benefits

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

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

Membership in the healthcare and life insurance benefit plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

	Law Enforcement		General Employees	Total
	Officers	Firefighters		
Retirees and dependents receiving benefits	209	96	558	863
Active plan members	144	164	279	587
				1450

Total OPEB Liability

The City’s total OPEB liability of \$46,588,444 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 11—Other postemployment benefits (OPEB) (continued)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases including wage inflation	
General employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law enforcement officers	3.25% - 7.90%
Municipal bond index rate	
Prior measurement date	3.63%
Measurement date	3.93%
Healthcare cost trends	
Pre-medicare	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2024	\$ 47,475,101
Changes for the year:	
Service cost	1,010,315
Interest	1,738,293
Change in benefit terms	-
Difference between expected and actual experience	(824,458)
Changes of assumptions or other inputs	(1,073,350)
Benefit payments	(1,737,457)
Net changes	<u>(886,657)</u>
Balance at June 30, 2025	<u><u>\$ 46,588,444</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 11—Other postemployment benefits (OPEB) (continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
Total OPEB liability	\$ 50,579,196	\$ 46,588,444	\$ 43,013,429

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

	1% Decrease	Current Pre-medicare Rate	1% Increase
Total OPEB liability	\$ 42,349,287	\$ 46,588,444	\$ 51,447,803

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

For the year ended June 30, 2025, the City recognized OPEB income of \$1,291,801. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,544,090
Changes of assumptions	493,546	2,119,934
City benefit payments and administrative costs made subsequent to the measurement date	2,322,320	-
Total	\$ 2,815,866	\$ 4,664,024

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 11—Other postemployment benefits (OPEB) (continued)

The \$2,322,320 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the next fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

<u>Years Ending June 30:</u>	
2026	\$ (3,251,853)
2027	(811,201)
2028	<u>(107,424)</u>
Total	<u>\$ (4,170,478)</u>

B - Death Benefits

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

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 12—Interfund receivables, payables and transfers

Interfund Receivables and Payables

The following schedule makes up the interfund balances at June 30, 2025 as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Environmental Protection Fund	\$ 7,214,831
General Fund	Internal Service Funds	253,635
General Fund	Transit Fund	4,078,872
General Fund	Intergovernmental Fund	365,438
General Fund	Nonmajor Capital Projects Fund	4,154,984
Total Interfund Receivables and Payables		<u>\$ 16,067,760</u>

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

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2025, consist of the following:

	Transfer in:					Total
	General	Federal and State Assistance	Nonmajor Governmental	Transit	Environmental Protection	
Transfer out:						
General	\$ -	\$ 304,530	\$ 14,452,640	\$ 8,878,124	\$ 43,003	\$ 23,678,297
Internal Service	993,000	-	-	-	-	993,000
Solid Waste	-	-	870,009	-	-	870,009
Stormwater	-	-	913,011	-	-	913,011
Totals	<u>\$ 993,000</u>	<u>\$ 304,530</u>	<u>\$ 16,235,660</u>	<u>\$ 8,878,124</u>	<u>\$ 43,003</u>	<u>\$ 26,454,317</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 12—Interfund receivables, payables and transfers

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

Transfers totaling \$14,452,640 were made during the fiscal year from the General Fund to nonmajor governmental funds. Of this amount, transfers to capital project funds included \$5,375,000 for transportation projects, including street resurfacing, intersection, and sidewalk improvements; \$4,467,024 for general government projects, including major facility maintenance, computer replacements, and technology upgrades; \$3,400,000 for recreation and cultural projects, including park and trail improvements; \$680,616 for public safety system enhancements and records management upgrades; and \$530,000 to support economic development initiatives. Transfers to the Federal and State Assistance Fund totaled \$304,530 to provide local matching funds for federal and state programs. Transfers from the General Fund to enterprise funds consisted of \$8,878,124 to support transit system operations, planning functions, and capital purchases, and \$43,003 for environmental protection projects. In addition, \$993,000 was transferred from internal service funds to the General Fund. The Stormwater and Solid Waste Funds transferred a combined \$1,740,017 to nonmajor governmental funds to support citywide technology enhancements.

Note 13—Fund balance

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

Total Fund Balance - General Fund	\$ 102,662,682
Less:	
Nonspendable	
Inventories	118,215
Prepays	2,248,443
Loan	3,071,352
Leases	399,335
Restricted	
Stabilization by State Statute	40,012,777
For Central Business District	130,119
For county recreation	1,418,678
Donations	177,113
Committed	
Law Enforcement Officer's Separation Allowance	13,494,341
Assigned	
Subsequent years expenditures	7,853,418
Capital funding plan	6,745,221
Unassigned	26,993,670
Working capital/fund balance policy	20,444,197
Remaining fund balance	\$ 6,549,473

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 13—Fund balance (continued)

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

Total Encumbrances	General Fund	Other Major Funds	Non-Major Funds
\$ 49,260,180	\$ 2,866,634	\$ 8,643,328	\$ 37,750,218

Note 14—Related party transactions

PWC operates as a discretely presented component unit of the City of Fayetteville, North Carolina. As such, the Commission provides electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$2,414,963 in 2025. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions with PWC amounted to \$11,049,940 in 2025. Balances due to/from PWC at June 30, 2025, were as follows:

Receivables (due from PWC)	\$ 29,367
Payables (due to PWC)	\$ 54,517
Assessments (due to PWC)	4,268,930
Assessment interest (due to PWC)	503,795
Total due to PWC	\$ 4,827,242

Note 15—Subsequent events

Management has evaluated subsequent events through February 12, 2026 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. No subsequent events were evaluated for disclosure.

Note 16—Recently issued accounting pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to bring more structure and detail to how subsequent events are reported ensuring users of governmental financial statements get comparable and comprehensive information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

The City is evaluating the requirements of the above statements and their impact on reporting.

City of Fayetteville, North Carolina

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The header features a decorative background with a red and blue wave pattern. On the left, the text "ANNUAL COMPREHENSIVE FINANCIAL REPORT" is written in a bold, blue, sans-serif font. To the right of the text are five circular icons: a person walking with a suitcase, a bar chart with an upward arrow, a group of people, a house, and a person with a plus sign. Further right, the text "FY 2025" is displayed in a large, stylized font, with the "20" in white and "25" in blue. To the right of the "2025" is the official seal of Fayetteville, North Carolina, which includes a star and the text "FAYETTEVILLE NORTH CAROLINA".

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2025

Required Supplementary Information

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

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

CITY OF FAYETTEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 19,454,921	\$ 18,264,026	\$ 21,729,345	\$ 22,389,920	\$ 16,619,221	\$ 15,458,716	\$ 15,352,794	\$ 13,966,229	\$ 13,773,620
Service cost	746,646	708,493	945,922	1,003,287	679,308	667,499	718,542	636,795	663,903
Interest on the total pension liability	748,485	755,919	474,374	420,589	524,602	544,971	471,047	524,852	480,452
Differences between expected and actual experience									
in the measurement of the total pension liability	16,536	752,654	(508,499)	(341,250)	(127,731)	430,533	400,850	56,460	-
Changes of assumptions or other inputs	(399,072)	424,439	(3,084,984)	(547,733)	5,748,819	491,465	(592,010)	906,489	(320,609)
Benefit payments	(1,485,583)	(1,450,610)	(1,292,132)	(1,195,468)	(1,054,299)	(973,963)	(892,507)	(738,031)	(631,137)
Ending balance of the total pension liability	<u>\$ 19,081,933</u>	<u>\$ 19,454,921</u>	<u>\$ 18,264,026</u>	<u>\$ 21,729,345</u>	<u>\$ 22,389,920</u>	<u>\$ 16,619,221</u>	<u>\$ 15,458,716</u>	<u>\$ 15,352,794</u>	<u>\$ 13,966,229</u>

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

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

CITY OF FAYETTEVILLE

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

YEAR ENDED JUNE 30, 2025

Notes to Required Supplementary Information:

Note 1: The employer does not have a special funding situation.

Note 2: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 to pay related benefits

Note 3: Changes in actuarial assumptions or other inputs are as follows for the stated measurement dates

12/31/24: The Municipal Bond Index Rate increased from 4.00% to 4.28%

12/31/23: The Municipal Bond Index Rate decreased from 4.31% to 4.00%

12/31/22: The Municipal Bond Index Rate increased from 2.25% to 4.31%

12/31/21: The Municipal Bond Index Rate increased from 1.93% to 2.25%

12/31/20: The Municipal Bond Index Rate decreased from 3.26% to 1.93%. Based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five year period ending December 31, 2019, the following were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

12/31/19: The Municipal Bond Index Rate decreased from 3.64% to 3.26%

12/31/18: The Municipal Bond Index Rate increased from 3.16% to 3.64%

12/31/17: The Municipal Bond Index Rate decreased from 3.86% to 3.16%. The assumed inflation rate was reduced from 3.00% to 2.5% and assumed wage inflation was increased from 0.5% to 1.0%.

12/31/16: The Municipal Bond Index Rate increased from 3.57% to 3.86%

Note 4: There have been no changes to benefit terms

CITY OF FAYETTEVILLE

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

YEAR ENDED JUNE 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 19,081,933	\$ 19,454,921	\$ 18,264,026	\$ 22,389,920	\$ 22,389,920	\$ 16,619,221	\$ 15,458,716	\$ 15,352,794	\$ 13,966,229
Covered-employee payroll	24,400,460	24,966,083	22,820,388	23,750,289	23,750,289	24,819,535	24,646,632	24,885,304	25,442,283
Total pension liability as a percentage of covered payroll	78.20%	77.93%	80.03%	94.27%	94.27%	66.96%	62.72%	61.69%	54.89%

Notes to the schedules:

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

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

CITY OF FAYETTEVILLE

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) REQUIRED SUPPLEMENTARY INFORMATION
 LAST TEN FISCAL YEARS * (UNAUDITED)
 LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset) (%)	1.03417%	1.11330%	1.11810%	1.08950%	1.13896%	1.22078%	1.26649%	1.30809%	1.36508%	1.37320%
City's proportion of the net pension liability (asset) (\$)	\$ 69,719,017	\$ 73,734,629	\$ 63,076,806	\$ 16,708,528	\$ 40,699,893	\$ 33,338,550	\$ 30,045,474	\$ 19,984,020	\$ 28,971,603	\$ 6,162,839
City's covered payroll	\$ 92,589,171	\$ 90,088,736	\$ 82,972,586	\$ 79,589,030	\$ 76,891,064	\$ 80,645,990	\$ 73,736,914	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.30%	81.85%	76.02%	20.99%	52.93%	41.34%	40.75%	23.50%	38.83%	5.74%
Plan fiduciary net position as a percentage of the total pension liability**	86.90%	88.20%	90.70%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

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

CITY OF FAYETTEVILLE
REQUIRED SUPPLEMENTARY INFORMATION LAST TEN FISCAL YEARS (UNAUDITED)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 14,256,499	\$ 12,506,473	\$ 11,108,771	\$ 9,538,462	\$ 8,196,813	\$ 7,014,979	\$ 6,446,996	\$ 5,265,753	\$ 6,365,576	\$ 5,145,668
Contributions in relation to the contractually required contribution	14,256,499	12,506,473	11,108,771	9,538,462	8,196,813	7,014,979	6,446,996	5,265,753	6,365,576	5,145,668
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 100,956,162	\$ 92,589,171	\$ 90,088,736	\$ 82,972,586	\$ 79,589,030	\$ 76,891,064	\$ 80,645,990	\$ 73,736,914	\$ 85,036,524	\$ 74,606,039
Contributions as a percentage of covered payroll	14.12%	13.51%	12.33%	11.50%	10.30%	9.12%	7.99%	7.14%	7.49%	6.90%

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

CITY OF FAYETTEVILLE
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2025

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 1,010,315	\$ 1,296,107	\$ 1,683,019	\$ 2,300,829	\$ 1,704,683	\$ 1,686,605	\$ 1,739,025	\$ 1,871,877
Interest	1,738,293	1,773,357	1,210,309	1,352,062	1,847,285	1,659,402	1,511,364	1,287,302
Differences between expected and actual experience	(824,458)	(4,808,114)	(798,589)	(12,277,971)	(1,226,681)	5,012,551	(521,183)	273,055
Changes of assumption or other inputs	(1,073,350)	1,020,240	(6,386,945)	5,311,663	6,501,921	1,166,756	(1,340,403)	(2,314,880)
Benefit payments	(1,737,457)	(1,199,964)	(1,321,224)	(1,110,203)	(935,077)	(1,277,933)	(1,094,114)	(1,764,005)
Net change in total OPEB liability	(886,657)	(1,918,374)	(5,613,430)	(4,423,620)	7,892,131	8,247,381	294,689	(646,651)
Total OPEB liability - beginning	47,475,101	49,393,475	55,006,905	59,430,525	51,538,394	43,291,013	42,996,324	43,642,975
Total OPEB liability - ending	\$ 46,588,444	\$ 47,475,101	\$ 49,393,475	\$ 55,006,905	\$ 59,430,525	\$ 51,538,394	\$ 43,291,013	\$ 42,996,324
Covered payroll	\$ 38,488,837	\$ 38,488,837	\$ 43,865,202	\$ 43,865,202	\$ 50,949,158	\$ 50,949,158	\$ 55,195,292	\$ 55,195,292
Total OPEB liability as a percentage of covered-employee payroll	121.04%	123.35%	112.60%	125.40%	116.65%	101.16%	78.43%	77.90%

Notes to Schedule

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

Fiscal year	Rate
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

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

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

City of Fayetteville, North Carolina

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Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

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

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

City of Fayetteville, North Carolina

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The banner features a red and blue wavy background. On the left, the text 'ANNUAL COMPREHENSIVE FINANCIAL REPORT' is written in blue. In the center, there are five circular icons: a person with a cart, a bar chart with an upward arrow, a group of people, a house, and a person with a star. On the right, the text 'FY 2025' is displayed in white and red, with the Fayetteville North Carolina seal integrated into the '2025'.

Governmental Funds

- General Fund
- Federal and State Financial Assistance Fund
- Environmental Protection Fund
- Nonmajor Governmental Funds
 - Special Revenue Funds
 - Capital Project Funds

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

City of Fayetteville, North Carolina

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General Fund

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

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

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

CITY OF FAYETTEVILLE
COMPARATIVE BALANCE SHEETS GENERAL FUND

JUNE 30, 2025 AND 2024

	2025	2024
Assets		
Cash and investments	\$ 74,444,414	\$ 61,019,465
Taxes receivable	17,663,225	4,253,428
Accounts receivable	3,670,023	1,648,300
Due from other governments	2,879,846	20,925,409
Assessments receivable	1,051,551	1,051,551
Interfund receivable	16,067,760	11,537,601
Lease receivable	5,428,976	5,440,643
Inventories	118,215	100,323
Prepaid items	2,248,443	4,733,782
Restricted accounts receivable	262,760	507,604
Notes Receivable	3,071,352	3,071,352
Restricted cash and investments	1,421,289	1,978,006
Total assets	\$ 128,327,854	\$ 116,267,464
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable and accrued expenses	\$ 9,202,275	\$ 5,531,788
Restricted unearned deposits	800,605	720,745
Unearned revenue	5,615,543	122,756
Total liabilities	15,618,423	6,375,289
Deferred inflows of resources		
Taxes receivable	769,353	891,588
Prepaid taxes	74,295	74,295
Accounts receivable	3,121,910	3,121,910
Leases receivable	5,029,641	5,100,862
Assessment receivable	1,051,550	1,365,933
Total deferred inflows of resources	10,046,749	10,554,588
Fund balance		
Nonspendable		
For inventories	118,215	100,423
For prepaids	2,248,443	4,733,782
For loan	3,071,352	3,071,352
For leases	399,335	339,781
Restricted		
Stabilization by State Statute	40,012,777	37,385,674
Interfund receivables	-	11,537,601
For central business district	130,119	115,111
For county recreation	1,418,678	1,370,924
For donations	177,113	77,850
Committed		
Law Enforcement Officers' Special Separation Allowance	13,494,341	11,930,701
Assigned		
For subsequent year's expenditures	7,853,418	3,149,046
For capital projects	6,745,221	5,261,546
Unassigned	26,993,670	20,263,796
Total fund balance	102,662,682	99,337,587
Total liabilities, deferred inflows of resources and fund balance	\$ 128,327,854	\$ 116,267,464

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024)

	Budget	Variance Positive (Negative)	2025 Actuals	2024 Actuals
Revenues				
Ad Valorem Taxes				
Current year	\$ 89,735,866	\$ (1,102,336)	\$ 88,633,530	\$ 80,155,934
Prior years	292,825	(49,256)	243,569	293,088
Interest and penalties	280,900	96,172	377,072	320,488
Total ad valorem taxes	90,309,591	(1,055,420)	89,254,171	80,769,510
Other Taxes				
Vehicle license tax	3,441,673	(241,831)	3,199,842	3,177,081
Gross receipts tax on rental property	904,074	(3,600)	900,474	923,931
Local option sales tax	64,500,275	(2,568,054)	61,932,221	64,130,538
Payment in lieu of taxes	12,243,713	(274,785)	11,968,928	9,577,047
Utilities sales tax	11,381,663	1,018,263	12,399,926	11,653,437
Video franchise fee	1,628,897	(220,276)	1,408,621	1,582,533
Beer and wine tax	864,105	(26,779)	837,326	1,035,910
Total Other Taxes	94,964,400	(2,317,062)	92,647,338	87,979,465
Restricted intergovernmental				
Federal	1,936,640	63,797	2,000,437	189,412
State	7,013,327	208,736	7,222,063	6,660,685
Local	7,948,159	565,863	8,514,022	3,882,063
Total Restricted intergovernmental	16,898,126	838,396	17,736,522	10,732,160
Permits and Fees	3,039,656	278,007	3,317,663	4,304,246
Sales and Services				
Leases	421,062	(213,641)	207,421	246,388
Engineering services	431,078	75,215	506,293	507,814
Planning services	114,939	73,641	188,580	171,747
Public safety services	1,528,646	641,042	2,169,688	1,427,862
Recreation and cultural services	1,866,266	43,028	1,909,294	1,757,109
Parking revenues	1,054,361	(594,308)	460,053	706,604
Other fees and services	3,446,900	(482,637)	2,964,263	(4,817,524)
Total sales and services	8,863,252	(457,660)	8,405,592	-
Nonoperating Revenues				
Miscellaneous	6,983,926	(2,176,245)	4,807,681	3,508,739
Interest earned on investments	4,245,225	(250,080)	3,995,145	3,757,187
Total revenues	225,304,176	(5,140,064)	220,164,112	191,051,307
Expenditures				
Current				
Community Investment				
Economic and Community Development	2,326,122	963,794	1,362,328	1,256,401
Development Services	5,902,802	454,220	5,448,582	6,225,062
Human relations	356,183	6,996	349,187	303,318
Total Community Investment	8,585,107	1,425,010	7,160,097	7,784,781
Operations				
Fire	36,184,773	(2,042,857)	38,227,630	34,336,347
Parks, recreation and maintenance	23,033,940	368,444	22,665,496	18,110,596
Police	66,235,198	6,011,314	60,223,884	50,870,135
Public Services	7,601,513	853,813	6,747,700	6,870,518
Total Operations	133,055,424	5,190,714	127,864,710	110,187,596

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024)

Support Services and Administration				
Budget and Evaluation	\$ 582,918	\$ (361,933)	\$ 944,851	\$ 587,991
Marketing & Communications	1,299,720	164,291	1,135,429	985,891
City Manager's Office	5,335,561	1,573,515	3,762,046	3,263,107
City Attorney's Office	2,290,022	5,856	2,284,166	2,050,954
Finance	5,612,644	1,075,791	4,536,853	4,064,169
Human Resources Development	1,970,666	(72,155)	2,042,821	1,835,544
Information Technology	7,964,609	1,012,703	6,951,906	3,399,430
Mayor, Council and City Clerk	1,235,550	84,018	1,151,532	1,416,694
Total Support Services and Administration	<u>26,291,690</u>	<u>3,482,086</u>	<u>22,809,604</u>	<u>17,603,780</u>
Other Appropriations	<u>22,847,266</u>	<u>5,885,662</u>	<u>16,961,604</u>	<u>17,929,532</u>
Parking	<u>1,098,509</u>	<u>90,546</u>	<u>1,007,963</u>	<u>2,925,751</u>
Central business tax district	<u>380,764</u>	<u>76,896</u>	<u>303,868</u>	<u>289,739</u>
Law Enforcement Officers' Special Separation Allowance	<u>3,179,584</u>	<u>1,506,612</u>	<u>1,672,972</u>	<u>1,573,749</u>
Other Appropriations				
Principal	14,564,676	1,165,804	13,398,872	14,998,330
Interest	3,825,785	306,228	3,519,557	4,006,976
Issuance cost	-	-	-	36,575
Total debt service - other appropriations	<u>18,390,461</u>	<u>1,472,032</u>	<u>16,918,429</u>	<u>19,041,881</u>
Total Debt Service	<u>18,390,461</u>	<u>1,472,032</u>	<u>16,918,429</u>	<u>19,041,881</u>
Capital Outlay	<u>2,706,380</u>	<u>1,179,415</u>	<u>1,526,965</u>	<u>7,343,105</u>
Total Expenditures	<u>216,535,185</u>	<u>20,308,973</u>	<u>196,226,212</u>	<u>184,679,914</u>
Revenues over (under) expenditures	<u>8,768,991</u>	<u>15,168,909</u>	<u>23,937,900</u>	<u>17,736,123</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	92,000	145,950	237,950	880,248
Appropriated fund balance	11,641,286	(11,641,286)	-	-
Transfers in from other funds	1,480,784	(400,000)	1,080,784	822,000
Transfers (out) - Community Investment	(788,579)	-	(788,579)	(781,587)
Transfers (out) - Operations	(9,471,567)	(1,589,563)	(11,061,130)	(9,379,920)
Transfers (out) - Support Services & Administration	(915,911)	-	(915,911)	(1,665,543)
Transfers (out) - Other Appropriations	(10,807,004)	1,589,563	(9,217,441)	(7,289,703)
Issuance of debt	-	-	-	3,186,000
Lease and subscription liabilities issued	-	51,522	51,522	1,729,413
Total Other Financing Sources (Uses)	<u>(8,768,991)</u>	<u>(11,843,814)</u>	<u>(20,612,805)</u>	<u>(12,499,092)</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 3,325,095</u>	<u>3,325,095</u>	<u>5,237,031</u>
Fund Balance				
Beginning			99,337,587	94,100,556
Ending			<u>102,662,682</u>	<u>\$ 99,337,587</u>



Federal and State Financial Assistance Fund

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

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
COMPARATIVE BALANCE SHEETS
FEDERAL AND STATE FINANCIAL ASSISTANCE FUND

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Accounts receivable	\$ 4,764,898	\$ 2,686,865
Due from other governments	560,368	438,286
Restricted cash and investments	7,717,409	17,415,682
Restricted accounts receivable	4,918,382	2,290,605
Notes receivable	5,848,041	7,752,122
Property held for resale	27,871	27,871
Total assets	<u>\$ 23,836,969</u>	<u>\$ 30,611,431</u>
Liabilities, deferred inflows of resources and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,553,535	\$ 958,640
Unearned revenue	1,237,869	17,785,129
Restricted unearned deposits	8,464,826	-
Total liabilities	<u>11,256,230</u>	<u>18,743,769</u>
Deferred inflows of resources		
Accounts receivable	<u>2,627,777</u>	-
Total deferred inflows of resources	<u>2,627,777</u>	-
Fund balances:		
Nonspendable		
Loan	5,875,912	7,752,122
Restricted		
Encumbrances	-	1,921,158
Public safety	272,720	-
Economic and physical development	8,356,280	-
Environmental protection	14,328	-
Committed		
Administration	-	2,194,382
Unassigned	<u>(4,566,278)</u>	-
Total fund balances	<u>9,952,962</u>	<u>11,867,662</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,836,969</u>	<u>\$ 30,611,431</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FEDERAL AND STATE FINANCIAL ASSISTANCE FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 96,003,687	\$ 77,130,231	\$ 11,825,198	\$ 88,955,429
State grants and contributions	22,099,444	13,089,207	212,250	13,301,457
Local	2,734,183	1,869,568	62,142	1,931,710
Total restricted intergovernmental	<u>120,837,314</u>	<u>92,089,006</u>	<u>12,099,590</u>	<u>104,188,596</u>
Miscellaneous	<u>8,414,524</u>	<u>762,996</u>	<u>98,276</u>	<u>861,272</u>
Interest earned on investments	<u>49,708</u>	<u>2,425,405</u>	<u>898,991</u>	<u>3,324,396</u>
Total revenues	<u>129,301,546</u>	<u>95,277,407</u>	<u>13,096,857</u>	<u>108,374,264</u>
Expenditures				
Administration	5,221,992	81,455	969,166	1,050,621
Public safety	17,007,802	10,941,469	4,945,527	15,886,996
Environmental protection	15,559,017	12,706,617	4,325	12,710,942
Transportation	-	-	-	-
Economic and physical development	88,678,349	56,910,331	8,448,754	65,359,085
Recreation and community facilities	6,733,190	4,445,909	948,315	5,394,224
Total expenditures	<u>133,200,350</u>	<u>85,085,781</u>	<u>15,316,087</u>	<u>100,401,868</u>
Revenues over (under) expenditures	<u>(3,898,804)</u>	<u>10,191,626</u>	<u>(2,219,230)</u>	<u>7,972,396</u>
Other financing sources (uses)				
Transfers in	3,898,804	2,141,178	304,530	2,445,708
Total other financing sources (uses)	<u>3,898,804</u>	<u>2,141,178</u>	<u>304,530</u>	<u>2,445,708</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 12,332,804</u>	<u>(1,914,700)</u>	<u>\$ 10,418,104</u>
Fund balance				
Beginning			11,867,662	
Ending			<u>\$ 9,952,962</u>	



Environmental Protection Fund

The Environmental Protection Fund accounts for projects related to dam restoration and improvements in the City.

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
COMPARATIVE BALANCE SHEETS
ENVIRONMENTAL PROTECTION FUND

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Accounts receivable	\$ 4,843,610	\$ 4,887,278
Due from other governments	2,051,650	2,050,703
Total assets	<u>\$ 6,895,260</u>	<u>\$ 6,937,981</u>
Liabilities, deferred inflows of resources and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 51,248	\$ -
Interfund payables	7,214,831	7,116,726
Total liabilities	<u>7,266,079</u>	<u>7,116,726</u>
Fund balances:		
Restricted		
Stabilization by State Statute	-	39,054
Environmental protection	-	-
Committed		
Environmental protection	-	217,800
Unassigned	(370,819)	(435,599)
Total fund balances	<u>(370,819)</u>	<u>(178,745)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,895,260</u>	<u>\$ 6,937,981</u>

CITY OF FAYETTEVILLE

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET AND ACTUAL - ENVIRONMENTAL PROTECTION FUND**

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 6,730,128	\$ 6,730,128	\$ -	\$ 6,730,128
State grants and contributions	2,243,376	2,243,376	-	2,243,376
Local	660,184	660,184	136,381	796,565
Total restricted intergovernmental	<u>9,633,688</u>	<u>9,633,688</u>	<u>136,381</u>	<u>9,770,069</u>
Miscellaneous				
Other	50,000	50,000	-	50,000
Total miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total revenues	<u>9,683,688</u>	<u>9,683,688</u>	<u>136,381</u>	<u>9,820,069</u>
Expenditures				
Capital outlay				
Environmental protection				
Environmental protection projects	10,345,680	8,954,468	371,458	9,325,926
Revenues over (under) expenditures	<u>(661,992)</u>	<u>729,220</u>	<u>(235,077)</u>	<u>494,143</u>
Other financing sources (uses)				
Transfers in	661,992	661,992	43,003	704,995
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>661,992</u>	<u>661,992</u>	<u>43,003</u>	<u>704,995</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,391,212</u>	<u>(192,074)</u>	<u>\$ 1,199,138</u>
Fund balance				
Beginning			(178,745)	
Ending			<u>\$ (370,819)</u>	



Nonmajor Governmental Funds

City of Fayetteville, North Carolina

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Nonmajor Governmental Funds

The following comprise the City's Nonmajor Governmental Funds:

- Special Revenue Funds
- Capital Project Funds

All Nonmajor Governmental Funds are accounted for on the modified accrual basis of accounting.

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2025

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,274,386	\$ 20,569,606	\$ 21,843,992
Accounts receivable	-	1,811,770	1,811,770
Assessments receivable	4,866,575	-	4,866,575
Due from other governments	62,721	2,850,471	2,913,192
Restricted cash and investments	-	12,455,209	12,455,209
Total assets	\$ 6,203,682	\$ 37,687,056	\$ 43,890,738
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 510,859	\$ 4,190,436	\$ 4,701,295
Unearned revenue	93,850	-	93,850
Restricted accounts payable and accrued expenses	-	5,479	5,479
Restricted unearned deposits	-	4,496,861	4,496,861
Interfund payable	-	4,154,984	4,154,984
Total liabilities	604,709	12,847,760	13,452,469
Deferred inflows of resources:			
Assessments receivable	4,268,930	-	4,268,930
Total deferred inflows of resources	4,268,930	-	4,268,930
Fund balances:			
Restricted			
Stabilization by State Statute	660,182	-	660,182
Administration	-	-	-
Public safety	1,247,014	1,558,233	2,805,247
Transportation	-	-	-
Recreation and community facilities	20,492	8,190,429	8,210,921
Economic and physical development	-	19,308,714	19,308,714
Committed			
Administration	-	7,139,439	7,139,439
Public safety	-	127,247	127,247
Economic and physical development	-	1,546,134	1,546,134
Recreation and community facilities	-	5,447,315	5,447,315
Unassigned	(597,645)	(18,478,215)	(19,075,860)
Total fund balances	1,330,043	24,839,296	26,169,339
Total liabilities, deferred inflows of resources and fund balances	\$ 6,203,682	\$ 37,687,056	\$ 43,890,738

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 441,062	\$ 3,560,492	\$ 4,001,554
Miscellaneous	1,062,345	356,517	1,418,862
Interest earned on investments	300,129	665,315	965,444
Total revenues	<u>1,803,536</u>	<u>4,582,324</u>	<u>6,385,860</u>
Expenditures			
Current:			
Administration	1,296,422	-	1,296,422
Public safety	416,738	-	416,738
Recreation and community facilities	16	-	16
Capital Outlay	9,492	27,030,313	27,039,805
Total expenditures	<u>1,722,668</u>	<u>27,030,313</u>	<u>28,752,981</u>
Revenues over (under) expenditures	<u>80,868</u>	<u>(22,447,989)</u>	<u>(22,367,121)</u>
Other financing sources (uses)			
Transfers in	-	14,452,640	14,452,640
Total other financing sources (uses)	<u>-</u>	<u>14,452,640</u>	<u>14,452,640</u>
Net change in fund balances	80,868	(7,995,349)	(7,914,481)
Fund balances			
Beginning	1,249,175	32,834,645	34,083,820
Ending	<u>\$ 1,330,043</u>	<u>\$ 24,839,296</u>	<u>\$ 26,169,339</u>



Special Revenue Funds

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

The following comprise the City's Special Revenue Funds:

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

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2025

	Emergency Telephone System Fund	Linear Park Fund	PWC Assessment Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$ 1,253,620	\$ 20,766	\$ -	\$ 1,274,386
Assessments receivable	-	-	4,866,575	4,866,575
Due from other governments	62,537	184	-	62,721
Total assets	\$ 1,316,157	\$ 20,950	\$ 4,866,575	\$ 6,203,682
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 6,606	\$ 458	\$ 503,795	\$ 510,859
Unearned revenue	-	-	93,850	93,850
Total liabilities	6,606	458	597,645	604,709
Deferred inflows of resources				
Assessments receivable	-	-	4,268,930	4,268,930
Total deferred inflows of resources	-	-	4,268,930	4,268,930
Fund balances:				
Restricted				
Stabilization by State Statute	62,537	-	597,645	660,182
Public safety	1,247,014	-	-	1,247,014
Recreation and community facilities	-	20,492	-	20,492
Unassigned	-	-	(597,645)	(597,645)
Total fund balances	1,309,551	20,492	-	1,330,043
Total liabilities, deferred inflows of resources and fund balances	\$ 1,316,157	\$ 20,950	\$ 4,866,575	\$ 6,203,682

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2025

	Emergency Telephone System Fund	Linear Park Fund	PWC Assessment Fund	Total Nonmajor Special Revenue Funds
Revenues				
Restricted intergovernmental	\$ 441,062	\$ -	\$ -	\$ 441,062
Assessment revenue	-	-	1,062,345	1,062,345
Interest earned on investments	65,017	1,035	234,077	300,129
Total revenues	<u>506,079</u>	<u>1,035</u>	<u>1,296,422</u>	<u>1,803,536</u>
Expenditures				
Current:				
Administration	-	-	1,296,422	1,296,422
Public safety	416,738	-	-	416,738
Recreation and community facilities	-	16	-	16
Capital Outlay	-	9,492	-	9,492
Total expenditures	<u>416,738</u>	<u>9,508</u>	<u>1,296,422</u>	<u>1,722,668</u>
Revenues over (under) expenditures	<u>89,341</u>	<u>(8,473)</u>	<u>-</u>	<u>80,868</u>
Fund balances				
Beginning	1,220,210	28,965	-	1,249,175
Ending	<u>\$ 1,309,551</u>	<u>\$ 20,492</u>	<u>\$ -</u>	<u>\$ 1,330,043</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY TELEPHONE SYSTEM FUND

YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2025 Actual</u>	<u>2024 Actual</u>
Revenues				
Restricted intergovernmental	\$ 444,877	\$ (3,815)	\$ 441,062	\$ 363,303
Interest earned on investments	50,800	14,217	65,017	62,858
Total revenues	<u>495,677</u>	<u>10,402</u>	<u>506,079</u>	<u>426,161</u>
Expenditures				
Current				
Public safety				
Other operating expenditures	495,677	(78,939)	416,738	598,352
Total expenditures	<u>495,677</u>	<u>(78,939)</u>	<u>416,738</u>	<u>598,352</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 89,341</u>	89,341	(172,191)
Fund balance				
Beginning			1,220,210	1,392,401
Ending			<u>\$ 1,309,551</u>	<u>\$ 1,220,210</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LINEAR PARK FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
County grants and contributions	\$ 180,000	\$ 180,000	\$ -	\$ 180,000
Total restricted intergovernmental	<u>180,000</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Miscellaneous				
Other (donations)	1,949,733	1,944,094	-	1,944,094
Total miscellaneous	<u>1,949,733</u>	<u>1,944,094</u>	<u>-</u>	<u>1,944,094</u>
Interest earned on investments	<u>49,337</u>	<u>49,303</u>	<u>1,035</u>	<u>50,338</u>
Total revenues	<u>2,179,070</u>	<u>2,173,397</u>	<u>1,035</u>	<u>2,174,432</u>
Expenditures				
Current				
Recreational and community facilities				
Linear Park	2,179,070	2,147,024	9,508	2,156,532
Total expenditures	<u>2,179,070</u>	<u>2,147,024</u>	<u>9,508</u>	<u>2,156,532</u>
Revenues over (under) expenditures	<u>-</u>	<u>26,373</u>	<u>(8,473)</u>	<u>17,900</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 26,373</u>	<u>(8,473)</u>	<u>\$ 17,900</u>
Fund balance				
Beginning			<u>28,965</u>	
Ending			<u>\$ 20,492</u>	

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL PWC ASSESSMENT FUND

YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2025 Actual</u>	<u>2024 Actual</u>
Revenues				
Assessment revenue	\$ 1,435,000	\$ (372,655)	\$ 1,062,345	\$ 1,363,762
Interest earned on investments	200,000	34,077	234,077	270,489
Total revenues	<u>1,635,000</u>	<u>(338,578)</u>	<u>1,296,422</u>	<u>1,634,251</u>
Expenditures				
Current				
Administration				
Intergovernmental expense - assessment	1,635,000	338,578	1,296,422	1,634,251
Total expenditures	<u>1,635,000</u>	<u>338,578</u>	<u>1,296,422</u>	<u>1,634,251</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

City of Fayetteville, North Carolina

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Capital Project Funds

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

The following comprise the City's Capital Project Funds:

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

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS

JUNE 30, 2025

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Economic and Physical Development Fund	Total Nonmajor Capital Project Funds
Assets							
Cash and investments	\$ 8,363,185	\$ -	\$ -	\$ 10,083,274	\$ 1,314,198	\$ 808,949	\$ 20,569,606
Accounts receivable	112	12,113	1,287,691	-	36,900	474,954	1,811,770
Due from other governments	166,457	161,401	382,683	1,823,396	229,902	86,632	2,850,471
Restricted cash and investments	-	-	-	-	11,355,255	1,099,954	12,455,209
Total assets	\$ 8,529,754	\$ 173,514	\$ 1,670,374	\$ 11,906,670	\$ 12,936,255	\$ 2,470,489	\$ 37,687,056
Liabilities, deferred inflows of resources and fund balances							
Liabilities:							
Accounts payable and accrued expenses	\$ 245,751	\$ 252,836	\$ 1,343,976	\$ 99,756	\$ 1,807,371	\$ 440,746	\$ 4,190,436
Restricted unearned deposits	-	-	256,232	4,006,846	-	233,783	4,496,861
Restricted accounts payable and accrued expenses	-	-	-	-	-	5,479	5,479
Interfund payables	-	2,717,996	1,436,988	-	-	-	4,154,984
Total liabilities	245,751	2,970,832	3,037,196	4,106,602	1,807,371	680,008	12,847,760
Fund balances:							
Restricted							
Administration	-	-	-	-	-	-	-
Public safety	-	1,558,233	-	-	-	-	1,558,233
Transportation	-	-	-	-	-	-	-
Encumbrances	1,144,564	6,209,671	6,418,924	1,593,015	3,698,193	244,347	19,308,714
Recreation and community facilities	-	-	-	759,738	7,430,691	-	8,190,429
Committed							
Administration	7,139,439	-	-	-	-	-	7,139,439
Public safety	-	127,247	-	-	-	-	127,247
Transportation	-	-	-	-	-	-	-
Economic and physical development	-	-	-	-	-	1,546,134	1,546,134
Recreation and community facilities	-	-	-	5,447,315	-	-	5,447,315
Unassigned	-	(10,692,469)	(7,785,746)	-	-	-	(18,478,215)
Total fund balances	8,284,003	(2,797,318)	(1,366,822)	7,800,068	11,128,884	1,790,481	24,839,296
Total liabilities, deferred inflows of resources and fund balances	\$ 8,529,754	\$ 173,514	\$ 1,670,374	\$ 11,906,670	\$ 12,936,255	\$ 2,470,489	\$ 37,687,056

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECT FUNDS

YEAR ENDED JUNE 30, 2025

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Economic and Physical Development Fund	Total Nonmajor Capital Project Funds
Revenues							
Restricted intergovernmental	\$ -	\$ 14,839	\$ 1,350,895	\$ 1,866,084	\$ 276,014	\$ 52,660	\$ 3,560,492
Miscellaneous	-	-	-	-	-	356,517	356,517
Interest earned on investments	-	649	31,191	289,621	287,479	56,375	665,315
Total revenues	-	15,488	1,382,086	2,155,705	563,493	465,552	4,582,324
Expenditures							
Capital outlay	1,761,683	8,056,360	9,391,084	5,017,559	2,032,741	771,185	27,030,612
Total expenditures	1,761,683	8,056,360	9,391,084	5,017,559	2,032,741	771,185	27,030,612
Revenues over (under) expenditures	(1,761,683)	(8,040,872)	(8,008,998)	(2,861,854)	(1,469,248)	(305,633)	(22,448,288)
Other financing sources (uses)							
Transfers in	4,467,024	680,616	5,375,000	3,400,000	-	530,000	14,452,640
Total other financing sources (uses)	4,467,024	680,616	5,375,000	3,400,000	-	530,000	14,452,640
Revenues and other financing sources (uses) over (under) expenditures	2,705,341	(7,360,256)	(2,633,998)	538,146	(1,469,248)	224,367	(7,995,648)
Fund balance							
Beginning	5,578,662	4,562,938	1,267,176	7,261,922	12,598,132	1,566,114	32,834,944
Ending	\$ 8,284,003	\$ (2,797,318)	\$ (1,366,822)	\$ 7,800,068	\$ 11,128,884	\$ 1,790,481	\$ 24,839,296

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL GOVERNMENT FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
State grants and contributions	\$ 456,936	\$ 262,159	\$ -	\$ 262,159
Local	285,822	209,384	-	209,384
Total restricted intergovernmental	<u>742,758</u>	<u>471,543</u>	<u>-</u>	<u>471,543</u>
Miscellaneous				
Other	142,812	142,812	-	142,812
Interest earned on investments	<u>1,391</u>	<u>41,201</u>	<u>-</u>	<u>41,201</u>
Total revenues	<u>886,961</u>	<u>655,556</u>	<u>-</u>	<u>655,556</u>
Expenditures				
General government administration projects	42,700,529	27,243,100	1,761,683	29,004,783
Revenues over (under) expenditures	<u>(41,813,568)</u>	<u>(26,587,544)</u>	<u>(1,761,683)</u>	<u>(28,349,227)</u>
Other financing sources (uses)				
Issuance of debt	3,161,376	-	-	-
Transfers in	30,726,040	26,259,016	4,467,024	30,726,040
Capital lease	7,926,152	-	-	-
Total other financing sources (uses)	<u>41,813,568</u>	<u>26,259,016</u>	<u>4,467,024</u>	<u>30,726,040</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (328,528)</u>	<u>2,705,341</u>	<u>\$ 2,376,813</u>
Fund balance				
Beginning			<u>5,578,662</u>	
Ending			<u>\$ 8,284,003</u>	

Projects with no remaining legal authorization are excluded from the schedule

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL - PUBLIC SAFETY FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 240,085	\$ 37,046	\$ 14,839	\$ 51,885
State grants and contributions	354,358	342,114	-	342,114
Total restricted intergovernmental	<u>594,443</u>	<u>379,160</u>	<u>14,839</u>	<u>393,999</u>
Miscellaneous				
Other	35,000	35,000	-	35,000
Total miscellaneous	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Interest earned on investments	<u>-</u>	<u>-</u>	<u>649</u>	<u>649</u>
Total revenues	<u>629,443</u>	<u>414,160</u>	<u>15,488</u>	<u>429,648</u>
Expenditures				
Public safety projects	68,346,264	25,747,420	8,056,360	33,803,780
Revenues over (under) expenditures	<u>(67,716,821)</u>	<u>(25,333,260)</u>	<u>(8,040,872)</u>	<u>(33,374,132)</u>
Other financing sources (uses)				
Issuance of debt	42,344,980	11,611,286	-	11,611,286
Transfers in	25,371,841	18,286,284	680,616	18,966,900
Total other financing sources (uses)	<u>67,716,821</u>	<u>29,897,570</u>	<u>680,616</u>	<u>30,578,186</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 4,564,310</u>	<u>(7,360,256)</u>	<u>\$ (2,795,946)</u>
Fund balance				
Beginning			4,562,938	
Ending			<u>\$ (2,797,318)</u>	

Projects with no remaining legal authorization are excluded from the schedule

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSPORTATION FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ 404,867	\$ -	\$ 61,286	\$ 61,286
State grants and contributions	12,689,395	10,021,904	633,726	10,655,630
Local	412,941	-	655,883	655,883
Total restricted intergovernmental	<u>13,507,203</u>	<u>10,021,904</u>	<u>1,350,895</u>	<u>11,372,799</u>
Interest earned on investments	-	-	31,191	31,191
Total revenues	<u>13,507,203</u>	<u>10,021,904</u>	<u>1,382,086</u>	<u>11,403,990</u>
Expenditures				
Transportation projects	86,179,417	58,680,539	9,391,084	68,071,623
Revenues (over) under expenditures	<u>(72,672,214)</u>	<u>(48,658,635)</u>	<u>(8,008,998)</u>	<u>(56,667,633)</u>
Other financing sources (uses)				
Issuance of debt	16,764,816	-	-	-
Transfers in	55,907,398	50,532,398	5,375,000	55,907,398
Total other financing sources (uses)	<u>72,672,214</u>	<u>50,532,398</u>	<u>5,375,000</u>	<u>55,907,398</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,873,763</u>	<u>(2,633,998)</u>	<u>\$ (760,235)</u>
Fund balance				
Beginning			1,267,176	
Ending			<u>\$ (1,366,822)</u>	

Projects with no remaining legal authorization are excluded from the schedule

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - RECREATIONAL AND CULTURAL FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
State grants and contributions	\$ 11,574,041	\$ 9,548,525	\$ 1,516,084	\$ 11,064,609
Local	2,288,026	1,522,801	350,000	1,872,801
Total restricted intergovernmental	<u>13,862,067</u>	<u>11,071,326</u>	<u>1,866,084</u>	<u>12,937,410</u>
Miscellaneous				
Donations	538,465	176,667	-	176,667
Other	247,315	-	-	-
Total miscellaneous	<u>785,780</u>	<u>176,667</u>	<u>-</u>	<u>176,667</u>
Interest earned on investments	<u>462,453</u>	<u>172,832</u>	<u>289,621</u>	<u>462,453</u>
Total revenues	<u>15,110,300</u>	<u>11,420,825</u>	<u>2,155,705</u>	<u>13,576,530</u>
Expenditures				
Recreational and cultural projects	33,108,940	17,006,137	5,017,559	22,023,696
Revenues over (under) expenditures	<u>(17,998,640)</u>	<u>(5,585,312)</u>	<u>(2,861,854)</u>	<u>(8,447,166)</u>
Other financing sources (uses)				
Issuance of debt	3,139,414	3,134,715	-	3,134,715
Sale of capital assets	712,600	712,600	-	712,600
Transfers in	14,146,626	10,618,347	3,400,000	14,018,347
Total other financing sources (uses)	<u>17,998,640</u>	<u>14,465,662</u>	<u>3,400,000</u>	<u>17,865,662</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 8,880,350</u>	<u>538,146</u>	<u>\$ 9,418,496</u>
Fund balance				
Beginning			7,261,922	
Ending			<u>\$ 7,800,068</u>	

Projects with no remaining legal authorization are excluded from the schedule

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - RECREATIONAL AND CULTURAL BOND FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
State grants and contributions	\$ 2,250,000	\$ 1,973,986	\$ 276,014	\$ 2,250,000
Local	100,000	-	-	-
Total restricted intergovernmental	<u>2,350,000</u>	<u>1,973,986</u>	<u>276,014</u>	<u>2,250,000</u>
Miscellaneous				
Other	67,900	67,900	-	67,900
Total miscellaneous	<u>67,900</u>	<u>67,900</u>	<u>-</u>	<u>67,900</u>
Interest earned on investments	<u>226,251</u>	<u>-</u>	<u>287,479</u>	<u>287,479</u>
Total revenues	<u>2,644,151</u>	<u>2,041,886</u>	<u>563,493</u>	<u>2,605,379</u>
Expenditures				
Recreational bond projects	61,370,866	32,307,388	2,032,741	34,340,129
Revenues over (under) expenditures	<u>(58,726,715)</u>	<u>(30,265,502)</u>	<u>(1,469,248)</u>	<u>(31,734,750)</u>
Other financing sources (uses)				
Issuance of debt	53,727,966	38,732,509	-	38,732,509
Premium/Discount on bonds	2,060,749	2,060,749	-	2,060,749
Transfers in	2,938,000	2,938,000	-	2,938,000
Total other financing sources (uses)	<u>58,726,715</u>	<u>43,731,258</u>	<u>-</u>	<u>43,731,258</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 13,465,756</u>	<u>(1,469,248)</u>	<u>\$ 11,996,508</u>
Fund balance				
Beginning			12,598,132	
Ending			<u>\$ 11,128,884</u>	

Projects with no remaining legal authorization are excluded from the schedule

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ECONOMIC AND PHYSICAL DEVELOPMENT FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Restricted intergovernmental				
Federal grants and contributions	\$ -	\$ 4,990,000	\$ (584)	\$ 4,989,416
State grants and contributions	6,240,000	6,177,262	53,244	6,230,506
Local	342,348	76,218	-	76,218
Total restricted intergovernmental	<u>6,582,348</u>	<u>11,243,480</u>	<u>52,660</u>	<u>11,296,140</u>
Miscellaneous				
Segra Stadium capital maintenance & improve.	1,682,378	284,666	356,517	641,183
Contributions and donations - all other	635,000	791,183	-	791,183
Total miscellaneous	<u>2,317,378</u>	<u>1,075,849</u>	<u>356,517</u>	<u>1,432,366</u>
Interest earned on investments	<u>661,788</u>	<u>605,413</u>	<u>56,375</u>	<u>661,788</u>
Total revenues	<u>9,561,514</u>	<u>12,924,742</u>	<u>465,552</u>	<u>13,390,294</u>
Expenditures				
Capital outlay				
Economic and development projects	83,379,488	79,914,835	771,185	80,686,020
Revenues over (under) expenditures	<u>(73,817,974)</u>	<u>(66,990,093)</u>	<u>(305,633)</u>	<u>(67,295,726)</u>
Other financing sources (uses)				
Issuance of debt	54,340,000	54,340,000	-	54,340,000
Transfers in	19,477,974	18,947,974	530,000	19,477,974
Total other financing sources (uses)	<u>73,817,974</u>	<u>73,287,974</u>	<u>530,000</u>	<u>73,817,974</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 6,297,881</u>	<u>224,367</u>	<u>\$ 6,522,248</u>
Fund balance				
Beginning			1,566,114	
Ending			<u>\$ 1,790,481</u>	

Projects with no remaining legal authorization are excluded from the schedule



Proprietary Funds

- Enterprise Funds
- Internal Service Funds

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

City of Fayetteville, North Carolina

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Enterprise Funds

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

The following comprise the City's Enterprise Funds:

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP) STORMWATER MANAGEMENT FUND

YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	Budget	Variance Positive (Negative)	2025 Actual	2024 Actual
Operating revenues				
Charges for services	\$ 13,498,122	\$ 18,050	\$ 13,516,172	\$ 11,507,552
Other revenue from operations	178,033	(52,042)	125,991	125,991
Total operating revenues	<u>13,676,155</u>	<u>(33,992)</u>	<u>13,642,163</u>	<u>11,633,543</u>
Operating expenditures				
Salaries and employee benefits	4,280,466	793,657	3,486,809	3,329,627
Other operating expenditures	3,066,806	417,421	2,649,385	2,355,188
Capital outlay	371,623	-	371,623	
Cost redistribution	553,538	(195,119)	748,657	75,000
Total operating expenditures	<u>8,272,433</u>	<u>1,015,959</u>	<u>7,256,474</u>	<u>5,759,815</u>
Operating income (loss)	<u>5,403,722</u>	<u>981,967</u>	<u>6,385,689</u>	<u>5,873,728</u>
Nonoperating revenues (expenditures)				
Miscellaneous	-	92,621	92,621	68,742
Interest earned on investments	-	(10,386)	(10,386)	80,667
Debt service - principal payment	(860,030)	-	(860,030)	(834,119)
Interest expense	(60,357)	11,919	(48,438)	(75,656)
Nonoperating revenues (expenditures)	<u>(920,387)</u>	<u>94,154</u>	<u>(826,233)</u>	<u>(760,366)</u>
Revenues over (under) expenditures	<u>4,483,335</u>	<u>1,076,121</u>	<u>5,559,456</u>	<u>5,113,362</u>
Other financing sources (uses)				
Transfers out	(4,555,755)	(43,003)	(4,598,758)	(8,913,158)
Appropriated fund balance	72,420	(72,420)	-	-
Total other financing sources (uses)	<u>(4,483,335)</u>	<u>(115,423)</u>	<u>(4,598,758)</u>	<u>(8,913,158)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 960,698</u>	<u>\$ 960,698</u>	<u>\$ (3,799,796)</u>
Reconciliation of change in net position				
Total revenues			\$ 13,724,398	\$ 11,782,952
Total expenditures			12,763,700	15,582,748
Subtotal			<u>960,698</u>	<u>(3,799,796)</u>
Depreciation and amortization			(1,649,013)	(1,587,270)
Decrease (increase) in accrued vacation			7,440	(14,711)
Net OPEB expense			76,358	40,823
LGERS expense			(111,860)	(154,339)
Lease and subscription principal payments			-	4,089
Principal payment			860,030	830,030
Capital outlay			371,623	426,199
Bad debt expense			4,070	(3,490)
Subtotal			<u>(441,352)</u>	<u>(458,669)</u>
Change in net position			<u>\$ 519,346</u>	<u>\$ (4,258,465)</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-
GAAP) STORMWATER MANAGEMENT CAPITAL PROJECTS FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	Project Authorization	Prior Years	Current Year	Total
Revenues				
Federal grants	\$ 10,550,000	\$ -	\$ 3,265,429	\$ 3,265,429
State grants	9,796,035	335,823	173,677	509,500
Local	4,097,871	-	2,852,586	2,852,586
Investment income	157,606	2,350,801	1,055,394	3,406,195
Total revenues	24,601,512	2,686,624	7,347,086	10,033,710
Expenditures				
Stormwater capital projects	84,146,818	29,768,613	15,292,491	45,061,104
Total expenditures	84,146,818	29,768,613	15,292,491	45,061,104
Revenues over (under) expenditures	(59,545,306)	(27,081,989)	(7,945,405)	(35,027,394)
Other financing sources (uses)				
Transfers in	54,645,306	49,736,169	3,685,747	53,421,916
Proceeds form long-term debt	4,900,000	-	-	-
Total other financing sources (uses)	59,545,306	49,736,169	3,685,747	53,421,916
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 22,654,180	\$ (4,259,658)	\$ 18,394,522
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ (4,259,658)	
Capital outlay			9,962,191	
Change in net position			\$ 5,702,533	

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP) TRANSIT FUND

FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2025 Actual</u>	<u>2024 Actual</u>
Operating revenues				
Charges for services	\$ 746,563	\$ (46,193)	\$ 700,370	\$ 791,053
Other revenues from operations	259,431	(21,899)	237,532	277,821
Total operating revenues	<u>1,005,994</u>	<u>(68,092)</u>	<u>937,902</u>	<u>1,068,874</u>
Operating expenditures				
Salaries and employee benefits	9,099,274	376,246	8,723,028	8,714,082
Other operating expenditures	4,722,479	1,335,313	3,387,166	3,838,363
Capital outlay	7,570	50	7,520	34,422
Total operating expenditures	<u>13,829,323</u>	<u>1,711,609</u>	<u>12,117,714</u>	<u>12,586,867</u>
Operating loss	<u>(12,823,329)</u>	<u>1,643,517</u>	<u>(11,179,812)</u>	<u>(11,517,993)</u>
Nonoperating revenues (expenditures)				
Interest on lease receivables	-	-	-	7,728
Federal grants	3,513,978	1,177,698	4,691,676	-
State grants	-	746,023	746,023	746,023
Vehicle fee revenue	-	-	-	536,914
Miscellaneous	692,376	(38,530)	653,846	15,410
Interest expense	-	(197)	(197)	(172)
Debt service - principal payment	-	(41,749)	(41,749)	(47,689)
Total nonoperating revenues (expenditures)	<u>4,206,354</u>	<u>1,843,245</u>	<u>6,049,599</u>	<u>1,258,214</u>
Revenues over (under) expenditures	<u>(8,616,975)</u>	<u>3,486,762</u>	<u>(5,130,213)</u>	<u>(10,259,779)</u>
Other financing sources (uses)				
Transfers in	8,878,124	-	8,878,124	8,601,319
Transfers out	(384,822)	(283,200)	(668,022)	(378,159)
Proceeds from sale of capital assets	-	24,240	24,240	13,310
Lease revenues	-	62,738	62,738	62,738
Fund balance appropriation	123,673	(123,673)	-	-
Total other financing sources (uses)	<u>8,616,975</u>	<u>(319,895)</u>	<u>8,297,080</u>	<u>8,299,208</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,166,867</u>	<u>\$ 3,166,867</u>	<u>\$ (1,960,571)</u>
Reconciliation of change in net position:				
Total revenues			\$ 15,994,549	\$ 11,052,316
Total expenditures			<u>12,827,682</u>	<u>13,012,887</u>
Subtotal			<u>3,166,867</u>	<u>(1,960,571)</u>
Depreciation and amortization			(2,026,873)	(1,752,061)
Net OPEB expense			188,011	100,514
Net LGERS expense			(307,616)	(424,430)
Change in inventory			(506,423)	13,068
Decrease (increase) in accrued vacation			6,988	9,235
Bad debt expense			(525,947)	86,206
Lease and subscription principal payments			41,749	47,689
Capital outlay			<u>7,520</u>	<u>34,422</u>
Subtotal			<u>(3,122,591)</u>	<u>(1,885,357)</u>
Change in net position			<u>\$ 44,276</u>	<u>\$ (3,845,928)</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP)
TRANSIT CAPITAL PROJECT FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal grants	\$ 15,556,978	\$ 7,666,166	\$ 3,336,862	\$ 11,003,028
Total revenues	<u>15,556,978</u>	<u>7,666,166</u>	<u>3,336,862</u>	<u>11,003,028</u>
Expenditures				
Transit capital projects	18,935,258	8,199,303	4,848,108	13,047,411
Total expenditures	<u>18,935,258</u>	<u>8,199,303</u>	<u>4,848,108</u>	<u>13,047,411</u>
Revenues over (under) expenditures	<u>(3,378,280)</u>	<u>(533,137)</u>	<u>(1,511,246)</u>	<u>(2,044,383)</u>
Other financing sources (uses)				
Transfers in	3,378,280	2,825,258	553,022	3,378,280
Total other financing sources (uses)	<u>3,378,280</u>	<u>2,825,258</u>	<u>553,022</u>	<u>3,378,280</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,292,121</u>	<u>\$ (958,224)</u>	<u>\$ 1,333,897</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ (958,224)	
Capital outlay			<u>4,448,325</u>	
Change in net position			<u>\$ 3,490,101</u>	

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-
GAAP) TRANSIT II CAPITAL PROJECTS FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal grants	\$ 3,199,733	\$ 1,495,285	\$ 295,318	\$ 1,790,603
Total revenues	<u>3,199,733</u>	<u>1,495,285</u>	<u>295,318</u>	<u>1,790,603</u>
Expenditures				
Transportation	3,538,069	1,743,624	354,631	2,098,255
Total expenditures	<u>3,538,069</u>	<u>1,743,624</u>	<u>354,631</u>	<u>2,098,255</u>
Revenues over (under) expenditures	<u>(338,336)</u>	<u>(248,339)</u>	<u>(59,313)</u>	<u>(307,652)</u>
Other financing sources (uses)				
Transfers in	338,336	223,336	115,000	338,336
Total other financing sources (uses)	<u>338,336</u>	<u>223,336</u>	<u>115,000</u>	<u>338,336</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (25,003)</u>	<u>\$ 55,687</u>	<u>\$ 30,684</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			<u>55,687</u>	
Change in net position			<u>\$ 55,687</u>	

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP) AIRPORT FUND

YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	Budget	Variance Positive (Negative)	2025 Actual	2024 Actual
Operating revenues				
Charges for services	\$ 5,590,986	\$ (1,511,741)	\$ 4,079,245	\$ 3,699,752
Other revenues from operations	83,438	(10,164)	73,274	109,481
Total operating revenues	<u>5,674,424</u>	<u>(1,521,905)</u>	<u>4,152,519</u>	<u>3,809,233</u>
Operating expenditures				
Salaries and employee benefits	2,221,930	32,389	2,189,541	2,111,379
Other operating expenditures	3,598,431	1,835,839	1,762,592	2,418,378
Capital outlay	-	(293,443)	293,443	268,143
Cost redistribution	297,361	(192,533)	489,894	-
Total operating expenditures	<u>6,117,722</u>	<u>1,382,252</u>	<u>4,735,470</u>	<u>4,797,900</u>
Operating income (loss)	<u>(443,298)</u>	<u>(139,653)</u>	<u>(582,951)</u>	<u>(988,667)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	20,691	536,510	557,201	581,015
Interest on lease receivables	-	113,688	113,688	135,192
Miscellaneous	13,128	(6,057)	7,071	57,241
Federal and State grants	147,054	(218,822)	(71,768)	103,769
Debt service - principal payment	-	(27,777)	(27,777)	(43,572)
Interest expense	-	(1,451)	(1,451)	(2,052)
Public safety reimbursements	235,151	64,475	299,626	(161,765)
Total nonoperating revenues	<u>416,024</u>	<u>460,566</u>	<u>876,590</u>	<u>669,828</u>
Revenues over (under) expenditures	<u>(27,274)</u>	<u>320,913</u>	<u>293,639</u>	<u>(318,839)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	12,599	12,599	85,730
Transfers out	(1,300,000)	-	(1,300,000)	(325,718)
Lease revenues	-	654,589	654,589	680,537
Appropriated fund balance	1,327,274	(1,327,274)	-	-
Total other financing sources (uses)	<u>27,274</u>	<u>(660,086)</u>	<u>(632,812)</u>	<u>440,549</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (339,173)</u>	<u>\$ (339,173)</u>	<u>\$ 121,710</u>
Reconciliation of change in net position				
Total revenues			\$ 5,797,293	\$ 5,452,717
Total expenditures			6,136,466	5,331,007
Subtotal			<u>(339,173)</u>	<u>121,710</u>
Depreciation and amortization			(7,652,676)	(7,620,308)
Decrease (increase) in accrued vacation			(18,337)	1,185
Net OPEB expense			55,656	29,755
Net LGERS expense			(83,896)	(115,754)
Change in inventory			1,652	(2,706)
Bad debt expense			(53,301)	-
Capital outlay			293,443	268,143
Lease and subscription principal payments			27,777	43,572
Subtotal			<u>(7,429,682)</u>	<u>(7,396,113)</u>
Change in net position			<u>\$ (7,768,855)</u>	<u>\$ (7,274,403)</u>

CITY OF FAYETTEVILLE

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP) AIRPORT CAPITAL PROJECTS FUND

FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal grants	\$ 10,578,048	\$ 1,921,958	\$ 3,848,057	\$ 5,770,015
State grants	7,517,014	1,152,817	428,981	1,581,798
Passenger facility charges	999,999	999,999	769,306	1,769,305
Customer facility charges	7,947,036	122,315	904,954	1,027,269
Investment income	-	1,322,352	836,264	2,158,616
Total revenues	<u>27,042,097</u>	<u>5,519,441</u>	<u>6,787,562</u>	<u>12,307,003</u>
Expenditures				
Airport capital projects	30,189,141	4,551,624	1,630,321	6,181,945
Total expenditures	<u>30,189,141</u>	<u>4,551,624</u>	<u>1,630,321</u>	<u>6,181,945</u>
Revenues over (under) expenditures	<u>(3,147,044)</u>	<u>967,817</u>	<u>5,157,241</u>	<u>6,125,058</u>
Other financing sources (uses)				
Transfers in	3,147,044	1,847,044	1,300,000	3,147,044
Total other financing sources (uses)	<u>3,147,044</u>	<u>1,847,044</u>	<u>1,300,000</u>	<u>3,147,044</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,814,861</u>	<u>\$ 6,457,241</u>	<u>\$ 9,272,102</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over (under) expenditures			\$ 6,457,241	
Capital outlay			<u>1,629,948</u>	
Change in net position			<u>\$ 8,087,189</u>	

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP) SOLID WASTE FUND

YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2025 Actual</u>	<u>2024 Actual</u>
Operating revenues				
Charges for services	\$ 18,286,334	\$ (659,347)	\$ 17,626,987	\$ 16,649,127
Other revenue from operations	-	-	-	264,639
Total operating revenues	<u>18,286,334</u>	<u>(659,347)</u>	<u>17,626,987</u>	<u>16,913,766</u>
Operating expenditures				
Salaries and employee benefits	6,466,299	943,802	5,522,497	6,914,738
Other operating expenditures	13,330,091	4,470,017	8,860,074	6,393,920
Capital outlay	-	(4,834,729)	4,834,729	272,658
Cost redistribution	724,900	(242,418)	967,318	
Total operating expenditures	<u>20,521,290</u>	<u>336,672</u>	<u>20,184,618</u>	<u>13,581,316</u>
Operating income (loss)	<u>(2,234,956)</u>	<u>(322,675)</u>	<u>(2,557,631)</u>	<u>3,332,450</u>
Nonoperating revenues (expenditures)				
Federal and State grants	-	-	-	-
County revenue	319,415	2,290	321,705	485,509
Miscellaneous	297,900	(133,280)	164,620	4,905
Donations	25,000	(25,000)	-	-
Interest earned on investments	16,000	246,771	262,771	385,597
Payments to agencies	-	(5,429)	(5,429)	(800)
Interest expense	(3,940)	(2,455)	(6,395)	(14,853)
Debt service - principal payment	(1,054,193)	(1)	(1,054,194)	(1,086,008)
Nonoperating revenues (expenditures)	<u>(399,818)</u>	<u>82,896</u>	<u>(316,922)</u>	<u>(225,650)</u>
Revenues over (under) expenditures	<u>(2,634,774)</u>	<u>(239,779)</u>	<u>(2,874,553)</u>	<u>3,106,800</u>
Other financing sources (uses)				
Proceeds (losses) from sale of capital assets	8,560	384,394	392,954	(52,255)
Transfers out	(870,009)	-	(870,009)	-
Appropriated fund balance	3,496,223	(3,496,223)	-	-
Total other financing sources (uses)	<u>2,634,774</u>	<u>(3,111,829)</u>	<u>(477,055)</u>	<u>(52,255)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (3,351,608)</u>	<u>\$ (3,351,608)</u>	<u>\$ 3,054,545</u>
Reconciliation of change in net position				
Total revenues			\$ 18,769,037	\$ 17,737,522
Total expenditures			22,120,645	14,682,977
Subtotal			<u>(3,351,608)</u>	<u>3,054,545</u>
Depreciation and amortization			(1,573,509)	(1,403,875)
Decrease (increase) in accrued vacation			(14,627)	37,676
Net OPEB expense			206,678	110,493
Net LGERS expense			(184,570)	(254,658)
Change in inventory			(15,919)	-
Bad debt expense			(3,083)	(7,581)
Capital outlay			4,834,729	272,658
Debt principal payment			1,054,194	1,076,285
Lease and subscription principal payments			-	9,723
Subtotal			<u>4,303,893</u>	<u>(159,279)</u>
Change in net position			<u>\$ 952,285</u>	<u>\$ 2,895,266</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
SOLID WASTE CAPITAL PROJECTS FUND

FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
State grants	\$ -	\$ -	\$ -	\$ -
Interest earned on investments	-	-	7,925	7,925
Total revenues	<u>-</u>	<u>-</u>	<u>7,925</u>	<u>7,925</u>
Expenditures				
Solid waste	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>7,925</u>	<u>7,925</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,925</u>	<u>\$ 7,925</u>
Reconciliation of modified accrual basis to full accrual basis:				
Excess of revenues over expenditures			<u>\$ 7,925</u>	
Change in net position			<u>\$ 7,925</u>	

CITY OF FAYETTEVILLE

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

INTERGOVERNMENTAL SERVICE AGREEMENT FUND

YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	Budget	Variance Positive (Negative)	2025 Actual	2024 Actual
Revenues				
Charges for services	\$ 6,008,251	\$ 4,852,760	\$ 1,155,491	\$ -
Total revenues	<u>6,008,251</u>	<u>4,852,760</u>	<u>1,155,491</u>	<u>-</u>
Expenditures				
Salaries and employee benefits	443,455	443,455	-	-
Other operating expenditures	5,564,796	4,158,643	1,406,153	-
Total expenditures	<u>6,008,251</u>	<u>4,602,098</u>	<u>1,406,153</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>250,662</u>	<u>(250,662)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 250,662</u>	<u>\$ (250,662)</u>	<u>\$ -</u>
Reconciliation of change in net position				
Total revenues			1,155,491	-
Total expenditures			1,406,153	-
Change in net position			<u>\$ (250,662)</u>	<u>\$ -</u>



Internal Service Funds

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

The following comprise the City's Internal Service Funds:

- Risk Management Fund
- Fleet Maintenance Fund

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
COMBINING STATEMENT OF FUND NET POSITION INTERNAL SERVICE FUNDS

JUNE 30, 2025

	Risk Management Fund	Fleet Maintenance Fund	Total
Assets			
Current assets			
Cash and investments	\$ 37,438,441	\$ 27,089	\$ 37,465,530
Accounts receivable	656,365	950,953	1,607,318
Prepaid expenses	332,013	-	332,013
Total current assets	<u>38,426,819</u>	<u>978,042</u>	<u>39,404,861</u>
Noncurrent assets			
Capital assets	-	70,656	70,656
Right to use leased assets	-	2,233,338	2,233,338
Total noncurrent assets	<u>-</u>	<u>2,303,994</u>	<u>2,303,994</u>
Total assets	<u>38,426,819</u>	<u>3,282,036</u>	<u>41,708,855</u>
Deferred outflows of resources			
OPEB deferrals	6,409	-	6,409
Pension deferrals	126,405	361,159	487,564
Total deferred outflows of resources	<u>132,814</u>	<u>361,159</u>	<u>493,973</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	3,939,518	573,079	4,512,597
Interfund payable	-	253,635	253,635
Current portion of long term debt	4,920	39,684	44,604
Lease liability	-	201,600	201,600
Total current liabilities	<u>3,944,438</u>	<u>1,067,998</u>	<u>5,012,436</u>
Noncurrent liabilities			
OPEB obligation	107,154	-	107,154
Net pension liability	244,012	697,185	941,197
Unearned revenues	20,999	-	20,999
Lease liability	-	2,214,990	2,214,990
Long term debt	9,591	59,281	68,872
Total noncurrent liabilities	<u>381,756</u>	<u>2,971,456</u>	<u>3,353,212</u>
Total liabilities	<u>4,326,194</u>	<u>4,039,454</u>	<u>8,365,648</u>
Deferred inflows of resources			
OPEB deferrals	10,731	-	10,731
Pension deferrals	9,270	26,493	35,763
Total deferred inflows of resources	<u>20,001</u>	<u>26,493</u>	<u>46,494</u>
Net position			
Net investment in capital assets	-	(112,596)	(112,596)
Unrestricted	34,213,438	(310,156)	33,903,282
Total net position	<u>\$ 34,213,438</u>	<u>\$ (422,752)</u>	<u>\$ 33,790,686</u>

CITY OF FAYETTEVILLE

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2025

	Risk Management Fund	Fleet Maintenance Fund	Total
Operating Revenues			
Other revenue from operations	\$ 1,646,627	\$ -	\$ 1,646,627
Interfund charges and employee contributions	25,424,810	7,630,424	33,055,234
Total operating revenues	<u>27,071,437</u>	<u>7,630,424</u>	<u>34,701,861</u>
Operating expenses			
Salaries and employee benefits	525,179	2,217,405	2,742,584
Other operating expenses	24,722,208	4,846,540	29,568,748
Total operating expenses	<u>25,247,387</u>	<u>7,063,945</u>	<u>32,311,332</u>
Operating income (loss)	<u>1,824,050</u>	<u>566,479</u>	<u>2,390,529</u>
Nonoperating revenues (expenses)			
Interest earned on investments	1,984,713	-	1,984,713
Interest - leases	-	(74,279)	(74,279)
Other charges	-	(506,079)	(506,079)
Total nonoperating revenues (expenses)	<u>1,984,713</u>	<u>(580,358)</u>	<u>1,404,355</u>
Income (loss) before transfers	<u>3,808,763</u>	<u>(13,879)</u>	<u>3,794,884</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	2,081	2,081
Transfers out	(993,000)	-	(993,000)
Total other financing sources (uses)	<u>(993,000)</u>	<u>2,081</u>	<u>(990,919)</u>
Change in net position	2,815,763	(11,798)	2,803,965
Beginning, as previously presented	31,404,821	(385,233)	31,019,588
Changes in accounting principal (GASB 101)	(7,146)	(25,721)	(32,867)
Beginning, as restated	<u>31,397,675</u>	<u>(410,954)</u>	<u>30,986,721</u>
Total net position - ending	<u>\$ 34,213,438</u>	<u>\$ (422,752)</u>	<u>\$ 33,790,686</u>

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICES FUNDS

YEAR ENDED JUNE 30, 2025

	Risk Management Fund	Fleet Maintenance Fund	Total
Operating activities			
Cash received from customers	\$ 27,103,006	\$ 7,338,200	\$ 34,441,206
Cash received for insurance reimbursements	-	-	-
Cash paid to or on behalf of employees for services	(513,410)	(2,378,308)	(2,891,718)
Cash paid for goods and services	(24,233,599)	(5,080,102)	(29,313,701)
Net cash provided by operating activities	2,355,997	(120,210)	2,235,787
Noncapital financing activities			
Intergovernmental contributions	-	253,635	253,635
Transfers out	(993,000)	-	(993,000)
Net cash provided (used) in noncapital financing activities	(993,000)	253,635	(739,365)
Capital and related financing activities			
Proceeds from sale of capital assets	-	2,081	2,081
Acquisition and construction of capital assets	-	-	-
Lease proceeds (payments)	(273)	-	(273)
Interest payments	-	(580,358)	(580,358)
Net cash provided (used) by capital and related financing activities	(273)	(578,277)	(578,550)
Investing activities			
Interest and dividends	1,984,713	-	1,984,713
Net cash provided by investing activities	1,984,713	-	1,984,713
Net increase in cash and cash equivalents	3,347,437	(444,852)	2,902,585
Cash and cash equivalents			
Beginning of year	34,091,004	471,941	34,562,945
End of year	\$ 37,438,441	\$ 27,089	\$ 37,465,530
Unrestricted cash and cash equivalents	\$ 37,438,441	\$ 27,089	\$ 37,465,530
Total cash and cash equivalents	\$ 37,438,441	\$ 27,089	\$ 37,465,530
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 1,824,050	\$ 566,479	\$ 2,390,529
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	199,224	199,224
Change in assets, liabilities and deferrals:			
(Increase) decrease in accounts and leases receivable and related deferrals	22,257	(295,480)	(273,223)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	(76,847)	-	(76,847)
Increase (decrease) in unearned revenues/deposits	9,312	-	9,312
Increase (decrease) in accounts payable and accrued liabilities	565,457	(432,787)	132,670
Increase (decrease) in accrued	-	(213,576)	(213,576)
Increase (decrease) Pension and OPEB expense	11,768	55,930	67,698
Total adjustments	531,947	(686,689)	(154,742)
Net cash provided by operating activities	\$ 2,355,997	\$ (120,210)	\$ 2,235,787

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL
(NON-GAAP) RISK MAINTENANCE INTERNAL SERVICE FUND

YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	Financial Plan	Variance Positive (Negative)	2025 Actual	2024 Actual
Operating revenues				
Other revenues from operations	\$ 1,784,445	\$ (137,818)	\$ 1,646,627	\$ 2,029,346
Interfund charges and employee contributions	27,894,188	(2,469,378)	25,424,810	25,884,219
Total operating revenues	<u>29,678,633</u>	<u>(2,607,196)</u>	<u>27,071,437</u>	<u>27,913,565</u>
Operating expenditures				
Salaries and employee benefits	571,487	57,807	513,680	488,131
Other operating expenditures	29,660,146	4,937,938	24,722,208	23,916,229
Total operating expenditures	<u>30,231,633</u>	<u>4,995,745</u>	<u>25,235,888</u>	<u>24,404,360</u>
Operating income (loss)	<u>(553,000)</u>	<u>2,388,549</u>	<u>1,835,549</u>	<u>3,509,205</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	553,000	1,431,713	1,984,713	1,474,604
Miscellaneous	-	-	-	22,966
Total nonoperating revenues (expenditures)	<u>553,000</u>	<u>1,431,713</u>	<u>1,984,713</u>	<u>1,497,570</u>
Revenues over (under) expenditures	<u>-</u>	<u>3,820,262</u>	<u>3,820,262</u>	<u>5,006,775</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(993,000)	-	(993,000)	(822,000)
Appropriated fund balance	993,000	(993,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(993,000)</u>	<u>(993,000)</u>	<u>(822,000)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,827,262</u>	<u>\$ 2,827,262</u>	<u>\$ 4,184,775</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues			\$ 29,056,150	\$ 29,411,135
Total expenditures			26,228,888	25,226,360
Subtotal			<u>2,827,262</u>	<u>4,184,775</u>
Decrease (increase) in accrued vacation			273	(1,510)
Change in net OPEB expense			7,807	4,173
Decrease (increase) in insurance liability			-	195,407
LGERS expense			(19,579)	(27,010)
Subtotal			<u>(11,499)</u>	<u>171,060</u>
Change in net position			<u>\$ 2,815,763</u>	<u>\$ 4,355,835</u>

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL
(NON-GAAP) FLEET MAINTENANCE INTERNAL SERVICE FUND

YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024)

	Financial Plan	Variance Positive (Negative)	2025 Actual	2024 Actual
Operating revenues				
Interfund charges	\$ 9,748,053	\$ (2,117,629)	\$ 7,630,424	\$ 8,180,512
Total operating revenues	<u>9,748,053</u>	<u>(2,117,629)</u>	<u>7,630,424</u>	<u>8,180,512</u>
Operating expenditures				
Salaries and employee benefits	2,909,483	776,031	2,133,452	2,149,644
Other operating expenditures	6,448,898	1,801,582	4,647,316	5,944,506
Capital outlay	39,000	8,028	30,972	-
Total operating expenditures	<u>9,397,381</u>	<u>2,585,641</u>	<u>6,811,740</u>	<u>8,094,150</u>
Operating income (loss)	<u>350,672</u>	<u>468,012</u>	<u>818,684</u>	<u>86,362</u>
Nonoperating revenues (expenditures)				
Nonoperating revenues (expenditures)	-	-	-	(78,400)
Interest expenditures - leases	-	(74,279)	(74,279)	-
Miscellaneous	(352,672)	(153,407)	(506,079)	-
Total nonoperating revenues (expenditures)	<u>(352,672)</u>	<u>(227,686)</u>	<u>(580,358)</u>	<u>(78,400)</u>
Revenues over (under) expenditures	<u>(2,000)</u>	<u>240,326</u>	<u>238,326</u>	<u>7,962</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	2,000	81	2,081	6,894
Total other financing sources (uses)	<u>2,000</u>	<u>81</u>	<u>2,081</u>	<u>6,894</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 240,407</u>	<u>\$ 240,407</u>	<u>\$ 14,856</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues			\$ 7,632,505	\$ 8,187,406
Total expenditures			7,392,098	8,172,550
Subtotal			<u>240,407</u>	<u>14,856</u>
Depreciation and amortization			(199,224)	(199,993)
Net LGERS expense			(55,930)	(77,169)
Decrease (increase) in accrued vacation			(28,023)	1,575
Capital outlay			30,972	-
Lease principal payments			-	183,891
Subtotal			<u>(252,205)</u>	<u>(91,696)</u>
Change in net position			<u>\$ (11,798)</u>	<u>\$ (76,840)</u>

City of Fayetteville, North Carolina

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The banner features a red and blue wavy background. On the left, the text 'ANNUAL COMPREHENSIVE FINANCIAL REPORT' is written in blue, bold, sans-serif font. To the right of the text are five circular icons: a person with a suitcase, a bar chart with an upward arrow, a group of people, a house, and a person with a star. Further right is the Fayetteville North Carolina logo, which is a circular seal with a star in the center and the text 'FAYETTEVILLE NORTH CAROLINA' around the perimeter. To the right of the logo, the text 'FY 2025' is displayed in a large, stylized font, with '20' in white and '25' in red.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2025

Fiduciary Funds

The following comprise the City's Fiduciary Funds:

- Private-Purpose Trust Funds
- Custodial Fund

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



Trust & Custodial Funds

Trust Funds are used to account for assets held by the City in a trustee capacity. The following comprise the City's Trust Funds:

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

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST
FUNDS

JUNE 30, 2025

	Firefighters' Benefit Trust Fund	Total
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ -
Total assets	<u>-</u>	<u>-</u>
Net position		
Restricted for benefits and other purposes	<u>-</u>	<u>-</u>
Total net position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF FAYETTEVILLE
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-
PURPOSE TRUST FUNDS**

JUNE 30, 2025

	Firefighters' Benefit Trust Fund	Total
Additions		
Contributions	\$ 199,937	\$ 199,937
Investment earnings	195	195
Total additions	200,132	200,132
Deductions		
Benefit payments and premiums	1,640,445	1,640,445
Total deductions	1,640,445	1,640,445
Change in net position	(1,440,313)	(1,440,313)
Total net position - beginning	1,440,313	1,440,313
Total net position - ending	\$ -	\$ -

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS

JUNE 30, 2025

	Police	
	Evidence Fund	Total
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ -
Restricted cash	1,165,824	1,165,824
	<u>1,165,824</u>	<u>1,165,824</u>
Total assets	<u>1,165,824</u>	<u>1,165,824</u>
Liabilities		
Intergovernmental payable	<u>1,165,824</u>	<u>1,165,824</u>
	<u>1,165,824</u>	<u>1,165,824</u>
Total liabilities	<u>1,165,824</u>	<u>1,165,824</u>
Net position		
Restricted by	-	-
Restricted by court order	<u>-</u>	<u>-</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

CITY OF FAYETTEVILLE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS

JUNE 30, 2025

	<u>Police Evidence Fund</u>	<u>Total</u>
Additions		
Police Evidence fund deposits	\$ 150,176	\$ 150,176
Total additions	<u>150,176</u>	<u>150,176</u>
Deductions		
Police Evidence fund releases	<u>29,120</u>	<u>29,120</u>
Total deductions	<u>29,120</u>	<u>29,120</u>
Change in net position	121,056	121,056
Total net position - beginning	<u>(121,056)</u>	<u>(121,056)</u>
Total net position - ending	<u>\$ -</u>	<u>\$ -</u>

The banner features a red and blue wavy background. On the left, the text 'ANNUAL COMPREHENSIVE FINANCIAL REPORT' is written in blue. To the right of the text are five circular icons: a person with a suitcase, a bar chart with an upward arrow, a group of people, a house, and a person with a shield. Further right is the text 'FY 2025' in white and red, followed by the Fayetteville North Carolina logo which includes a star and the text 'FAYETTEVILLE NORTH CAROLINA'.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2025

Other Supplemental Financial Data

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

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
SCHEDULE OF CURRENT TAX LEVY

YEAR ENDED JUNE 30, 2025

	<u>Total Property Valuation</u>	<u>Rate Per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
General Fund (Including VTS)	\$ 15,454,374,212	\$ 0.5795	\$ 89,558,099	\$ 78,346,794	\$ 11,211,305
Late Listing Penalties:					
General Fund			75,320	75,320	-
Subtotal			<u>89,633,419</u>	<u>78,422,114</u>	<u>11,211,305</u>
Discoveries:					
General Fund	55,793,255	0.5795	323,322	323,322	-
Late Listing Penalties:					
General Fund			45,185	45,185	-
Subtotal			<u>368,507</u>	<u>368,507</u>	<u>-</u>
Releases					
General Fund	(55,765,893)	0.5795	(323,163)	(323,163)	-
Late Listing Penalties:					
General Fund			(16,863)	(16,863)	-
Subtotal			<u>(340,026)</u>	<u>(340,026)</u>	<u>-</u>
Adjusted Tax Levy			<u>89,661,900</u>	<u>78,450,595</u>	<u>11,211,305</u>
Uncollected Current Year Taxes at 6/30/2025			<u>(335,081)</u>	<u>(335,081)</u>	<u>-</u>
City-wide Current Year's Taxes Collected			<u>\$ 89,326,819</u>	<u>\$ 78,115,514</u>	<u>\$ 11,211,305</u>
City-wide Current Levy Collection Percentage			<u>99.63%</u>	<u>99.57%</u>	<u>100.00%</u>

CITY OF FAYETTEVILLE
SCHEDULE OF TAXES RECEIVABLE

JUNE 30, 2025

Fiscal Years Ended	Uncollected Balance June 30, 2024	Additions & Releases	Collections	Uncollected Balance June 30, 2025
2025	\$ -	\$ 89,661,900	\$ 89,326,819	\$ 335,081
2024	316,522	(6,098)	165,713	144,711
2022	129,121	(2,475)	36,532	90,114
All Prior	520,426	13,475	37,433	496,468
	<u>966,069</u>	<u>\$ 89,666,802</u>	<u>\$ 89,566,497</u>	<u>1,066,374</u>
Less allowance for Uncollectible Taxes				
General Fund	<u>(351,982)</u>			<u>(425,286)</u>
	<u>\$ 614,087</u>			<u>\$ 641,088</u>
General Fund Taxes Receivable per the fund financial statements				\$ 650,009
Less CBTD Taxes Receivable				(4,374)
Less vehicle License Fee Receivable				(4,546)
General Fund Ad Valorem Taxes Receivable				<u>\$ 641,089</u>

**Reconciliations of collections and credit
with revenues**

Ad Valorem Taxes per the fund financial statements	\$ 89,863,920
Less Penalties & Interest	(46,998)
Less Taxes - CBTD	(250,425)
Less collection of amounts not reported by County	-
General Fund Ad Valorem Taxes	<u>\$ 89,566,497</u>

CITY OF FAYETTEVILLE
EMERGENCY TELEPHONE SYSTEM UNSPENT FUND PSAP RECONCILIATION

JUNE 30, 2025

Net Change in Fund Balance, reported on Budget to Actual	\$ 89,341
Beginning Balance, PSAP Revenue-Expenditure Report	1,389,700
Net Change in Fund Balance, PSAP Revenue-Expenditure Report	<u>(174,824)</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 1,214,876</u>
Ending Fund Balance, reported on Budget to Actual	<u>1,309,551</u>
Amount to be adjusted in (next fiscal year)	\$ (94,675)

CITY OF FAYETTEVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - EMERGENCY TELEPHONE SYSTEM FUND

YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2025 Actual</u>	<u>2024 Actual</u>
Revenues				
Restricted intergovernmental	\$ 444,877	\$ (3,815)	\$ 441,062	\$ 363,303
Interest earned on investments	50,800	14,217	65,017	62,858
Total revenues	<u>495,677</u>	<u>10,402</u>	<u>506,079</u>	<u>426,161</u>
Expenditures				
Current				
Public Safety				
Other operating expenditures	495,677	78,939	416,738	598,352
Total public safety	<u>495,677</u>	<u>78,939</u>	<u>416,738</u>	<u>598,352</u>
Total expenditures	<u>495,677</u>	<u>78,939</u>	<u>416,738</u>	<u>598,352</u>
Revenues over (under) expenditures	<u>-</u>	<u>89,341</u>	<u>89,341</u>	<u>(172,191)</u>
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 89,341</u>	<u>89,341</u>	<u>(172,191)</u>
Fund balance				
Beginning			1,220,210	1,392,401
Ending			<u>\$ 1,309,551</u>	<u>\$ 1,220,210</u>



Statistical Section

City of Fayetteville, North Carolina

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Statistical Section (Unaudited)

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

CONTENTS

Financial Trends

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

Revenue Capacity

These schedules contain trend information to help the reader access the City's most significant local revenue sources.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE
NET POSITION BY COMPONENT

SCHEDULE 1

LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Investment in capital assets	\$ 338,293,438	\$ 329,434,958	\$ 335,025,076	\$ 333,857,014	\$ 330,863,790	\$ 335,817,027	\$ 350,198,457	\$ 363,802,556	\$ 433,397,079	\$ 399,345,489
Restricted for:										
Other purposes	41,001,564	54,544,864	43,761,893	45,667,826	46,691,849	34,354,204	59,722,337	66,786,121	81,069,735	93,066,008
Grant compliance	801,855	349,930	-	-	-	-	-	-	-	-
Unrestricted	27,543,627	6,879,303	2,162,493	8,772,466	16,112,820	27,352,998	1,385,952	1,057,503	(65,832,899)	(34,598,447)
Total governmental activities net position	\$ 407,640,484	\$ 391,209,055	\$ 380,949,462	\$ 388,297,306	\$ 393,668,459	\$ 397,524,229	\$ 411,306,746	\$ 431,646,180	\$ 448,633,915	\$ 457,813,050
Business-type activities										
Investment in capital assets	\$ 96,012,428	\$ 101,703,182	\$ 109,091,148	\$ 122,813,747	\$ 127,557,082	\$ 138,352,881	\$ 149,577,261	\$ 149,950,995	\$ 150,882,587	\$ 157,330,652
Restricted for:										
Operating projects	-	-	-	-	-	-	-	1,129	-	-
Capital projects	1,336,609	-	3,146,639	2,736,638	3,240,358	3,219,178	3,715,377	3,422,666	3,092,383	3,795,483
Debt service	-	-	-	-	-	-	-	-	-	-
Other purposes	1,020	-	1,020	1,020	-	-	-	-	-	-
Unrestricted	23,900,354	29,904,548	20,436,378	27,030,464	29,226,083	34,347,206	32,536,772	33,129,314	35,631,268	38,618,572
Total business-type activities net position	\$ 121,250,411	\$ 131,607,730	\$ 132,675,185	\$ 152,581,869	\$ 160,023,523	\$ 175,919,265	\$ 185,829,410	\$ 186,504,104	\$ 189,606,238	\$ 199,744,707
Primary government										
Investment in capital assets	\$ 434,305,866	\$ 431,138,140	\$ 444,116,224	\$ 456,670,761	\$ 458,420,872	\$ 474,169,908	\$ 499,775,718	\$ 513,753,551	\$ 584,279,666	\$ 556,676,141
Restricted for:										
Operating projects	-	-	-	-	-	-	-	1,129	3,149,046	-
Capital projects	1,336,609	-	3,146,639	2,736,638	3,240,358	3,219,178	3,715,377	3,422,666	8,353,929	3,795,483
Debt service	-	-	-	-	-	-	-	-	-	-
Other purposes	41,002,584	54,544,864	43,762,913	45,668,846	46,691,849	34,354,204	59,722,337	66,786,121	113,554,237	93,066,008
Grant compliance	801,855	349,930	-	-	-	-	-	-	-	-
Unrestricted	51,443,981	36,783,851	22,598,871	35,802,930	45,338,903	61,700,204	33,922,724	34,186,817	(30,201,631)	4,020,125
Total primary government net position	\$ 528,890,895	\$ 522,816,785	\$ 513,624,647	\$ 540,879,175	\$ 553,691,982	\$ 573,443,494	\$ 597,136,156	\$ 618,150,284	\$ 679,135,247	\$ 657,557,757

CITY OF FAYETTEVILLE
CHANGES IN NET POSITION

SCHEDULE 2

LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities										
Administration	\$ 28,126,514	\$ 27,154,948	\$ 27,725,160	\$ 32,006,971	\$ 33,146,241	\$ 35,374,041	\$ 34,232,321	\$ 48,952,419	\$ 39,371,017	\$ 52,308,027
Public safety	84,190,564	87,298,393	87,955,537	88,029,051	91,791,490	95,161,063	93,856,122	101,943,643	95,984,531	113,597,414
Environmental protection	536,121	757,612	1,968,606	1,055,261	543,604	9,445,358	2,443,253	2,523,298	459,433	1,565,265
Transportation	21,400,512	22,297,364	21,615,802	20,211,384	21,926,105	20,387,913	22,722,662	22,787,727	22,426,764	22,556,989
Economic and physical development	6,573,922	5,785,839	12,017,640	6,927,799	7,660,987	6,169,848	21,738,956	4,729,127	17,156,986	9,645,393
Recreation and community facilities	14,997,725	15,921,506	16,080,896	17,299,901	17,454,989	18,293,574	18,264,188	21,388,242	22,268,010	23,348,684
Debt service: Interest and fees	708,588	604,659	845,337	2,662,901	3,309,552	3,052,371	3,260,018	4,107,142	3,817,377	3,395,002
Total governmental activities	156,533,946	159,820,321	168,208,978	168,193,268	175,832,968	187,884,168	196,517,520	206,431,598	201,484,118	226,416,774
Business-type activities										
Stormwater management	4,755,537	4,662,158	5,098,148	4,755,536	7,481,723	9,292,133	11,466,611	11,115,325	10,276,942	11,084,008
Transit	9,401,907	10,449,142	11,294,000	11,560,359	12,206,930	12,375,100	12,434,235	14,696,947	15,030,309	16,036,663
Airport	7,235,478	7,537,690	7,723,260	7,833,020	8,016,695	8,694,307	9,302,780	10,834,113	12,731,221	12,203,243
Solid waste	10,266,780	11,763,102	11,353,828	14,162,893	13,285,435	13,695,011	16,313,584	14,909,905	14,894,511	16,946,743
Intergovernmental	-	-	-	-	-	-	-	-	-	1,406,153
Total business-type activities	31,659,702	34,412,092	35,469,236	38,311,808	40,990,783	44,056,551	49,517,210	51,556,290	52,932,983	57,676,810
Total primary government	\$ 188,193,648	\$ 194,232,413	\$ 203,678,214	\$ 206,505,076	\$ 216,823,751	\$ 231,940,719	\$ 246,034,730	\$ 257,987,888	\$ 254,417,101	\$ 284,093,584
Program Revenues										
Governmental activities										
<i>Administration</i>										
Charges for services	\$ 2,087,923	\$ 1,105,173	\$ 6,883,834	\$ 5,028,557	\$ 4,276,174	\$ 4,731,668	\$ 5,107,219	\$ 4,406,766	\$ 2,217,509	\$ 1,700,202
Operating grants and contributions	4,610	5,893,754	804,547	695,832	809,180	711,890	2,000	13,421,103	158,320	12,836,360
Capital grants and contributions	-	-	50,869	39,380	181,520	17,984	-	-	200	-
<i>Public Safety</i>										
Charges for services	3,652,223	977,480	3,768,313	3,280,798	3,334,167	3,239,887	5,283,717	7,792,954	8,373,612	9,212,955
Operating grants and contributions	3,755,940	1,925,656	3,794,588	4,466,823	4,494,475	5,397,409	4,159,422	3,916,012	711,440	5,978,538
Capital grants and contributions	649,569	1,583,563	225,345	99,114	199,172	44,878	455	-	-	30,434
<i>Environmental Protection</i>										
Charges for services	45,075	-	36,165	57,560	72,505	56,260	75,660	29,100	1,162,164	5,150
Operating grants and contributions	-	-	854,225	319,733	107,560	106,878	1,694,340	1,462,443	-	136,381
Capital grants and contributions	-	-	483,445	1,607,220	3,539,088	576,073	1,592,213	-	-	-
<i>Transportation</i>										
Charges for services	907,196	150,317	1,115,587	1,338,267	924,635	882,498	901,265	1,815,650	7,359,653	1,094,100
Operating grants and contributions	7,227,243	5,372,792	5,601,534	5,283,529	5,184,685	5,035,628	6,024,613	6,063,305	-	7,822,949
Capital grants and contributions	6,622,200	1,234,697	6,763,426	1,953,068	4,535,676	3,202,006	3,388,774	7,180,039	2,691,486	3,941,542
<i>Economic and physical development</i>										
Charges for services	479,286	510,298	305,422	-	-	-	-	-	714,747	197,225
Operating grants and contributions	2,186,935	1,706,081	3,756,194	2,809,201	3,996,716	3,677,513	17,181,397	2,975,910	9,872,777	2,925,004
Capital grants and contributions	3,114	149,452	199,741	779,753	430,109	195,400	1,482,226	4,209,382	744,022	971,922
<i>Recreation and community facilities</i>										
Charges for services	4,725,666	1,735,367	2,433,093	7,256,828	4,613,071	3,953,219	1,516,462	1,814,063	5,298,820	2,016,413
Operating grants and contributions	418,295	2,432,942	408,590	669,909	454,957	8,226,114	4,069,511	4,532,737	-	4,270,887
Capital grants and contributions	1,409,404	33,564	577,221	256,490	533,430	1,830,180	74,100	2,461,858	984,516	135,762
Total governmental activities programs	34,174,679	24,811,136	38,062,139	35,942,062	37,687,120	41,885,485	52,553,374	62,081,322	40,289,266	53,275,824

CITY OF FAYETTEVILLE
CHANGES IN NET POSITION (CONTINUED)

SCHEDULE 2

LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Business-type activities										
Stormwater management										
Charges for services	\$ 6,792,851	\$ 6,866,159	\$ 7,873,798	\$ 11,191,384	\$ 11,251,367	\$ 11,326,022	\$ 11,477,216	\$ 11,530,386	\$ 11,633,543	\$ 13,642,163
Operating grants and contributions	131,991	42,261	33,451	68,169	10,572	36,357	1,051	(18,019)	-	3,439,106
Capital grants and contributions	-	177,509	-	409,530	488,542	-	-	34,428	-	-
Transit										
Charges for services	1,394,009	1,373,694	1,303,820	1,280,317	1,080,959	274,435	89,663	265,061	1,139,340	1,000,639
Operating grants and contributions	3,004,558	3,497,224	3,421,241	3,613,076	5,656,620	6,652,266	6,938,851	3,935,501	1,050,910	9,069,879
Capital grants and contributions	5,698,273	5,618,316	480,798	1,106,100	2,604,204	171,920	4,159,431	1,574,533	1,276,045	-
Airport										
Charges for services	4,380,202	4,724,908	4,504,547	5,077,961	3,821,146	3,367,131	4,110,448	3,576,065	4,883,159	6,796,555
Operating grants and contributions	107,080	2,242,093	2,319,477	2,271,723	3,366,372	4,156,101	4,701,090	2,649,833	1,693,100	4,205,270
Capital grants and contributions	6,057,017	3,148,014	3,685,139	11,034,310	2,737,016	11,328,237	9,097,519	3,837,047	4,555,738	-
Solid waste										
Charges for services	3,211,073	2,938,196	6,883,837	11,957,664	12,005,824	14,215,982	14,249,274	14,398,051	16,913,766	17,590,876
Operating grants and contributions	135,056	2,560,822	444,840	3,376,440	506,300	617,330	473,256	530,785	485,509	483,348
Capital grants and contributions	-	-	-	-	-	353,641	-	-	-	-
Intergovernmental										
Charges for services	-	-	-	-	-	-	-	-	-	1,155,491
Total business-type activities programs	30,912,110	33,189,196	30,950,948	51,386,674	43,528,922	52,499,422	55,297,799	42,313,671	43,631,110	57,383,327
Total primary government programs	\$ 65,086,789	\$ 58,000,332	\$ 69,013,087	\$ 87,328,736	\$ 81,216,042	\$ 94,384,907	\$ 107,851,173	\$ 104,394,993	\$ 83,920,376	\$ 110,659,151
Net (expense)/revenue										
Governmental activities	\$ (122,359,267)	\$ (135,009,185)	\$ (130,146,839)	\$ (132,251,206)	\$ (138,145,848)	\$ (145,998,683)	\$ (143,964,146)	\$ (144,350,276)	\$ (161,194,852)	\$ (173,140,950)
Business-type activities	(747,592)	(1,222,896)	(4,518,288)	13,074,866	2,538,139	8,442,871	5,780,589	(9,242,619)	(9,301,873)	(293,483)
Total primary government net expense	\$ (123,106,859)	\$ (136,232,081)	\$ (134,665,127)	\$ (119,176,340)	\$ (135,607,709)	\$ (137,555,812)	\$ (138,183,557)	\$ (153,592,895)	\$ (170,496,725)	\$ (173,434,433)
General Revenues and Other Changes in Net Position										
Governmental activities										
Ad valorem taxes	\$ 68,907,943	\$ 72,112,845	\$ 69,226,879	\$ 70,312,277	\$ 70,904,252	\$ 72,172,159	\$ 72,478,217	\$ 73,650,346	\$ 80,257,654	\$ 89,091,821
Other taxes	53,902,375	54,832,387	56,057,367	58,466,738	59,592,005	66,556,778	73,501,492	77,982,691	88,428,717	80,678,410
Payment in lieu of taxes	9,487,800	9,966,765	10,428,117	10,938,256	11,098,087	11,450,867	11,853,127	11,072,379	9,577,047	11,968,928
Unrestricted grants and contributions	916,625	1,536,981	904,062	896,930	1,899,042	3,886,429	844,186	971,075	-	-
Interest earned on investments	514,449	810,961	1,594,656	3,364,326	2,503,187	764,112	726,704	7,045,829	7,582,907	7,844,294
Miscellaneous	501,294	3,593,019	920,408	563,803	922,672	428,531	888,903	772,648	274,848	6,324,819
Gain on sale of capital assets	144,204	(133,937)	-	-	-	590,233	312,704	125,522	875,748	237,950
Transfers	(10,758,599)	(10,367,645)	(5,863,929)	(4,943,280)	(3,402,244)	(5,994,657)	(2,858,671)	(6,930,780)	(8,814,331)	(7,095,104)
Total governmental activities	123,616,091	132,351,376	133,267,560	139,599,050	143,517,001	149,854,452	157,746,662	164,689,710	178,182,590	189,051,118
Business-type activities										
Other taxes	632,073	636,467	630,806	642,073	630,563	669,937	639,490	649,744	536,914	646,224
Interest earned on investments	141,069	179,472	414,760	771,987	587,796	69,048	105,983	1,795,658	2,774,889	2,879,948
Miscellaneous	439,571	403,307	386,524	377,556	282,493	685,629	496,056	523,743	33,082	11,669
Transfers	10,758,599	10,367,645	5,863,929	4,943,280	3,402,244	5,994,657	2,858,671	6,930,780	8,814,331	7,095,104
Gain on sale of capital assets	1,694	(6,681)	154,043	96,922	419	33,600	29,356	17,398	244,790	500,364
Total business-type activities	11,973,006	11,580,210	7,450,062	6,831,818	4,903,515	7,452,871	4,129,556	9,917,323	12,404,006	11,133,309
Total primary government	\$ 135,589,097	\$ 143,931,586	\$ 140,717,622	\$ 146,430,868	\$ 148,420,516	\$ 157,307,323	\$ 161,876,218	\$ 174,607,033	\$ 190,586,596	\$ 200,184,427
Change in Net Position										
Governmental activities	\$ 1,256,824	\$ (2,657,809)	\$ 3,120,721	\$ 7,347,844	\$ 5,371,153	\$ 3,855,769	\$ 13,782,516	\$ 20,339,434	\$ 16,987,738	\$ 15,910,168
Business-type activities	11,225,414	10,357,314	2,931,774	19,906,684	7,441,654	15,895,742	9,910,145	674,704	3,102,133	10,839,826
Total primary government	\$ 12,482,238	\$ 7,699,505	\$ 6,052,495	\$ 27,254,528	\$ 12,812,807	\$ 19,751,511	\$ 23,692,661	\$ 21,014,138	\$ 20,089,871	\$ 26,749,994

CITY OF FAYETTEVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS

SCHEDULE 3

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 72,638	\$ 1,173,189	\$ 1,192,169	\$ 273,969	\$ 85,790	\$ 2,048,090	\$ 2,530,227	\$ 2,833,668	\$ 8,245,338	\$ 5,837,345
Restricted	24,304,919	27,898,312	27,546,240	23,007,626	24,799,126	28,487,867	42,515,890	36,746,458	50,487,160	41,738,687
Committed	3,774,601	4,672,755	5,433,945	6,164,494	6,789,253	7,250,083	8,530,243	10,340,293	11,930,701	13,494,341
Assigned	10,645,774	8,914,212	15,429,544	21,387,384	25,706,053	31,729,070	19,012,219	15,976,663	8,410,592	14,598,639
Unassigned	23,070,485	21,649,065	19,566,580	25,103,217	25,196,717	23,573,760	22,577,314	28,203,474	20,263,796	26,993,670
Total General Fund	\$ 61,868,417	\$ 64,307,533	\$ 69,168,478	\$ 75,936,690	\$ 82,576,939	\$ 93,088,870	\$ 95,165,893	\$ 94,100,556	\$ 99,337,587	\$ 102,662,682
Economic and Physical Development Fund¹										
Restricted	\$ -	\$ -	\$ 39,638,107	\$ 2,657,769	\$ 690,802	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	4,467,471	817,605	1,898,182	-	-	-	-	-
Total Economic and Physical Development Fund	\$ -	\$ -	\$ 44,105,578	\$ 3,475,374	\$ 2,588,984	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and State Financial Assistance Fund²										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,752,122	\$ 5,875,912
Restricted	-	-	-	-	-	3,844,263	4,192,255	7,788,896	1,921,158	8,643,328
Committed	-	-	-	-	-	17,625,604	10,354,866	11,995,188	2,194,382	-
Unassigned	-	-	-	-	-	(11,654,849)	(6,650,605)	(10,734,075)	-	(4,566,278)
Total Federal and State Financial Assistance Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,815,018	\$ 7,896,516	\$ 9,050,009	\$ 11,867,662	\$ 9,952,962
Recreational and Cultural Bond Fund³										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,628,487	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	-
Total Recreational and Cultural Bond Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,628,487	\$ -	\$ -	\$ -
Environmental Protection										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,054	\$ -
Committed	-	-	-	-	-	-	-	-	217,800	-
Unassigned	-	-	-	-	-	-	-	-	(435,599)	(370,819)
Total Recreational and Cultural Bond Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (178,745)	\$ (370,819)
All other governmental funds										
Restricted	\$ 17,498,500	\$ 26,996,482	\$ 25,430,435	\$ 45,422,911	\$ 34,726,067	\$ 19,123,560	\$ 22,337,786	\$ 32,936,150	\$ 29,899,912	\$ 30,985,064
Committed	6,638,069	6,423,088	6,136,749	2,391,443	20,223,527	22,770,668	12,929,291	15,607,345	10,821,834	14,260,135
Unassigned	(704,521)	(7,108,571)	(7,586,331)	(8,795,974)	(14,585,548)	(8,726,581)	(181,247)	(125,578)	(6,637,926)	(19,075,860)
Total all other governmental funds	\$ 23,432,048	\$ 26,310,999	\$ 23,980,853	\$ 39,018,380	\$ 40,364,046	\$ 33,167,647	\$ 35,085,830	\$ 48,417,917	\$ 34,083,820	\$ 26,169,339

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

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

³ The Recreational and Cultural Bond Fund was reported as a non-major fund in all fiscal years except 2022.

CITY OF FAYETTEVILLE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

SCHEDULE 4

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Ad valorem taxes	\$ 69,176,547	\$ 71,974,910	\$ 69,236,205	\$ 70,447,225	\$ 70,643,946	\$ 72,227,580	\$ 72,856,395	\$ 73,856,911	\$ 80,769,510	\$ 89,254,171
Other taxes	1,310,019	1,354,312	1,308,855	1,381,888	1,386,447	1,466,005	1,605,850	1,502,107	4,101,012	92,647,338
Intergovernmental										
Unrestricted intergovernmental	63,665,595	64,981,821	66,749,531	69,618,821	71,922,612	81,337,095	85,207,809	88,541,823	94,434,370	17,736,522
Restricted intergovernmental	17,377,544	16,374,101	18,825,639	20,588,484	23,434,585	28,416,035	35,783,831	41,719,925	18,640,671	16,237,525
Local	2,102	595,893	2,086,287	2,573,170	1,287,214	2,173,775	-	-	-	-
Other functional										
Permits and fees	2,377,031	2,200,113	2,686,636	2,002,660	1,946,372	2,190,060	3,063,489	3,308,455	4,304,246	3,317,663
Sales and services	4,449,582	4,478,635	4,722,334	4,959,379	3,945,921	3,515,432	5,294,274	5,592,546	7,263,718	8,405,592
Miscellaneous	5,767,858	3,593,019	3,084,122	3,789,792	4,727,644	2,805,244	6,300,285	5,413,521	5,814,943	6,324,819
Interest earned on investments	507,858	512,557	1,517,086	2,712,051	2,030,016	596,789	528,333	5,979,619	6,320,552	5,859,580
Total revenues	164,634,136	166,065,361	170,216,695	178,073,470	181,324,757	194,728,015	210,640,266	225,914,907	221,649,022	239,783,210
Expenditures										
Administration	30,025,265	26,894,226	29,412,602	31,698,800	31,756,835	34,804,709	36,189,044	41,917,528	39,136,400	47,271,988
Public safety	78,695,634	80,141,845	79,243,759	82,643,758	80,848,250	83,837,521	89,305,955	94,044,468	88,065,692	105,338,447
Environmental protection	335,188	524,951	1,737,096	829,058	253,573	9,090,119	2,108,117	2,171,347	88,888	1,183,484
Transportation	8,014,406	8,711,851	3,575,692	6,405,962	7,279,888	7,534,799	10,186,179	9,617,796	9,796,269	9,115,214
Economic and physical development	5,136,300	4,715,831	8,417,336	5,549,625	5,602,559	5,185,449	21,164,182	4,335,903	14,596,003	10,215,964
Recreation and community facilities	12,829,765	12,903,835	13,174,362	14,752,768	14,222,385	13,845,891	14,375,440	16,927,391	18,110,596	20,494,714
Capital outlay	19,966,233	15,906,532	38,046,963	64,924,053	24,447,823	21,190,311	47,505,360	43,108,988	37,074,781	30,128,498
Debt service										
Principal	6,935,683	4,481,128	8,515,090	8,784,805	8,586,864	9,272,823	10,882,006	16,125,426	14,998,330	13,398,872
Interest and fees	875,040	630,308	677,172	2,625,437	3,352,404	3,142,133	2,930,123	4,107,142	4,006,976	3,519,557
Issuance costs	-	70,738	-	29,471	27,884	11,439	-	28,375	36,575	-
Total expenditures	162,813,514	154,981,245	182,800,072	218,243,737	176,378,465	187,915,194	234,646,406	232,384,364	225,910,510	240,666,738
Excess (deficiency) of revenues over (under) expenditures	1,820,622	11,084,116	(12,583,377)	(40,170,267)	4,946,292	6,812,821	(24,006,140)	(6,469,457)	(4,261,488)	(883,528)
Other financing sources (uses)										
Refunding bonds issued	-	-	-	2,270,000	-	-	-	-	-	-
Proceeds from leases, bonds and other debt	1,878,677	4,240,977	60,916,009	23,910,000	4,746,405	8,647,221	48,602,786	3,072,191	880,248	237,950
Transfers in	13,808,925	11,275,323	12,416,885	12,575,737	14,348,430	13,032,521	16,923,373	11,548,839	11,124,422	15,880,957
Transfers out	(24,879,567)	(21,303,731)	(19,677,171)	(17,516,732)	(17,056,914)	(18,647,084)	(18,618,864)	(17,488,158)	(19,116,753)	(21,983,061)
Proceeds from sale of capital assets	140,302	169,922	5,564,030	306,689	115,312	696,088	316,985	128,342	3,186,000	51,522
Payment to refund bond escrow agent	-	-	-	(2,500,000)	-	-	-	-	-	-
Lease and subscription liabilities issued	-	-	-	-	-	-	-	-	1,729,413	-
Miscellaneous from component unit	-	-	-	-	-	-	-	-	-	-
Premium on bonds	-	-	-	2,300,109	-	-	1,487,054	-	-	-
Total other financing sources (uses)	(9,051,663)	(5,617,509)	59,219,753	21,345,803	2,153,233	3,728,746	48,711,334	(2,738,786)	(2,196,670)	(5,812,632)
Net change in fund balances	\$ (7,231,041)	\$ 5,466,607	\$ 46,636,376	\$ (18,824,464)	\$ 7,099,525	\$ 10,541,567	\$ 24,705,194	\$ (9,208,243)	\$ (6,458,158)	\$ (6,696,160)
Debt service as a percentage of noncapital expenditures	5.47%	3.68%	6.35%	7.44%	7.86%	7.45%	7.38%	10.69%	10.06%	8.04%

CITY OF FAYETTEVILLE
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

SCHEDULE 5

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes ¹	Vehicle License Tax	Privilege License	Beer and Wine Tax	Rental Property Gross Receipts	Total
2025	\$ 89,254,171	\$ 61,932,221	\$ 13,808,547	\$3,199,842	\$ 13,475	\$ 837,326	\$ 900,474	\$ 169,946,056
2024	80,769,510	64,130,538	13,235,970	2,680,406	13,514	1,035,910	923,931	162,789,779
2023	73,856,911	63,591,544	12,906,825	649,931	14,527	971,075	852,176	152,842,989
2022	72,856,395	59,244,981	12,685,860	639,948	16,573	827,614	949,329	147,220,700
2021	72,227,580	52,364,572	12,756,367	671,406	14,041	872,389	780,558	139,686,913
2020	70,643,946	45,332,265	12,899,834	630,246	14,061	899,042	742,141	131,161,535
2019	70,447,224	43,633,583	13,476,266	634,397	20,252	896,930	727,239	129,835,891
2018	69,236,205	41,189,439	13,596,188	630,565	25,831	904,062	652,459	126,234,749
2017	71,974,910	39,922,499	13,555,577	639,089	16,989	942,161	698,234	127,749,459
2016	69,176,547	38,764,144	13,864,508	635,258	17,118	916,625	657,643	124,031,843

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

² Effective January 1, 2008, separate local and state 911 taxes on wireline and wireless phone services were replaced by a consolidated state 911 fee. Tax revenues reported for fiscal year 2008 and prior reflect the combined total of the previous local and state taxes.

CITY OF FAYETTEVILLE
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

SCHEDULE 6

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio ³
2025	\$ 15,394,458,563	\$ 2,661,373,945	\$ 184,730,395	\$ 2,837,113,813	\$ 15,403,449,090	0.5795	\$ 18,608,902,287	79.90%
2024	14,712,906,311	2,439,413,701	216,026,956	2,163,599,132	15,204,747,836	0.5395	24,380,517,405	58.18%
2023	14,282,863,108	2,347,347,180	197,829,761	2,163,599,132	14,664,440,917	0.4995	18,577,540,535	75.89%
2022	14,200,979,991	2,227,740,706	191,941,461	2,181,116,229	14,439,545,929	0.4995	16,003,042,706	88.65%
2021	14,132,203,402	2,212,156,883	194,509,106	2,166,223,481	14,372,645,910	0.4995	15,104,013,103	94.24%
2020	12,166,838,362	2,011,050,731	213,874,876	286,290,426	14,105,473,543	0.4995	14,601,785,630	95.99%
2019	12,041,300,117	2,004,752,958	218,665,782	264,857,453	13,999,861,404	0.4995	14,134,456,127	98.87%
2018 ⁵	11,910,788,026	1,922,225,242	196,690,912	245,808,939	13,783,895,241	0.4995	13,837,802,116	99.54%
2017	12,445,237,310	1,955,171,158	190,188,186	235,523,304	14,355,073,350	0.486	13,764,805,486	105.08%
2016	12,274,027,723	1,880,707,190	185,334,874	218,086,491	14,121,983,296	0.486	13,523,883,950	105.22%

Note: A revaluation of real property is required by North Carolina General Statutes at least every eight years. A County-wide revaluation of real property was effective with the tax levy for fiscal year 2009-2010 and again for fiscal year 2017-2018. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

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

² Exempt real estate only.

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

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

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

CITY OF FAYETTEVILLE
DIRECT AND OVERLAPPING PROPERTY TAX RATES

SCHEDULE 7

LAST TEN FISCAL YEARS
(PER \$100 OF ASSESSED VALUE) (UNAUDITED)

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate²	Overlapping Rates 1
				Cumberland County County Wide
2025	\$0.5795	\$0.170	\$0.000	0.799
2024	0.5395	0.100	0.000	0.799
2023	0.4995	0.100	0.000	0.799
2022	0.4995	0.100	0.000	0.799
2021	0.4995	0.100	0.175	0.799
2020	0.4995	0.100	0.394	0.799
2019	0.4995	0.100	0.394	0.799
2018	0.4995	0.100	0.394	0.799
2017	0.4995	0.100	0.394	0.799
2016	0.486	0.100	0.336	0.740

Source: Cumberland County Tax Office

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

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

CITY OF FAYETTEVILLE
PRINCIPAL PROPERTY TAXPAYERS TEN YEAR COMPARISON (UNAUDITED)

SCHEDULE 8

LAST TEN FISCAL YEARS

Taxpayer	2025 ¹			2016 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 154,692,125	1	1.02%	\$ 133,819,700	1	0.95%
Duke Energy Progress, Inc	113,221,525	2	0.74%	-		-
Fayetteville VA Co LLC	91,139,174	3	0.60%	34,036,428	5	0.24%
Wal-Mart	80,196,554	4	0.53%	44,276,400	3	0.31%
Project Bronco Fayetteville LLC	78,540,439	5	0.52%	-		-
Mann + Hummell Purolater Filters LLC	59,860,756	6	0.39%	-		-
Campbell Soup Supply Co LLC	49,753,229	7	0.33%	-		-
Piedmont Natural Gas	47,606,662	8	0.31%	46,536,718	2	0.33%
Spectrum Southeast LLC	35,928,297	9	0.24%	-		-
Westlake at Morganton LLC	37,609,579	10	0.25%	28,107,800	6	0.20%
Hidden Creek Village	-		0.00%	24,803,500	9	0.18%
West Park Apartments LLC	-		0.00%	25,118,700	8	0.18%
Independence Place West Fayetteville	-		0.00%	26,605,101	7	0.19%
Carolina Telephone	-		0.00%	40,250,374	4	0.29%
DDRM Fayetteville Pavilion LLC	-		0.00%	23,862,500	10	0.17%
	<u>\$ 748,548,340</u>		<u>4.93%</u>	<u>\$ 427,417,221</u>		<u>3.04%</u>

¹ Assessed valuations are as of January 1, 2024 and the associated tax levies were due in the fiscal year ended June 30, 2025.

² Assessed valuations are as of January 1, 2015 and the associated tax levies were due in the fiscal year ended June 30, 2016.

Source: Cumberland County Tax Office

CITY OF FAYETTEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS 1

SCHEDULE 9

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Years Ending June 30	Taxes Levied for the Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$ 89,661,900	\$ 89,326,818	99.63%	\$ 335,081	\$ 89,661,899	99.99%
2024	80,637,591	80,321,068	99.61%	239,678	80,560,746	99.90%
2023	73,318,343	72,992,186	99.56%	267,246	73,259,432	99.92%
2022	72,203,354	71,819,894	99.47%	238,780	72,058,674	99.80%
2021	71,832,074	71,226,078	99.16%	484,883	71,710,961	99.83%
2020	70,544,316	69,884,651	99.06%	532,412	70,417,063	99.82%
2019	70,051,209	69,549,403	99.28%	300,931	69,850,334	99.71%
2018	68,869,870	68,409,559	99.33%	426,325	68,835,884	99.95%
2017	71,686,530	71,209,890	99.34%	423,566	71,633,456	99.93%
2016	68,718,397	68,299,578	99.39%	343,653	68,643,231	99.89%

1 Schedule reflects the general tax levy only.

Source: Cumberland County Tax Office

CITY OF FAYETTEVILLE
RATIOS OF OUTSTANDING DEBT BY

SCHEDULE 10

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year ²	Governmental Activities						Business-type Activities						Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Limited Obligation Bonds	Installment Agreements	Notes Payable	Leases ⁴	Subscription ⁴	General Obligation Bonds	Revenue Bonds	Notes Payable	Installment Agreements	Leases ⁴	Subscriptions ⁴			
2025	\$ 29,793,079	\$ 36,821,637	\$ 16,598,994	\$ -	\$ 2,622,827	\$ 3,446,238	-	\$ 1,295,000	\$ 125,150	\$ 223,958	\$ -	\$ 85,200	\$ 91,012,083	N/A	\$ 430
2024	32,176,916	39,647,088	21,999,930	-	3,136,752	5,986,087	-	2,130,000	150,179	1,278,152	-	132,633	106,637,737	N/A	508
2023	34,562,444	42,468,801	24,647,775	-	4,101,720	7,571,694	-	2,935,000	175,209	2,354,437	28,820	208,886	119,054,786	0.729%	559
2022	36,886,413	45,297,049	29,682,277	-	4,878,567	9,975,251	-	3,720,000	200,239	3,422,298	57,453	283,465	134,403,012	0.867%	627
2021	17,699,936	48,120,896	23,001,510	-	-	-	-	4,475,000	225,269	3,738,444	-	-	97,261,055	0.617%	459
2020	18,974,835	50,940,213	19,618,019	-	-	-	-	5,210,000	250,299	1,057,681	-	-	96,051,047	0.668%	460
2019	20,206,168	53,744,715	19,238,150	75,000	-	-	-	5,925,000	275,329	1,518,799	-	-	100,983,161	0.748%	483
2018	2,971,717	50,520,000	22,579,714	150,000	-	-	-	6,615,000	300,359	2,232,018	-	-	85,368,808	0.662%	411
2017	3,517,147	-	20,094,321	225,000	-	-	-	7,280,000	325,389	1,295,460	-	-	32,737,317	0.263%	157
2016 ³	4,396,267	-	19,419,617	300,000	-	-	-	7,925,000	350,419	434,563	-	-	32,825,866	0.265%	158

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

¹ See schedule 15 Demographic and Economic Statistics for per capita personal income and population data. 2023 is the most recent data.

² Beginning fiscal year 2013, the outstanding debt presented is net of premiums and discounts as reported in the basic financial statements and the notes to the financial statements.

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

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

CITY OF FAYETTEVILLE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING

SCHEDULE 11

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year ⁴	General Bonded Debt Outstanding			Total Primary Government	Percentage of Actual Total Assessed Value of	
	General Obligation Bonds	Limited Obligation Bonds	Revenue Bonds		Property ¹	Per Capita ²
2025	\$29,793,079	\$36,821,637	\$1,295,000	\$67,909,716	0.44%	321
2024	32,176,916	39,647,088	2,130,000	73,954,004	0.49%	352
2023	34,562,444	42,468,801	2,935,000	79,966,245	0.55%	375
2022	36,886,413	45,297,049	3,720,000	85,903,462	0.59%	401
2021	17,699,936	48,120,896	4,475,000	70,295,832	0.49%	332
2020	18,974,835	50,940,213	5,210,000	75,125,048	0.53%	360
2019	20,206,168	53,744,715	5,925,000	79,875,883	0.57%	382
2018	2,971,717	50,520,000	6,615,000	60,106,717	0.44%	290
2017	3,517,147	N/A	7,280,000	10,797,147	0.08%	52
2016 ³	4,336,988	N/A	7,925,000	12,261,988	0.09%	59

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

¹ See Schedule 6 for property value data.

² Population data can be found in Schedule 15.

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

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

CITY OF FAYETTEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SCHEDULE 12

FISCAL YEAR ENDING JUNE 30, 2025 (UNAUDITED)

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 35,240,714	59.95%	\$ 21,126,808
Subtotal, overlapping debt			21,126,808
City of Fayetteville direct debt			<u>89,282,774</u>
Total direct and overlapping debt			<u>\$ 110,409,582</u>

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

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

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

CITY OF FAYETTEVILLE
CITY OF FAYETTEVILLE, NORTH CAROLINA LEGAL DEBT MARGIN INFORMATION

SCHEDULE 13

LAST TEN FISCAL YEARS (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Limit	\$ 1,129,758,664	\$ 1,148,407,468	\$ 1,101,893,334	\$ 1,119,988,912	\$ 1,128,437,883	\$ 1,149,811,673	\$ 1,155,163,674	\$ 1,173,155,273	\$ 1,216,379,827	\$ 1,232,275,927
Total net debt applicable to limit	24,491,168	25,111,914	78,449,391	92,480,134	88,329,793	92,560,787	130,482,774	115,944,577	104,417,558	89,591,933
Legal debt margin	\$ 1,105,267,496	\$ 1,123,295,554	\$ 1,023,443,943	\$ 1,027,508,778	\$ 1,040,108,090	\$ 1,057,250,886	\$ 1,024,680,900	\$ 1,057,210,696	\$ 1,111,962,269	\$ 1,142,683,994
Total net debt applicable to the limit as a percentage of debt limit	2.17%	2.19%	7.12%	8.26%	7.83%	8.05%	11.30%	9.88%	8.58%	

Legal Debt Margin Calculation for Fiscal Year 2024

Assessed Value	\$ 15,403,449,090
Debt Limit (8% of total assessed value)	1,232,275,927
Debt applicable to limit:	
Bonded debt	29,793,079
Limited obligation bonds	36,821,637
Lease and subscription obligations (Governmental and Business)	6,154,265
Installment agreements (Governmental and Business)	16,822,952
Subtotal	89,591,933
Authorized and unissued debt	97,000,000
Total Gross Debt	186,591,933
Less: Statutory deductions	
Bonds authorized but unissued	(97,000,000)
Total Debt Applicable to Limit	89,591,933
Legal Debt Margin	\$ 1,142,683,994

CITY OF FAYETTEVILLE
PLEDGED REVENUE COVERAGE - STORMWATER

SCHEDULE 14

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses ¹	Net Available Revenue	Debt Service Requirements ⁴			Coverage ³
				Principal	Interest ²	Total	
2025	\$ 18,170,463	\$ 9,815,131	\$ 8,355,332	\$ 835,000	\$ 60,270	\$ 895,270	9.33
2024	12,636,648	9,079,562	3,557,086	805,000	85,742	890,742	3.99
2023	11,404,395	9,521,785	1,882,610	785,000	110,509	895,509	2.10
2022	11,351,225	9,685,598	1,665,627	755,000	134,413	889,413	1.87
2021	11,260,752	7,690,346	3,570,406	735,000	157,612	892,612	4.00
2020	11,214,252	6,194,015	5,020,237	715,000	180,184	895,184	5.61
2019	11,160,120	3,671,047	7,489,073	690,000	193,098	883,098	8.48
2018	7,844,450	4,060,584	3,783,866	665,000	233,055	898,055	4.21
2017	6,833,895	3,682,835	3,151,060	645,000	243,432	888,432	3.55
2016	6,769,910	3,609,029	3,160,881	625,000	194,167	819,167	3.86

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

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

² Interest represents accrual based interest.

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

⁴ Debt service includes revenue bonds and excludes notes payable.

CITY OF FAYETTEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 15

LAST TEN CALENDAR YEARS(UNAUDITED)

Year	City		County			
	Population ¹	Unemployment Rate ²	Personal Income ³	Per Capita Personal Income ³	School Enrollment ⁴	Retail Sales in Billions ⁵
2025	211,756	4.9%	N/A	N/A	48,434	6.239
2024	209,975	5.0%	N/A	N/A	49,183	6.167
2023	213,032	5.3%	16,335,221,000	48,345	50,246	6.118
2022	214,255	5.5%	15,496,282,000	46,024	48,796	5.743
2021	211,705	7.5%	15,766,028,000	46,992	50,879	5.238
2020	208,878	10.0%	14,387,295,000	43,028	50,880	4.330
2019	209,028	5.4%	13,498,407,000	40,233	53,361	4.318
2018	207,583	5.6%	12,887,624,000	38,780	50,937	4.049
2017	208,729	6.2%	12,252,634,000	36,990	51,480	4.040
2016	208,158	6.8%	11,983,381,000	35,954	51,846	3.849

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates
2. NC Employment Security Commission. Calendar year annual average unemployment statistics for Fayetteville, NC.
3. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2023 data is the most recent.
4. Cumberland County Schools Annual Report
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics.

**CITY OF FAYETTEVILLE
PRINCIPAL EMPLOYERS**

SCHEDULE 16

CURRENT YEAR AND TEN YEARS AGO(UNAUDITED)

Employer	2025			2016		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian) ¹	10,999	1	9.07%	8,757	1	7.29%
Cape Fear Valley Health System	7,000	2	5.77%	7,000	2	5.82%
Cumberland County Board of Education	6,670	3	5.50%	6,453	3	5.37%
Wal-Mart Associates, Inc.	1,293	9	1.07%	2,850	4	2.37%
Goodyear Tire & Rubber Company	2,900	4	2.39%	2,500	5	2.08%
Cumberland County Government	2,196	6	1.81%	2,362	6	1.97%
Fayetteville Technical Community College	1,315	8	1.08%	1,790	7	1.49%
City of Fayetteville	1,581	7	1.30%	1,770	8	1.47%
Veterans Administration	2,331	5	1.92%	1,000	10	0.83%
Food Lion	983	10	0.81%	1,057	9	0.88%
Total Employment (Ten Largest Civilian Employers)	37,268		30.72%	35,539		29.57%

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

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

CITY OF FAYETTEVILLE
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

SCHEDULE 17

LAST TEN FISCAL YEARS (UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Administration	125	121	104	133	134	126	121	130	132	145
Public Safety	950	915	951	940	929	897	888	880	837	870
Environmental Protection	5	5	5	5	5	5	4	4	13	13
Transportation	79	70	63	71	78	79	74	66	65	55
Economic and physical development	27	13	21	24	21	20	61	65	65	68
Recreation and community facilities	115	170	236	115	115	118	129	153	153	159
Internal Service¹	4	4	3	2	3	6	21	25	29	26
Transit	113	104	112	112	108	104	119	121	125	118
Airport	23	17	17	23	22	23	17	17	16	15
Stormwater	43	47	41	33	36	38	38	38	20	48
Solid Waste	70	74	69	67	61	62	67	67	78	74
Total	<u>1,554</u>	<u>1,540</u>	<u>1,622</u>	<u>1,525</u>	<u>1,512</u>	<u>1,478</u>	<u>1,539</u>	<u>1,566</u>	<u>1,533</u>	<u>1,591</u>

Source: City Finance Office

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

CITY OF FAYETTEVILLE
OPERATING INDICATORS BY FUNCTION/PROGRAM

SCHEDULE 18

LAST TEN FISCAL YEARS (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety										
Fire ⁽¹⁾										
Emergency responses	29,963	31,443	29,707	30,017	24,536	23,557	28,764	28,063	28,339	28,831
Fires extinguished	812	978	831	852	820	913	1397(1)	1973(1)	1,219	268
Fire inspections	4,516	4,031	5,826	5,460	8,196	9,771	8,530	7,042	7,175	9,452
Police ⁽²⁾										
Number of law violations:										
Physical arrests	7,083(2)	6,524	6,606	6,099	5,001	4,092	4,554	5,434	6,347	6,079
Traffic citations	24,860(2)	17,263	17,443	16,634	12,222	9,534	19,913	32,728	26,746	28,982
Warning citations	53,553(2)	38,389	32,695	28,102	16,460	9,703	10,094	8,499	23,393	23,724
Calls for service	277,688(2)	296,609	288,896	278,560	258,008	238,894	243,002	273,714	281,355	274,165
Development Services										
Number of permits issued:										
Residential:										
New single family	290	249	275	223	229	302	392	317	394	349
New multi-family										
Number of units	311	64	54	35	148	80	644	298	270	800
Renovations	1,382	1,011	924	728	394	413	373	511	659	662
Commercial:										
New	69	52	56	53	77	60	43	50	44	61
Renovations	431	450	371	420	394	350	401	499	350	348
Other:										
Miscellaneous	11,825	11,556	9,092	8,891	8,762	9,151	9,407	9,659	12,935	13,639
Yard sale	702	601	572	460	304	278	312	276	208	147

CITY OF FAYETTEVILLE
OPERATING INDICATORS BY FUNCTION/PROGRAM (CONTINUED)

SCHEDULE 18

LAST TEN FISCAL YEARS (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cultural and Recreational ⁽³⁾										
Youth Sports participants	15,209	17,057	15,970	19,182	15,841	1,831	9,191	13,883	12,499	11,843
Adult Sports participants	944	998	717	778	107	37	440	338	744	520
Senior participants	109,289	97,603	92,300	88,842	59,729	23,497	20,260	25,327	117,073	166,595
Therapeutic participants	52,942	57,171	56,955	47,049	29,920	374	2,741	1,436	9,956	14,726
Aquatics participants	38,099	66,446	72,140	73,200	39,668	22,604	75,248	78,856	97,457	67,810
Park programs participants	30,589	30,920	35,609	32,576	19,437	8,286	15,401	23,784	22,854	22,066
Special events participants	22,446	15,692	18,821	8,970	15,336	43,768	33,820	33,028	41,758	41,008
Permitted events	96	105	110	238	137	34	129	80	216	72
Mobile stage/bleacher rentals	92	137	116	108	104	1	28	34	40	68
Recreation center participants	621,664	631,514	816,726	661,301	558,602	99,550	604,341	832,565	803,551	637,561
Historical properties participants	73,109	60,661	60,152	46,641	58,707	8,002	41,073	41,995	32,712	17,665
Picnic shelter rentals	36,687	43,122	57,290	37,802	17,723	10,035	33,635	33,788	37,814	34,903
Festival Park										
Tier 1 Events (0 - 500 Attendees)	5	9	36	7	4	33	19	10	8	6
Tier 2 Events (501 - 2,500 Attendees)	2	3	2	16	4	0	7	5	7	9
Tier 3 Events (2,501 - 5,000 Attendees)	2	7	6	6	1	1	7	0	4	1
Tier 4 Events (5,001 - 10,000 Attendees)	10	8	10	2	1	0	7	11	4	0
Tier 5 Events (10,001 + Attendees)	19	15	19	13	4	0	7	19	19	19
Transportation										
Street Maintenance										
Streets maintained (miles)	740.69	740.68	743.40	744.13	745.96	747.72	749.59	751.46	753.65	753.50
Street resurfacing and cape sealing (miles)	20.09	13.50	8.31	13.16	11.26	17.87	26.09	44.60	50.42	31.20
Number of traffic signals maintained ⁽⁴⁾	214	225	230	231	233	239	239	241	240	240
Engineering										
Driveway permits (residential)	388	287	227	214	223	248	225	209	217	224
Driveway permits (commercial)	23	23	27	46	50	36	44	48	68	106
Airport										
Number of enplaned passengers	224,489	229,684	238,178	231,003	167,835	148,577	123,531	166,500	170,929	176,315
Number of deplaned passengers	221,292	228,562	235,835	230,958	166,761	147,027	122,056	165,182	167,666	172,878

CITY OF FAYETTEVILLE
CAPITAL ASSETS STATISTICS BY FUNCTION

SCHEDULE 19

LAST TEN FISCAL YEARS (UNAUDITED)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety										
Fire										
Number of stations	16	17	17	17	17	17	17	17	17	17
Police										
Number of stations	2	3	3	3	3	3	3	3	3	3
Cultural and Recreational										
Mini parks (.5 - 3 acres)	12	12	12	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	14	14	14	14	14	14	14	14	12	12
Community parks (30 - 50 acres)	7	7	7	7	7	7	7	7	14	14
Sports complexes (40 - 80 acres)	3	3	3	3	3	3	3	3	2	2
Green spaces	8	8	8	8	8	8	8	8	1	1
Neighborhood school-parks	34	34	34	34	34	34	34	34	38	38
Community school-parks	1	1	1	1	1	1	1	1	2	2
Linear parks	3	3	3	3	3	3	3	3	2	2
Special use parks	8	8	8	8	8	8	8	8	13	13
Program sites	8	8	8	8	8	8	8	8	6	6
Regional parks (100 - 250 acres)	3	3	3	3	3	3	3	3	4	4
Community center with gym	16	16	16	16	16	16	16	17	17	17
Pools	3	3	3	3	4	4	4	4	6	6
Transportation										
Street Maintenance										
Streets maintained (miles)	740.69	740.68	743.40	744.13	745.96	747.72	749.59	751.46	753.65	755.02
Number of traffic signals ⁽²⁾	29	30	30	31	33	33	33	33	32	33

(1) Reflects correction of presentation of previous data

(2) Reflects the number of traffic signals owned by the City of Fayetteville

Source: Information provided by various city departments.

City of Fayetteville, North Carolina

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Compliance Section

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

City of Fayetteville, North Carolina

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Fayetteville, North Carolina (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Fayetteville’s basic financial statements, and have issued our report thereon dated February 12, 2026.

The City’s basic financial statements include the operations of Fayetteville Public Works Commission, a discretely presented component unit of the City. Our audit, described below, does not include the operations of Fayetteville Public Works Commission because this component unit separately engaged us to perform an audit in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2025-001 and 2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Response to Findings

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

Purpose of this Report

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

PBMares, LLP

Morehead City, North Carolina
February 12, 2026



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

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

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

Opinion on Each Major Federal Program and Passenger Facility Charge Program

We have audited the City of Fayetteville, North Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*; the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission; and with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on each of the City of Fayetteville's major federal programs and the passenger facility charge program for the year ended June 30, 2025. The City of Fayetteville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Fayetteville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and the Passenger Facility Charge Program for the year ended June 30, 2025.

Other Matter — Federal Expenditures Not Included in the Compliance Audit

The City of Fayetteville's basic financial statements include the operations of Fayetteville Public Works Commission, a discretely presented component unit, which expended \$21,962,070 in federal awards during the year ended June 30, 2025. Our audit, described below, does not include the operations of operations of Fayetteville Public Works Commission because this component unit separately engaged us to perform an audit in accordance with the Uniform Guidance and the State Single Audit Implementation Act.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

PBMares, LLP

Morehead City, North Carolina
February 12, 2026



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

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

Report on Compliance for The Major State Program

We have audited City of Fayetteville, North Carolina’s (the City of Fayetteville or City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Fayetteville’s major State program for the year ended June 30, 2025. The City of Fayetteville’s major State program is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2025.

Other Matter — State Expenditures Not Included in the Compliance Audit

The City’s basic financial statements include the operations of Fayetteville Public Works Commission, a discretely presented component unit, which expended \$3,726,956 in state awards during the year ended June 30, 2025. Our audit, described below, did not include the operations of Fayetteville Public Works Commission because this component unit separately engaged us to perform an audit in accordance with the Uniform Guidance and the State Single Audit Implementation Act.

Basis for Opinion on The Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

PBMares, LLP

Morehead City, North Carolina
February 12, 2026

**City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2025**

Section 1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Federal Assistance Listing #	Program Name
21.027	Coronavirus State and Local Fiscal Recovery Funds
14.241	Housing Opportunities for Persons with AIDS (HOPWA)
20.507/20.526	Federal Transit Cluster
97.047	BRIC: Building Resilient Infrastructure and Communities

Dollar threshold used to distinguish between Type A and Type B Programs \$ 936,917

Auditee qualified as low-risk auditee? Yes X No

City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2025

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

State Awards

Internal control over State programs:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies)
identified?

_____ Yes X None Reported

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

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

_____ Yes X No

Identification of major State programs:

Non-State Street Aid Allocation
Auditee qualified as low-risk auditee?

_____ Yes X No

City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2025

Section 2. Financial Statement Findings

Finding: 2025-001: Material Weakness in Internal Control – Year-End Journal Entries

Criteria: Accounting Principles Generally Accepted in the United States require journal entries to be classified appropriately

Condition and context: The year-end sales tax revenue accrual was erroneously recorded to cash versus accounts receivable.

Effect: Accounts receivable was understated and cash was overstated by \$16,957,368.

Cause: Insufficient review of the entry to ensure coding to the appropriate accounts.

Recommendation: We recommend the City adhere to their policy of journal entry review to ensure both amounts and account classifications are correct prior to approval and recording of journal entries.

Management’s response: See Corrective Action Plan

Finding: 2025-002: Material Weakness in Internal Control – Bank Reconciliations and System Setup

Criteria: Bank reconciliations should be carried out timely, and with sufficient detail to ensure appropriate recording of all cash transactions within the operating funds of the City.

Condition and context: The City maintains a separate treasury fund to account for all the operating cash within the City. The reconciliation process performed ensured the balances within that fund were reconciled to the bank balances, however there was not further reconciliation to ensure the amounts recorded in the treasury fund agreed to the amounts recorded within the operating funds of the City.

Effect: The City had recorded \$21,508,618 in cash to the GASB 34 fund, the fund used to adjust from modified accrual GAAP to full accrual GAAP. \$10,647,751 in debt principal payments had erroneously been reversed out of the general fund cash into the GASB 34 fund, resulting in an opening fund balance error. \$10,290,937 of current year debt service payments from the general fund were automatically reversed out of the general fund into the GASB 34 fund. Reconciled cash in the treasury fund was \$2,779,313 greater than the amounts reported in the operating funds after the adjustments due to the debt service payments. The resulting adjusting entries resulted in additional payable accruals in the general fund, stormwater improvements fund, transit fund, airport fund, fleet maintenance fund, insurance fund, and the environmental services fund.

Cause: The primary cause of the errors is improper setup of the Oracle financial software. Additionally, while the City did reconcile the bank to the treasury fund, additional procedures were not performed to complete the reconciliation from the treasury funds to the operating funds of the City.

Recommendation: We recommend the City contact their Oracle provider and make the necessary adjustments to the financial system to ensure receivables, payables and cash are appropriately reflected in the financial system in accordance with GAAP. Additionally, we recommend the City reconcile the treasury fund reconciled cash to the operating funds reported cash on a monthly basis to ensure all transactions are appropriately reflected in the financial system.

Management’s response: See Corrective Action Plan

**City of Fayetteville, North Carolina
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2025**

Section 3. Findings and Questioned Costs for Federal Awards

None reported

Section 4. Findings and Questioned Costs for State Awards

None reported

Section 5. Findings and Questioned Costs for the Passenger Facility Charge Program

None reported.



City of Fayetteville, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2025

Finding 2025-001: Material Weakness in Internal Control – Year-End Journal Entries

Management Response: The City concurs with the finding.

Responsible Party: Tiffany Murray, Chief Financial Officer

Summary of Finding 2025-01: During the year-end closing process, the sales tax revenue accrual entry was incorrectly recorded to cash rather than accounts receivable. As a result, accounts receivable was understated, and cash was overstated by \$16,957,368 prior to audit adjustment. The error occurred due to insufficient secondary review of the journal entry coding. While the accrual methodology and amount were calculated appropriately, the account classification was not adequately verified prior to posting. This breakdown represents a deficiency in the execution of established review controls over year-end journal entries.

Corrective Action Plan: The City has implemented the following corrective measures to improve control over journal entry review: We have strengthened our review process to ensure journal entries are posted to the correct accounts. We updated our year-end checklist, so staff must double-check both the amount and the account before posting. Large or unusual entries will now require an extra review by senior Finance leadership. Finally, we provided additional training to ensure all staff understand the correct process for recording year-end entries.

Implementation Timeline: The revised journal entry review procedures were implemented immediately upon identification of the issue during the FY2025 audit process. The enhanced year-end checklist and supervisory review controls will be fully operational for the FY2026 fiscal year-end close.

Respectfully submitted,



Tiffany Murray
Chief Financial Officer

Finding: 2025-002: Material Weakness in Internal Control – Bank Reconciliations and System Setup

Management Response: The City concurs with the finding.

Responsible Party: Tiffany Murray, Chief Financial Officer

Summary of Finding 2025-02: The City maintains a centralized treasury fund to account for pooled operating cash. While the reconciliation process ensured the treasury fund was reconciled to bank balances on a monthly basis, additional procedures were not in place to formally reconcile the treasury fund balances to the corresponding cash balances recorded within the City’s individual operating funds. This condition occurred during the implementation and transition to the City’s new Oracle financial system. The initial system configuration did not fully align the treasury pooling structure with the general ledger cash accounts across all operating funds. Although bank-to-treasury reconciliations were performed timely, the absence of a formal secondary reconciliation between the treasury fund and the operating funds created a control gap.

Corrective Action Plan: The City has implemented stronger reconciliation procedures. We have established a formal monthly process to reconcile the treasury fund not only to the bank, but also to the operating funds of the City, with supervisory review. This step has been added to ensure consistent execution. Finance will work with system administration to review and resolve treasury pooling configuration issues within Oracle to ensure proper alignment between treasury and fund-level accounts. Ongoing monitoring and staff training will reinforce compliance and strengthen internal controls going forward.

Implementation Timeline: The enhanced reconciliation procedures have been implemented and are now incorporated into the City’s standard month-end close process. Finance will continue working with system administration to review and resolve treasury pooling configuration issues to ensure proper alignment between treasury and fund-level cash accounts.

Respectfully submitted,


Tiffany Murray
Chief Financial Officer

**City of Fayetteville, North Carolina
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

Section II - Financial Statement Findings

Finding 2024-001: Material Weakness in Internal Control – Accounts Payable Cutoff

Status: Corrected

Finding 2024-002: Material Weakness in Internal Control – Recording of Loan Receivable

Status: Corrected.

CITY OF FAYETTEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Total Expenditures
Federal Awards:					
U.S. Department of Housing and Urban Development					
Direct Programs:					
Community Development Block Grants/Entitlement Grants	14.218		\$ 2,310,037	\$ -	\$ 2,310,037
Covid 19 - Community Development Block Grant Program	14.218		977	-	977
Passed through NCDept of Public Safety Office of Recovery and Resilience					
CDBG Disaster Relief Grants	14.228		54,169	-	54,169
Total Community Development Block Grant Program Cluster			<u>2,365,183</u>	<u>-</u>	<u>2,365,183</u>
HOME Investment Partnerships Program	14.239		375,719	-	375,719
Emergency Solutions Grant Program	14.231		17,491	-	17,491
Passed through NCDept of Health and Human Services					
Housing Opportunities for Persons with AIDS	14.241		<u>1,434,260</u>	<u>-</u>	<u>1,434,260</u>
Total U.S. Department of Housing and Urban Development			<u>4,192,653</u>	<u>-</u>	<u>4,192,653</u>
U.S. Department of Energy					
Direct Programs:					
Energy Efficient and Conservation Block Grant	81.128		<u>55,900</u>	<u>-</u>	<u>55,900</u>
Total U.S. Department of Energy			<u>55,900</u>	<u>-</u>	<u>55,900</u>
U.S. Department of Justice					
Direct Programs:					
Juvenile Justice and Delinquency Prevention - FPD Youth Empowerment & Safety Program	16.540		8,736	-	8,736
Bulletproof Vest Partnership Program					
OCDETF Overtime Reimbursement Grant	16.607		16,650	-	16,650
Bureau of Alcohol, Tobacco & Firearms OT Reimbursement	16.607		11,283	-	11,283
Drug Enforcement Administration OT Reimbursement	16.607		25,026	-	25,026
FBI OT Reimbursement	16.607		75,121	-	75,121
U.S. Postal Inspection Service OT Reimbursement	16.607		33,445	-	33,445
United States Marshals Service OT Reimbursement	16.607		9,382	-	9,382
Total Bulletproof Vest Partnership Program			<u>170,907</u>	<u>-</u>	<u>170,907</u>
Stop School Violence	16.839	15PBJA-22-GG-00793-GJNP	31,316	-	31,316
National Sexual Assault Kit Initiative	16.833		208,667	-	208,667
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PBJA	171,015	-	171,015
Enforcement of Cyber Crimes	16.060		187,510	-	187,510
Community Policing Development	16.710		14,839	-	14,839
Equitable Sharing Program	16.922		6,655	-	6,655
Total U.S. Department of Justice			<u>799,645</u>	<u>-</u>	<u>799,645</u>

CITY OF FAYETTEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2025

U.S. Department of Transportation

Direct Programs:

Federal Transit Cluster

Federal Transit Formula Grants	20.507		\$ 7,853,250	\$ -	\$ 7,853,250
Buses and Bus Facilities Formula Competitive and Low or No Emissions Program	20.526		892,993	-	892,993
Total Federal Transit Cluster			<u>8,746,243</u>	<u>-</u>	<u>8,746,243</u>

Federal Highway Administration

Safe Streets and Roads for All - SARC	20.939		76,608	-	76,608
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Passed through NCDept of Transportation

Highway Planning and Construction Cluster

Rosehill Road Sidewalks	20.205		703,795	-	703,795
Hope Mills Road TADA Sidewalks / Skibo Road TADA Sidewalks / Ramsey Street TADA Sidewalks	20.205		2,128	-	2,128
Total Highway Planning and Construction Cluster			<u>705,923</u>	<u>-</u>	<u>705,923</u>

State and Community Highway Safety	20.600		11,811	-	11,811
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Total U.S. Department of Transportation			<u>9,540,585</u>	<u>-</u>	<u>9,540,585</u>
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U.S. Department of Treasury

Direct Programs:

Coronavirus State and Local Fiscal Recovery Funds	21.027		8,686,246	-	8,686,246
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Passed through NCDept of Environmental Quality

State and Local Fiscal Recovery Funds - Storm Drainage Improvements	21.027	NCDEQ (via SL 2021-180)	5,888,987	-	5,888,987
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Total US Department of Treasury			<u>14,575,233</u>	<u>-</u>	<u>14,575,233</u>
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U.S. Department of Homeland Security

Direct Programs:

Assistance to Firefighters Grant	97.044		94,000	-	94,000
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Hazard Mitigation Grant	97.039		213,469	-	213,469
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Building Resilient Infrastructure and Communities

Wayland Drive Improvements	97.047		311,943	-	311,943
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Person and Russell Street Flood Mitigation	97.047		1,361,168	-	1,361,168
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Total Building Resilient Infrastructure and Communities			<u>1,673,111</u>	<u>-</u>	<u>1,673,111</u>
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Total U.S. Department of Homeland Security			<u>1,980,580</u>	<u>-</u>	<u>1,980,580</u>
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Total Federal Awards Expended			<u>31,144,596</u>	<u>-</u>	<u>31,144,596</u>
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CITY OF FAYETTEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Total Expenditures
State Awards:					
N.C. Department of Transportation					
Direct Programs:					
Powell Bill		32570	\$ -	\$ 7,614,222	\$ 7,614,222
Division of Aviation					
ACE-Academy Grant Career Education		3624.27.17.1	-	1,622	1,622
State Aid for Airport Projects		3624.27.18.1	-	10,953	10,953
State Aid for Airport Projects			-	1,384,012	1,384,012
Total N.C. Department of Transportation			-	9,010,809	9,010,809
N.C. Office of State Budget and Management					
State Capital and Infrastructure Fund (SCIF)					
Mable C. Smith Park			-	484,188	484,188
Old City Hall			-	136,860	136,860
Historic Buildings and Sites			-	329,924	329,924
Park & Recreation Trail Upgrades			-	97,346	97,346
Lake Rm Park			-	62,625	62,625
Pedestrian Safety Improvements			-	237,198	237,198
Affordable Housing Trust			-	336,748	336,748
Reid Ross Track Improvements			-	449,750	449,750
Total N.C. Office of State Budget and Management			-	2,134,639	2,134,639
N.C. Department of Natural and Cultural Resources					
Direct Programs:					
Cape Fear River Trail			-	99,124	99,124
Total N.C. Department of Natural and Cultural Resources			-	99,124	99,124
N.C. Department of Justice					
Direct Programs:					
State Asset Forfeiture			-	1,755	1,755
Opioid Settlement			-	226,993	226,993
Total N.C. Department of Justice			-	228,748	228,748
N.C. Department of Information Technology					
NC911 Board					
PSAP			-	77,390	77,390
Total N.C. Department of Information Technology			-	77,390	77,390
N.C. Department of Public Safety					
Direct Programs:					
Hazmat (FRT Grant)			-	69,000	69,000
Juvenile Justice and Delinquency Prevention - Juvenile Restitution			-	82,292	82,292
N.C. Golden Leaf			-	342,602	342,602
Total N.C. Department of Public Safety			-	493,894	493,894
Total State Awards Expended			-	12,044,604	12,044,604
Total Federal and State Awards Expended			\$ 31,144,596	\$ 12,044,604	43,189,200

CITY OF FAYETTEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2025

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the Federal and State grant activity of the City of Fayetteville under the programs of the federal government and the State of North Carolina. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Fayetteville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fayetteville.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

The City of Fayetteville has elected not to use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Reporting Entity

For the year ended June 30, 2025, Fayetteville Public Works Commission (PWC) elected to have a separate single audit performed in accordance with the Uniform Guidance and The State Single Audit Implementation Act. Therefore, the expenditure of Federal and State awards by PWC have not been included in this schedule.

CITY OF FAYETTEVILLE, NORTH CAROLINA
SCHEDULE OF PASSENGER FACILITY CHARGES

YEAR ENDED JUNE 30, 2025

	Cumulative Receipts June 30, 2024	Receipts Year End June 30, 2025	Cumulative Receipts June 30, 2025	Amount of Collection Approval
PFC Revenue Received	\$ 12,165,089	\$ 470,889	\$ 12,635,978	\$ -
Interest Earned	403,805	361,595	765,400	-
Total PFC Revenue Received	12,568,894	832,484	13,401,378	12,258,434
PFC Net Accrued Revenues	310,477	119,530	430,007	-
PFC Net Accrued Investment Income	35,800	23,398	59,198	-
Total PFC Revenues	\$ 12,915,171	\$ 975,412	\$ 13,890,583	\$ 12,258,434

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 00-01-C-04-FAY & 02-02-U-02-FAY				
Use Approval				
Closed Application	\$ 1,061,391	\$ -	\$ 1,061,391	\$ 1,061,391
Total Use Approval	1,061,391	-	1,061,391	1,061,391
Total Application No. 00-01-C-04-FAY & 02-02-U-02-FAY	\$ 1,061,391	\$ -	\$ 1,061,391	\$ 1,061,391

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 05-03-C-01-FAY				
Use Approval				
Closed Application	\$ 324,231	\$ -	\$ 324,231	\$ 324,232
Total Use Approval	324,231	-	324,231	324,232
Total Application No. 05-03-C-01-FAY	\$ 324,231	\$ -	\$ 324,231	\$ 324,232

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 09-04-C-00-FAY				
Use Approval				
Closed Application	\$ 1,701,088	\$ -	\$ 1,701,088	\$ 1,701,089
Total Use Approval	1,701,088	-	1,701,088	1,701,089
Total Application No. 09-04-C-00-FAY	\$ 1,701,088	\$ -	\$ 1,701,088	\$ 1,701,089

CITY OF FAYETTEVILLE, NORTH CAROLINA
SCHEDULE OF PASSENGER FACILITY CHARGES

YEAR ENDED JUNE 30, 2025

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 13-05-C-00-FAY				
Use Approval				
Closed Application	\$ 1,277,434	\$ -	\$ 1,277,434	\$ 1,277,434
Total Use Approval	1,277,434	-	1,277,434	1,277,434
Total Application No. 13-05-C-00-FAY	\$ 1,277,434	\$ -	\$ 1,277,434	\$ 1,277,434

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 15-06-C-00-FAY				
Use Approval				
Airport Master Plan (AMP) Update, Part 1, Airline Term Area	\$ 33,750	\$ -	\$ 33,750	\$ 33,750
Air Carrier Apron Rehabilitation Phase II	228,378	-	228,378	277,929
Taxiway J&K Rehabilitation	333,809	-	333,809	359,627
Airport Master Plan Update, Part 2, Incl 18B Mapping and NAVAIDs Planning	59,882	-	59,882	60,000
Total Use Approval	655,819	-	655,819	731,306
Total Application No. 15-06-C-00-FAY	\$ 655,819	\$ -	\$ 655,819	\$ 731,306

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 16-07-U-00-FAY				
Use Approval				
Design & Construct-Airline Terminal Improvements	\$ 1,544,893	\$ -	\$ 1,544,893	\$ 2,819,997
Total Use Approval	1,544,893	-	1,544,893	2,819,997
Total Application No. 16-07-U-00-FAY	\$ 1,544,893	\$ -	\$ 1,544,893	\$ 2,819,997

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 19-08-C-00-FAY				
Use Approval				
Airline Terminal Improvements-Phase 1 (Design, Bidding and Construction Administration)	\$ 2,977,824	\$ -	\$ 2,977,824	\$ 3,342,986
Total Use Approval	2,977,824	-	2,977,824	3,342,986
Total Application No. 19-08-C-00-FAY	\$ 2,977,824	\$ -	\$ 2,977,824	\$ 3,342,986

CITY OF FAYETTEVILLE, NORTH CAROLINA
SCHEDULE OF PASSENGER FACILITY CHARGES

YEAR ENDED JUNE 30, 2025

	Cumulative Expenditures June 30, 2024	Expenditures Year End June 30, 2025	Cumulative Expenditures June 30, 2025	Amount of Use Approval
Application No. 21-09-C-00-FAY				
Use Approval				
Purchase ARFF Vehicle	\$ 999,999	\$ -	\$ 999,999	\$ 999,999
Total Use Approval	999,999	-	999,999	999,999
Total Application No. 21-09-C-00-FAY	\$ 999,999	\$ -	\$ 999,999	\$ 999,999

	Cumulative Totals June 30, 2024	Year End June 30, 2025	Cumulative June 30, 2025	Amount of Use Approval
Total PFC Revenues	\$ 12,915,171	\$ 975,411	\$ 13,890,582	\$ 12,258,434
Total PFC Expenditures	(10,542,679)	-	(10,542,679)	12,258,434
Balance of PFC's at June 30,2025	\$ 2,372,492	\$ 975,411	\$ 3,347,903	\$ -

Notes to the Schedule of Passenger Facility Charges

Note 1—Basis of presentation

The accompanying schedule of passenger facility charges includes the passenger facility charges of the City of Fayetteville, North Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration.

City of Fayetteville, North Carolina

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FAVETTEVILLE

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