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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(COMPONENT UNIT OF THE CITY OF FAYETTEVILLE)



FAYETTEVILLE PUBLIC WORKS COMMISSION
FAYETTEVILLE, NORTH CAROLINA

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF
THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Commissioners

Wade R. Fowler, Jr., *Chairman*
D. Ralph Huff III, *Vice-Chairman*
Darsweil Rogers, *Secretary*
Evelyn O. Shaw, *Treasurer*

Chief Executive Officer

David W. Trego

Interim Chief Financial Officer

Rhonda Haskins, CPA, CGMA

Prepared by the Finance Division

This Report Was Prepared By:

PWC Finance Division
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Interim Chief Financial Officer

Rhonda Haskins, CPA, CGMA

Directors

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Rhonda Haskins, CPA, CGMA, *Director of Financial Planning*

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Sabrina King, *Chief Accountant*
Marsha Krings, *Accounts Payable/Payroll Supervisor*
Lisa Buffaloe, *Financial Planning and Analysis Manager*
Rhonda Graham, *Budget Manager*
Carla Supples, *Financial Rates Analyst*
Cathy Traylor, *Revenue Accounting Supervisor*

Karen Aippersbach, CPA, CGMA, *Accountant*
Lisa Barbee, *Financial Analyst*
Martin Cunningham, *Revenue Accounting Analyst*
Tina Vince, *Accountant*
Karen Shotwell, *Financial Analyst*
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Lakisha Figaro ♦ Audrey Hayes ♦ Kathy Hayes ♦ Alaina Herring
Barbara Love ♦ Sylvester Loving, Jr. ♦ Patrick McKoy
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Deborah Williams ♦ Janet Wing ♦ Constance Woods

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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INTRODUCTORY SECTION
(UNAUDITED)



DARSWEIL L. ROGERS, COMMISSIONER
WADE R. FOWLER, JR., COMMISSIONER
EVELYN O. SHAW, COMMISSIONER
D. RALPH HUFF, III, COMMISSIONER
DAVID W. TREGO, CEO/GENERAL MANAGER

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ELECTRIC & WATER UTILITIES

October 1, 2018

To the Board of Commissioners and the Customers of the Fayetteville Public Works Commission:

The management and staff of the Fayetteville Public Works Commission (PWC) are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

RSM US LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the PWC’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s 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 Public Works Commission

The PWC was created on March 4, 1905 through an act of the North Carolina Legislature to manage, operate and supervise the electric, water and wastewater utilities in the City of Fayetteville. That legislation was incorporated into the Charter of the City of Fayetteville and has had several legislative modifications throughout the years.

On June 29, 2016, the North Carolina Legislature repealed the portion of the City of Fayetteville Charter that specifically and exclusively dealt with PWC and replaced it with an updated version that more clearly defined the roles and responsibilities of the Commission and the City of Fayetteville in the operation of the electric, water and wastewater utilities. Most notably, the Legislature defined PWC as a Public Authority in its operation, control, and management of its systems and is subject to the Local Government Budget and Fiscal Control Act as a Public Authority.

BUILDING COMMUNITY CONNECTIONS SINCE 1905

AN EQUAL EMPLOYMENT OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

The Commission consists of four members, appointed by Fayetteville's City Council to each serve a four-year staggered term. The Commissioners elect a Chairman, Vice Chairman, Secretary, and Treasurer; they meet on the second and fourth Wednesdays of each month.

PWC offers three utility services – electric, water and wastewater – to the citizens of Cumberland County and is a component unit of the City of Fayetteville, North Carolina. PWC is the largest municipal electric utility in North Carolina and the 35th largest in the nation. PWC's electric rates are among the lowest in the state, of all electric utilities, and its water and wastewater rates are in line with other major North Carolina cities.

PWC's electric system involves the transmission and distribution of electric energy, which is purchased from Duke Energy Progress (DEP) and the Southeastern Power Administration (SEPA). In June 2009, PWC and DEP entered into a 20 year full requirements agreement effective July 1, 2012. Subsequent amendments extended the term to 30 years. PWC may elect to terminate the agreement effective June 30, 2024 with written notice provided by December 31, 2019. PWC will utilize its SEPA allocation as permitted in the agreement. Also, in June 2009, PWC and DEP executed a 5 year agreement to lease its Butler-Warner Generation Plant to DEP effective July 1, 2012. Subsequent amendments extended the term until December 31, 2023. PWC provides electric service to approximately 60 percent of the Fayetteville/Cumberland County area. During fiscal year 2018, electric service was provided to more than 83,000 customers.

PWC is committed to supplying safe water that meets or surpasses state and federal standards and achieves the highest standards of customer satisfaction. PWC's two water treatment facilities – PO Hoffer and Glenville Lake – draw water from two independent water sources, the Cape Fear River and Glenville Lake. The water treatment facilities have a combined nominal treatment capacity of 50.0 million gallons a day (MGD) with an additional high-rated capacity of 7.5 (MGD) for a total of 57.5 MGD. PWC currently provides water service to more than 96,000 customers. PWC also, under wholesale contracts, furnishes water to Fort Bragg Military Reservation, the Town of Spring Lake, the Town of Stedman, Eastover Sanitary District, Hoke County and Aqua North Carolina, Inc.

PWC works to accommodate wastewater utility needs as a result of residential expansion, annexation and economic development. PWC's Cross Creek and Rockfish Creek Water Reclamation Facilities have the combined capacity to treat up to 46 million gallons of wastewater per day. PWC currently services more than 87,000 wastewater customers throughout the Fayetteville/Cumberland County area. PWC also provides wastewater treatment and collection services under wholesale contracts to the Town of Stedman, Eastover Sanitary District, Kelly Hills Sanitary District, Hoke County and the NORCESS system, which is comprised of the Towns of Wade, Godwin and Falcon.

Local Economy

The economy of Fayetteville is stabilized by the presence of Fort Bragg Army Installation and Pope Army Air Field. Approximately 51,000 military personnel are currently stationed at Fort Bragg and Pope Army Air Field, with support from more than 19,000 additional civilian employees. The direct impact of this payroll alone was over \$3.0 billion to the regional economy. The Department of Defense included \$57.7 million in its budget for new facilities on Fort Bragg in the next fiscal year. This is expected to grow in the near future due to President Trump's promise to increase the agency's budget. Each 100 active duty military jobs in the region support as many as 60 other jobs (including civilians at Fort Bragg). This translates to each active duty military job supporting an average of as much as \$90,000 in labor income. This represents soldier income plus income for a soldier's share of supported jobs.

Industry employment data from the North Carolina Department of Commerce shows that aside from the military, the Fayetteville Metropolitan Statistical Area, which consists of Cumberland and Hoke Counties, has a high concentration of public sector jobs including health care, public administration or government services, and education, which together account for over 50% of non-military wages in the study region. Retail trade and manufacturing are the largest private sector industries in the region, each accounting for about 11% of total regional wages.

Major nongovernmental employers in the area include the Goodyear Tire & Rubber Company which is one of the largest tire producing factories in the world, Mann+Hummel/Purolator Products which produces auto filters and the Wal-Mart Distribution Center and stores. Substantial employment opportunities are also offered in the government sector through the local health system, school system, universities, city, county, state and federal governments.

During the past five years annual unemployment rates for Cumberland County have steadily declined, from a high 12.1 % in July of 2012, to the current 4.7% rate. This is the lowest unemployment rate for our County in nearly a decade (US. Bureau of Labor Statistics). Additionally, approximately 120,000 citizens are currently employed, which represents a 5% increase since August of 2014. The Fayetteville Metro area also has one of the youngest workforce in the Carolina's, with a median age of 32.1 years.

The City of Fayetteville is a major regional trade center in eastern North Carolina, with a significant number and variety of shopping plazas, centers and independent retailers. Evidence of the strong retail sector is reflected by one of the largest shopping areas of the Carolinas, a two-square mile area located within the City. Cross Creek Mall, with more than one million square feet of floor space and four major department stores, is one of the largest indoor malls between Washington, D.C. and Florida.

Overall, Fayetteville's economy is expected to remain stable and the City Council has adopted a fiscal year 2019 budget based on moderate growth. The City is undertaking major investments in facilities to grow local quality of life to support future economic growth, as evidenced by the passage of a \$35 million parks and recreation bond

referendum; actions to secure a 30-year agreement with the Houston Astros to bring Minor League Baseball back to Fayetteville with the construction of a \$33 million state-of-the-art baseball stadium; and a plan to ensure a swift recovery from Hurricane Matthew. PWC plays an important role in our area's economic growth, and works with local organizations to ensure utilities are available as needed.

Long-term Financial Planning

PWC's long-term goal has been to provide reliable services at reasonable rates while maintaining excellent operations and customer service. Utilizing new technology and addressing aging infrastructure are essential to that long-term goal and to helping PWC continue to meet our community's growth opportunities.

During FY 2018, PWC accomplished or continued to work on several financial, operational and economic development initiatives including:

- PWC completed its multi-year Advanced Meter installation of 180,000 electric and water meters with two-way technology features. The project is paving the way for PWC's next phase of technology that supports the Commission's strategic priorities of Technology enhancements that provides information to customers, helping them make informed choices.
- Initiatives underway related to the AMI meter installation include: A customer notification program that helps customers detect leaks by the unusual water use patterns, which will avoid high bills; Upgrades to the Customer Web Portal that provides customers direct access to their utility usage data, upgrades to the Inter-Active Voice Response (IVR) phone system, implementation of an Outage Management System and a payment option that will allow customer billing date options.
- During the 4th year of a system-wide conversion of streetlights to Lighting-Emitting Diode (LED) streetlights, PWC had installed over 22,000 neighborhood and thoroughfare streetlights. LEDs have a longer life, use less energy than traditional streetlights, and will help PWC meet State mandates for Renewable Energy. The approximate annual energy savings from the LED conversion is 2.73 million kWh.
- Planning for rising wholesale power supply costs, the Commission continued its evaluation of its future long-term power supply contract and adopted residential and small commercial customer Time-of-Use Rates and Coincidental Peak rates for all other Commercial/Industrial size accounts. New rate structures will begin in May 2019. The Commission also adopted its strategy for paying PWC's estimated \$60-70 million Coal Ash Recovery expense to Duke Energy. PWC is using planned Coal Ash Reserves and a customer Coal Ash fee implemented in May 2018 to pay the cost Duke Energy is allowed by the Federal Energy Regulatory Commission (FERC) to recover from their customers.
- PWC and the City of Fayetteville prevailed in securing Fayetteville and other downstream users of the Cape Fear River Basin a guaranteed return of water to the Basin from upstream municipalities who use the water. PWC lead efforts that helped reach an agreement in January 2018 that settled the on-going Inter-basin

Transfer case that began in 2015. With the decision, residents within the Cape Fear River Basin downstream of the Towns of Cary and Apex are guaranteed water for residential use and economic growth.

- PWC completed its rate refund project Hope Mills water/wastewater customers which corrected inconsistent rate application. PWC processed over 8,000 claims and refunded a total of \$8.6 million.
- PWC continued work on other strategic priorities to include Ensuring Cyber and Physical Security; Attracting and Retaining a Top Quality Work Force, Coordinating Regional Infrastructure Needs and Support Economic Development. Highlights of FY2018 accomplishments included Implementation of a cyber-security plan that includes installation of Security Incident & Event Management software, conducting SCADA Security Audits and instituting a mandatory Online Security Awareness Training. And establishing a Line worker Course through a partnership with Fayetteville Technical Community College that will benefit PWC by increasing local qualified Line worker candidates to help replace an aging workforce.
- PWC continued its efforts to increase improve local vendor capacity and engage local vendors through a series of efforts including coordinating an expanded Regional “Building Business Rally” to increase awareness of PWC bidding opportunities with local business. PWC partnered with nearly 30 organizations and agencies on the event with the hopes of increasing local spending and encouraging local economic development.
- PWC finalized plans for a 1 MW solar farm that will be funded through a community solar model. PWC is working with the North Carolina State Clean Technology Center to design and build a 1 MW solar farm and 500 kW battery storage units in late 2018. The farm will have over 3,000 panels available for customer subscription beginning in 2019.
- PWC customer conservation incentive programs continued to encourage efficiency and increase customer awareness of their utility usage. PWC’s eight incentive programs are a part of efforts to help customers better understand and manage their utility use with information that will be made possible with PWC’s new metering technology. Annual projected energy savings for FY2018 were over 300,000 kWh.
- PWC’s commitment to environment and sustainability continued with retro-commissioning of buildings that has reduced energy use by over 30%, utilizing AMI technology and LED lighting to reduce annual mileage of meter service /field vehicles by 100,000 miles and annual service calls associated with street lighting by 25%. PWC also continued providing free charging at four Electric Vehicle Charging Stations, installed in 2015 by using a grant received from the NC Clean Energy Technology Center.
- Progress continued on sanitary sewer service installation as part of the City of Fayetteville’s Annexation Phase V utility retrofitting project. Over 4,600 services have been installed and the remaining 4,000 services will be installed by 2025.
- Work continued on rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. The electric system is rebuilding substations including a major Point of Delivery, replacing underground cable and aging wooden poles with steel 69KV poles with a 50-year life expectancy. The water systems are replacing and re-lining existing water and sewer mains to

improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems. Collectively, PWC is projected to spend over \$11 million next year in NCDOT relocation/improvement projects for both the electric and water systems. Throughout the system, PWC expects to spend over \$200 million in future years on rehabilitation and upgrade efforts.

Awards and Acknowledgements

PWC was the recipient of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the eleventh consecutive year that PWC applied and received this prestigious award. To receive a Certificate of Achievement, an entity must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

In addition, PWC received the GFOA's Distinguished Budget Presentation Award for its 2018 annual budget. PWC has received this award for the past 23 years. In order to qualify for the Distinguished Budget Presentation Award, PWC's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

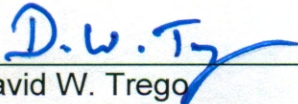
During FY18, PWC was also recognized with a number of other awards and special honors to include but not limited to the following:

- Maintaining the American Public Power Association's highest honor for reliability earning the Reliable Public Power Provider (RP³) Diamond Level designation. PWC is one of just three Public Power utilities in the country to earn Diamond Level four or more times.
- PWC has maintained the standards of the national Director's Award from the Partnership for Safe Water Program for 16 consecutive years, an accomplishment achieved by less than one percent of water utilities in the country. The award recognizes utilities that have completed the highest level of operations for providing drinking water quality that surpasses the required federal standards.
- ElectriCities of NC honored PWC with four Public Power Awards of Excellence. PWC was received the Grid Modernizing Award, Value of Public Power Award, Workforce Planning and Development Award and the Continuous Improvement Award. The honors demonstrate PWC's investing in its systems, efforts of communicating the value of public power, attracting, developing and retaining talented employees and for constantly reviewing and enhancing all aspects of public power.

- The United Way of North Carolina awarded PWC the Spirit of NC award for outstanding support of the community through the United Way. It was the 12th time PWC received the award. Locally, the United Way of Cumberland County recognized PWC for having the highest number of Leadership givers as well as with the Campaign Excellence Award, and Spirit of the Community Award.

The preparation of this CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Finance Division. We wish to express our appreciation to all members of the Division who assisted and contributed to the preparation of this report. Credit is also given to the Board of Commissioners for their unfailing support of the highest standards of professionalism in conducting the financial affairs of PWC.

Respectfully submitted,



David W. Trego
Chief Executive Officer



Rhonda Haskins, CPA, CGMA
Chief Finance Officer



Government Finance Officers Association

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

Presented to

**Public Works Commission
of the City of Fayetteville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA



**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Fayetteville Public Works Commission
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of Fayetteville Public Works Commission as of June 30, 2018, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Commission adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 75, *Accounting and Finance Reporting for Other Post-Employment Benefits*, in the year ending June 30, 2018. Our opinions are not modified with respect to this matter.

The accompanying financial statements represent the financial position of the Commission, a component unit of the City of Fayetteville, North Carolina. These financial statements are not intended to be a complete presentation of the financial position of the City of Fayetteville, North Carolina taken as a whole. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B1 through B15, the Other Postemployment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System Schedules of the Commission's Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages D1 through D3, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining and individual fund financial statements and schedules of budgetary comparison information, and other financial data listed in the table of contents as "Supplementary Information," and the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The "Supplementary Information" is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental financial data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the Commission'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 to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

RSM VS LLP

Morehead City, North Carolina
October 1, 2018

**Management's Discussion and Analysis
(Unaudited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Fayetteville Public Works Commission (PWC) offers readers this narrative overview and analysis of the financial performance for the fiscal year ended June 30, 2018 (FY18). We encourage readers to read the information presented here in conjunction with the financial statements and accompanying notes to the financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- PWC's net position at year end was \$941.2 million, an increase of \$24.4 million, or 2.7%, up from \$916.8 million in FY17.
- Total unrestricted and undesignated operating reserves were 137.7 days at June 30, 2018, up from 131.3 in the prior year.
- Income before Capital Contributions and Transfers was \$36.6 million compared to \$31.1 million in FY17, up \$5.5 million or 17.7%.
- In March of 2018, electric rate adjustments were approved effective May 1, 2018 and May 1, 2019.
- In February of 2017, water/wastewater rate adjustments were approved effective April 1, 2017 and April 1, 2018.
- In February 2017, PWC approved a Wholesale Power Cost Adjustment credit to customers over a 12 month period beginning April 1, 2017. FY17 credits totaled \$1.1 million and FY18 credits totaled \$3.8 million.
- The Electric Rate Stabilization Fund net position was \$48.8 million at June 30, 2018, up from \$43.6 million in the prior year.
- The Water and Wastewater Rate Stabilization net position was \$0.6 million at June 30, 2018, up from \$0.3 million in the prior year.
- Power Supply and Generation Expenses increased by \$13.8 million to \$155.6 million in FY18, up from \$141.8 million in FY17.
- PWC maintained an \$18.9 million accumulated balance in a Coal Ash Reserve Fund at June 30, 2018, down from \$27.3 million in the prior year.
- Coal Ash Charges of \$9.3 million for FY18 were expensed to Power Supply Expense. FY18 was the first year for these Duke Energy Progress (DEP) charges.
- During FY18, PWC maintained its Aa2/AA/AA rating from Moody's, Standard and Poor's, and Fitch, respectively.
- PWC's senior lien ratio is 3.56, exceeding the minimum requirement of 1.10.
- PWC has posted a Total OPEB Liability of \$28.8 million as a result of the implementation of GASB Statements No. 75. It also resulted in a prior period adjustment that decreased the beginning net position by \$18.6 million (see Note 18).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual statement consists of three parts: Management's Discussion and Analysis (MD&A), financial statements, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

FINANCIAL STATEMENTS

The financial statements of PWC report information about PWC using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about PWC's activities. The Statement of Net Position includes all of PWC's assets, deferred outflows, liabilities and deferred inflows and provides information about the nature and amount of investments in resources (assets) and the obligations to PWC creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of PWC and assessing the liquidity and financial flexibility of PWC. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of PWC's operations over the past year and can be used to determine profitability, credit worthiness and whether PWC has successfully recovered all its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about PWC's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

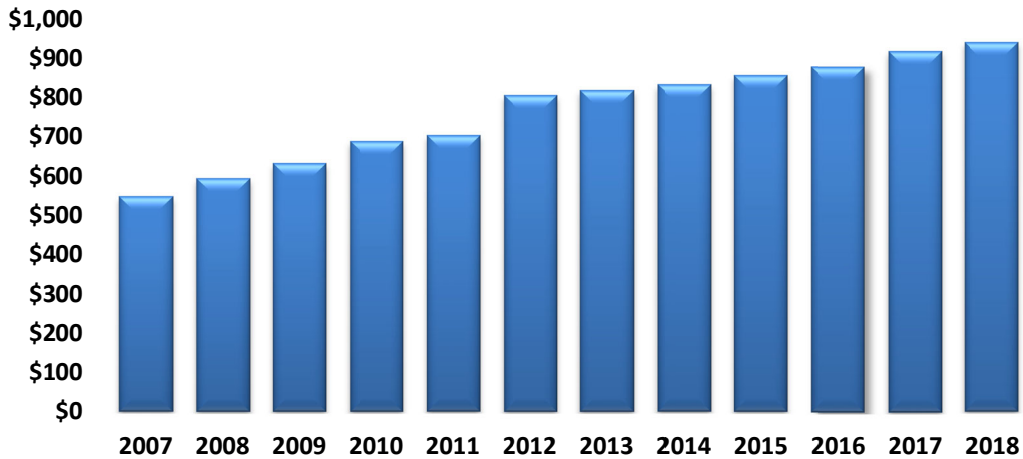
PWC is recognized as a Public Authority and is a separately presented component unit of the City of Fayetteville, North Carolina. PWC's financial statements consist of three Enterprise Funds, two of which account for PWC utility services and the remaining fund accounts for PWC fleet services. The effects of the utility services are easily identified by the total utilities column. The total column reflects the total entity as it includes the activities of PWC's fleet services.

FINANCIAL ANALYSIS OF PWC

Our analysis of PWC begins in the Financial Statements Section. As a review is made of PWC's finances, one should consider "Is PWC as a whole better off or negatively impacted as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about PWC's activities in a way that will help answer this question. These two statements report the net position, the difference between assets/deferred outflows and liabilities/deferred inflows, as one way to measure financial health or financial position. Over time, increases or decreases in PWC's net position are one indicator of whether its financial health is improving or deteriorating as indicated in Figure A-1. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, annexation and new or changed government legislation.

**FIGURE A-1
Net Position Trend Analysis – Enterprise Funds**

Net Position *(in millions of dollars)*



NET POSITION

PWC continues to report a positive net position at the end of FY18. A summary of PWC's Statement of Net Position is presented in figure A-2. Net position increased \$24.4 million to \$941.2 million in FY18, up from \$916.8 million in FY17. By far, the largest portion of PWC's net position, \$663.3 million (70.0%) reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets.

PWC's total assets exceeded \$1.3 billion in FY18. PWC's total assets increased by 2.1%, primarily due to the increase in capital assets of \$35.5 million or 4.0% over prior year offset by a decrease in current and other assets of \$8.1 million or 2.1% over prior year. The decrease in current and other assets is the result of an increase in investments and receivables over prior year offset by the spending of outstanding bond proceeds for capital assets and the pay down of debt during FY18. Operating cash reserves increased from 131.3 days to 137.7 days. PWC's operating cash reserves policy is to have a minimum of 90 days and a target of 120 days cash in reserve.

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FIGURE A-2
Statement of Net Position-Enterprise Funds
(Dollars in Millions)

	FY 2017	FY 2018	Total Dollar Change	Total Percentage Change
Current and Other Assets	\$ 391.0	\$ 382.9	\$ (8.1)	-2.1%
Capital Assets	893.4	928.9	35.5	4.0%
Total Assets	\$ 1,284.4	\$ 1,311.8	\$ 27.4	2.1%
Deferred Charge on Refunding	5.3	4.6	(0.7)	-13.2%
Regulatory Asset	15.7	9.9	(5.8)	-36.9%
OPES Deferrals	-	4.0	4.0	100.0%
Resources Related to Pensions	15.6	12.7	(2.9)	-18.6%
Deferred Outflows of Resources	\$ 36.6	\$ 31.2	\$ (5.4)	-14.8%
Long-term Liabilities Outstanding	328.1	315.6	(12.5)	-3.8%
Other Liabilities	75.7	84.3	8.6	11.4%
Total Liabilities	\$ 403.8	\$ 399.9	\$ (3.9)	-1.0%
OPEB Deferrals	-	1.6	1.6	100.0%
Resources Related to Pensions	0.4	0.2	(0.2)	-50.0%
Deferred Inflows of Resources	\$ 0.4	\$ 1.8	\$ 1.4	350.0%
Net Investment in Capital Assets	639.2	663.3	24.1	3.8%
Restricted	148.2	149.2	1.0	0.7%
Unrestricted	129.4	128.7	(0.7)	-0.5%
Total Net Position	\$ 916.8	\$ 941.2	\$ 24.4	2.7%

Deferred Outflows of Resources decreased by \$5.4 million or 14.8%. This is primarily due to a decrease in both Resources Related to Pensions of \$2.9 million and Coal Ash Liability of \$5.8 million (see Note 5), offset by OPEB Deferrals of \$4.0 million.

Restricted Net Position of \$149.2 million includes externally restricted net position of \$10.8 million (those established by debt covenants, enabling legislation, or other legal requirements) that represent a small portion of the PWC's net position and are comprised of funds set aside for the payment of debt service on outstanding bonds as required by the Bond Order. The remaining \$138.4 million of Restricted Net Position is internally restricted by the Commission and is set aside for various earmarked operations of PWC (see note 7). The \$128.7 million in Unrestricted Net Position may be used to meet the PWC's on-going operations including the repayment of its outstanding debt.

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Figure A-3, PWC's total revenues increased by \$15.2 million, or 4.7%, while total expenses increased by \$9.7 million, or 3.3%. This resulted in a \$36.6 million Income before Capital Contributions and Transfers, up \$5.5 million compared to last year. The loss on disposal of assets is less than the prior year as the multi-year conversion to AMI meters came to a close in FY17 with fewer meters retired than in the prior year which resulted in a significant decrease in the number of meter retirements in FY18.

Looking more closely at revenues, the \$15.2 million increase arises from an increase in charges for utility services of \$13.0 million, a decrease in operating revenue of \$1.6 million and non-operating revenue of \$3.8 million. Each utility will be discussed individually on the following pages.

Prior years' annual rate increases coupled with building up the Electric Rate Stabilization Fund (ERSF) was planned by management as a means to protect the customers from the impacts of a one-time sizable rate adjustment when the purchase power contract became effective in July 1, 2012 (see Note 14D to the financial statements). The Electric Rate Stabilization Fund has a net position of \$48.8 million, of which approximately \$34.5 million will be used over the next several years to supplement the Electric Fund as rates are adjusted to meet its ongoing obligations. The remaining \$14.3 million represents PWC's target to maintain an on-going balance in this fund of at least 10% of power supply cost. The minimum annual transfer into this fund is \$250,000 and \$4.75 million was transferred in FY18. The transfer of \$4.5 million over the minimum was decided in June 2018 to prepare for an energy true-up from DEP in FY19 after evaluating the Electric Utility's cash reserves balance and information received from Duke Energy of the impacts to its energy prices for the extended cold weather in January 2018.

In addition to the ERSF, PWC has a coal ash reserve for the purposes of paying coal ash cost from its purchase power provider, DEP. In anticipation of Duke Energy's coal ash recovery, the PWC's governing board took proactive measures to ensure that any FERC-approved recovery would not have a material adverse impact on the PWC's financial position. This reserve fund coupled with funds from the existing ERSF will be used to pay coal ash costs over the period to 2024. The remaining costs will continue to be passed on to customers through a fixed charge effective with May 1, 2018 customer billings. In FY18, PWC collected \$447,000 in revenue and \$337,000 was recorded due to true-up for Coal Combustion Residual (CCR) cost and Beneficial Reuse (BR). Coal Ash expenses totaled \$9.3 million. As a result, the FY18 Coal Ash Reserve balance is \$18.8 million down from \$27.3 million in FY17 (see Note 14-E for more details).

The Water and Wastewater Fund also maintains a Water/Wastewater Rate Stabilization Fund (WRSF) to stabilize water and wastewater rates and mitigate large one-time rate hikes. Like the ERSF, the minimum annual transfer into this fund is \$250,000 and this amount was transferred in FY18 leaving an accumulated balance of \$0.6 million at June 30, 2018.

FIGURE A-3
Condensed Statement of Revenues, Expenses and Changes in Net Position-
Enterprise Funds
(Dollars in Millions)

	FY 2017	FY 2018	Total Dollar Change	Total Percentage Change
Operating Revenues				
Charges for Utility Services	\$ 284.1	\$ 297.1	\$ 13.0	4.6%
Other Operating Revenue	29.4	28.1	(1.3)	-4.4%
Charges for Fleet Services	9.2	8.9	(0.3)	-3.3%
Non-operating Revenues				
Intergovernmental	1.5	4.5	3.0	200.0%
Interest on Investments	1.8	2.6	0.8	44.4%
Total Revenue	\$ 326.0	\$ 341.2	\$ 15.2	4.7%
Power Supply and Generation Expense	141.8	155.6	13.8	9.7%
Electric Operating Expense	15.1	15.9	0.8	5.3%
Water/Wastewater Operating Expense	30.9	30.9	-	0.0%
General & Administrative	33.4	31.0	(2.4)	-7.2%
Fleet Maintenance Expense	9.0	8.8	(0.2)	-2.2%
Depreciation Expense	39.1	40.6	1.5	3.8%
Non-Operating Expense				
Loss on Sale of Assets	4.7	1.0	(3.7)	-78.7%
Payment in lieu of tates	10.0	10.4	0.4	4.0%
Intergovernmental Expense	1.2	1.2	-	0.0%
Interest Expense	9.0	9.2	0.2	2.2%
Amortization Expense	0.7	-	(0.7)	-100.0%
Total Expenses	\$ 294.9	\$ 304.6	\$ 9.7	3.3%
Income before Capital Contributions and Transfers	31.1	36.6	5.5	17.7%
Special Item - Hope Mills	1.6	-	(1.6)	-100.0%
Capital Contributions	7.1	6.4	(0.7)	-9.9%
Change in Net Position	39.8	43.0	3.2	0.1
Beginning Net Position	877.0	916.8	39.8	4.5%
Cumulative effect of change in acct	-	(18.6)	(18.6)	-100.0%
Ending Net Position	\$ 916.8	\$ 941.2	\$ 24.4	2.7%

Electric operating revenues increased \$6.5 million, or 2.9% to \$232.3 million. Although electric sales revenue increased by \$10.3 million, a Wholesale Power Cost Adjustment (WPCA) of \$2.7 million over the prior year was credited to customers producing a net sales revenue increase of \$7.6 million. The WPCA was introduced in July 2014 to recover prior year payments to DEP over and above that recovered in rates and vice versa to give back any over recovery in rates due to decrease in power cost. In April 2017, PWC approved a WPCA credit of \$5.0 million over an estimated 12 months. Other electric operating revenues decreased by \$1.6 million due to prior year recognition of Joint Use Utility Pole catch up billings to local companies after the settlement of a rate dispute. The \$10.3 million increase in sales revenue was largely residential whose kWh sales increased by 4.9% along with the increase in class average 4.0%. The residential class represents 50% of electric sales revenue in total and increased \$6.7 million, or 6.8%, over prior year. Non-residential and Large User kWh sales were both up 1.9% and 0.4%, respectively, over FY17. A large electric user was reclassified to the non-residential class because the company was not meeting the minimum requirements of a large user. Again the rate changes along with the increase in sales positively impacted revenues with an increase in Non-residential and Large User sales revenue of \$3.8 million and \$0.4 million, respectively. Extreme cold weather during the winter months as compared to more than usual mild temperatures in the prior year was a great factor in the increased kWh sales. Heating degree days for FY18 were 24% higher than FY17. Cooling degree days for FY18 were down compared to FY17 by 6.9%. Overall, sales increased 55,071 MWh from 1,997,300 to 2,052,371 MWh. Figure A-4 below illustrates the percentage changes by major customer classes.

FIGURE A-4
Percent Change in Sales by Major Customer Class
Electric

	Average	kWh	Sales	Sales
	Customers	kWh/cust	Sales	Revenue
Residential	-0.2%	5.0%	4.9%	6.8%
Non-Residential	0.9%	1.0%	1.9%	4.9%
Large User	-3.3%	3.9%	0.4%	1.3%

Water and wastewater operating revenues collectively increased \$5.1 million, or 5.9%, and is mainly attributable to increases in water and wastewater sales revenues. Although the Water and Wastewater Systems are accounted for in the same fund, we will discuss them individually.

Water System: Water sales revenue increased for all customer classes by \$2.6 million, or 6.6%. The residential class represents over 66% of water sales revenue in total. By far, the increase is due to rate adjustments effective April 1, 2017 and April 1, 2018 of 8% and 6%, respectively, for an average 4,000 residential customer. Gallon sales per customer for the residential class declined 1.2% while the non-residential and large users both had an increase in gallon sales of 0.7% and 3.8%, respectively. A large water user was reclassified to the non-residential class because the company was not meeting the minimum requirements of a large user. The rate adjustments incorporated a Basic Facility Charge (BFC) increase, rate per gallon increases for all customers, and a rate differential increase applied to residential and non-residential customers outside the City corporate limits from 165% to 170% in April 2017 and to 175% in April 2018. Rate changes also caused the Irrigation revenues to increase over the prior year by 4.1% while both the customer and gallon sales decreased by 2.3% and 1.4%, respectively. Year to date rainfall in FY18 was 38.5", lower than 54.0" of the prior year. Key watering months of FY18 July, April and May's rainfalls were higher than the prior year and last year's June was the highest

rainfall month recorded in the past 8 years of 9.1". Rate changes, however, mitigated any significant revenue losses for this service. Figure A-5A illustrates the percentage changes by major customer classes.

FIGURE A-5A
Percent Change in Sales by Major Customer Class
Water

	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	0.6%	-1.2%	-0.6%	7.5%
Non-Residential	0.9%	0.7%	1.5%	5.9%
Large User	-6.6%	3.8%	-3.0%	5.2%
Wholesale	0.0%	-11.8%	-1.1%	0.2%
Irrigation	-2.3%	0.9%	-1.4%	4.1%

Wastewater System: Wastewater sales revenue increased \$2.6 million, or 6.0% for all customer classes combined. The residential class represents 71% of wastewater sales revenue in total. Wastewater BFC, volume rates and outside City differential increased simultaneously with the water rates increasing an average 4,000 gallon per month residential bill 8% and 5% in April 2017 and April 2018, respectively. Wastewater sales trend closely to water with a decrease in gallon sales for residential and increase in non-residential classes. Wastewater residential customer growth also continues to increase due to annual additions of newly annexed customers. All Wholesale customers had a decrease in usage. A customer in the large user classification was moved to non-residential because of wastewater consumption. Figure A-5B illustrates the percentage changes by major customer classes.

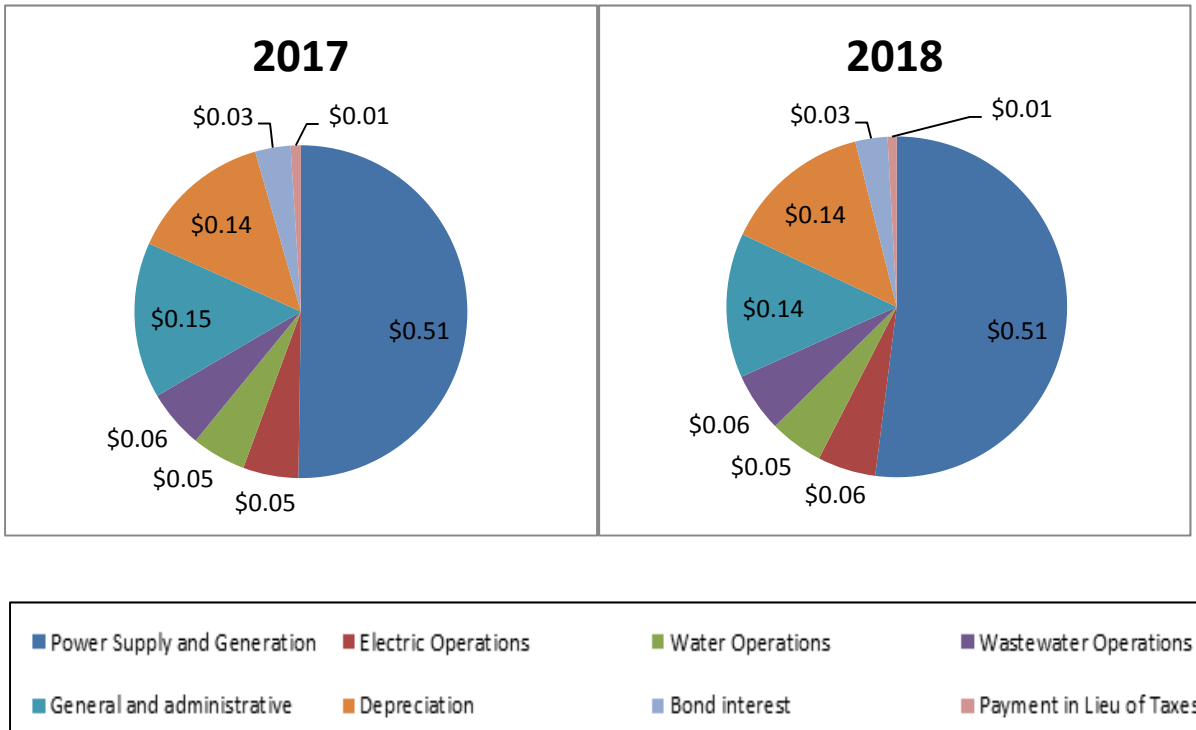
FIGURE A-5B
Percent Change in Sales by Major Customer Class
Wastewater

	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	0.6%	-1.0%	-0.4%	7.3%
Non-Residential	1.2%	1.1%	2.3%	7.2%
Industrial	-11.0%	5.1%	-6.4%	-7.2%
Wholesale	0.0%	-14.6%	-14.6%	-14.8%

Electric Operating Expenses excluding Power Supply and Generation Expenses increased by \$0.8 million or 5.3% and Water and Wastewater Operating Expenses remained the same at \$30.9 million.

Figure A-6 provides the dollar breakdown of expenses in 2017 and 2018 to better illustrate the changes.

**FIGURE A-6
Dollar Breakdown of Expenses**



Power Supply and Generation Expenses increased by \$13.8 million to \$155.6 million in FY18 up from \$141.8 million in FY17. The majority of the increase is a \$4.9 million increase in purchased power and a \$9.3 million increase in coal ash costs offset by a \$1.0 million decrease in contractual true up costs. The \$4.9 million purchased power increase is mostly weather driven with sales significantly exceeding prior year mainly in the months of January and June. The total year increase related to usage was \$2.3 million. The remaining \$2.6 million was driven by rising DEP demand prices. Energy prices remained fairly stable following a price reduction in the prior year. DEP also began charging coal ash costs in FY18 and PWC recognized \$9.3 million in current year. As mentioned previously, a reserve had been established in anticipation of these charges as well as a flat charge passed on through customer billings. Total power purchased was 2.17 billion kWh, a 3.4% increase from the prior year. PWC's system peak demand for FY18 of 455.0 MW occurred again in January, significantly lower than the all-time system peak of 499.0 MW recorded in February 2015 (see note 14D of the financial statements for more information on the purchase power contract with DEP).

Figure A-7 details the financial statement and cash flow impacts of the Power Supply and Generation Expenses.

**FIGURE A-7
Power Supply & Generation Expenses
(Dollars in Millions)**

	FY 2017	FY 2018	Total Dollar Change	Total Percent Change
Purchased Power - DEP	\$ 129.80	\$ 134.70	\$ 4.90	3.78%
Purchased Power - True Up	1.10	0.10	(1.00)	-90.91%
Purchased Power - SEPA	0.50	0.33	(0.17)	-34.00%
Transmission	6.20	6.70	0.50	8.06%
Coal Ash	-	9.20	9.20	100.00%
Other Generation Expenses	4.20	4.54	0.34	8.10%
Total	<u>\$ 141.80</u>	<u>\$ 155.57</u>	<u>\$ 13.77</u>	<u>9.71%</u>

CAPITAL CONTRIBUTIONS

Capital contributions include cash and non-cash contributions and grants from various sources such as developers, system development fee (SDF), and state and federal agencies. Figure A-8 details the changes in capital contributions.

**FIGURE A-8
Changes in Capital Contributions
(Dollars in millions)**

	FY 2017	FY 2018	Total Dollar Change	Total Percent Change
Developers	\$ 3.60	\$ 2.90	\$ (0.70)	-19.44%
City & County	0.03	0.04	0.01	33.33%
NCDOT	1.00	0.20	(0.80)	-80.00%
Federal & State- FEMA	1.00	2.20	1.20	0.00%
Facility Investment Fee (SDF)	1.10	0.90	(0.20)	-18.18%
FIF Credits Awarded/Applied/Expired	0.40	0.10	(0.30)	-75.00%
Total	<u>\$ 7.13</u>	<u>\$ 6.34</u>	<u>\$ (0.79)</u>	<u>-11.08%</u>

At June 30, 2018, capital contributions were \$6.3 million, down \$0.8 million from FY17. The amount of contributions received from FEMA increased in FY18 as a result of Hurricane Matthew.

However, decreases in contributions from developers of \$0.7 million, the North Carolina Department of Transportation (NCDOT) of \$0.8 million and FIF activity of \$0.5 million resulted in a net decrease in total contributions of \$0.8 million.

PAYMENTS IN LIEU OF TAXES AND INTERGOVERNMENTAL ACTIVITY

PWC annually transfers from its Electric Fund to the City's General Fund a Payment in Lieu of Taxes (PILOT). The PILOT formula, as defined in PWC's Charter, is 2.45% of the total Net Position of the Electric Fund as reported on the Statement of Net Position of PWC's most recent audited financial report. In addition to the PILOT, there are additional intergovernmental revenues and expenses pursuant to reporting requirements between the City and PWC discussed below. The net PILOT and Intergovernmental Activity to the City decreased for FY18 by \$2.6 million due to an assessment roll for Annexation Phase V, Areas 16 & 17 (See Figure A-9).

FIGURE A-9
PILOT and Intergovernmental Activity – Enterprise Funds
(Dollars in Millions)

	FY 2017	FY 2018	Total Dollar Change	Total Percent Change
Payment in lieu of taxes (PILOT)	\$ 10.00	\$ 10.40	\$ 0.40	4.00%
Intergovernmental Expense				
Economic Development - City	1.20	1.20	-	100.00%
Intergovernmental Revenues				
Additional -				
Assessments	1.20	4.20	3.00	100.00%
Assessment Interest	0.30	0.30	-	0.00%
Total Intergovernmental Revenue	<u>\$ 1.50</u>	<u>\$ 4.50</u>	<u>\$ 3.00</u>	<u>200.00%</u>
Net PILOT and Intergovernmental Activity	<u>\$ 9.70</u>	<u>\$ 7.10</u>	<u>\$ (2.60)</u>	<u>-26.80%</u>

Additional intergovernmental activities are only allowable under certain specific limited instances defined by the Charter. Prior to the updated Charter effective July 1, 2016, the following were approved by mutual agreement between PWC and the City.

- Assessments – The City's assessments and the interest related to those assessments are submitted to PWC to assist in the costs of providing utility services to the assessed properties. PWC administers the complete assessment collection program on behalf of the City.
- Economic Development – Pursuant to a mutual 5 year agreement approved June 29, 2016 and effective July 1, 2016, PWC will transfer \$6.0 million to the City for Economic Development in \$1.2 million annual amounts over 5 years payable in equal monthly installments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during FY18:

Major capital asset expenditures include:
\$ 13.9 million Water and Wastewater System Rehabilitation
\$ 12.1 million Installation of Water and Wastewater Mains and Laterals in Annexed Areas
\$ 8.8 million Water and Wastewater System Improvements
\$ 2.7 million NCDOT – Water Distributions System
\$ 2.2 million Substation Rebuild
\$ 2.1 million Conversion of Street Lighting to LED lights
\$ 2.0 million Electric Underground Distribution Infrastructure Installations – New
\$ 2.0 million Electric Underground Infrastructure Replacement
\$ 1.7 million Sub-Transmission Pole Replacement
\$ 1.6 million NCDOT – Electric Distribution System
\$ 1.5 million Reliability Improvements to the PO Hoffer Water Treatment Plant
\$ 1.3 million Purchase of Padmount and Overhead Transformers
\$ 1.1 million NCDOT Raeford Road Widening

Capital spending for the Electric System was \$23.6 million, down \$0.6 million from FY17. In FY18, bond proceeds paid for \$2.1 million in spending, down from \$4.1 million in FY17. This decrease in spending from bond proceeds is the result of the projects nearing completion.

Capital spending for the Water and Wastewater System was \$53.7 million, an increase of \$1.8 million for FY17. In FY18, bond proceeds paid for \$28.7 million in spending, up from \$22.9 million in FY17. The increase is attributable to accelerating the construction schedules for several projects as the projects near completion.

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At June 30, 2018, PWC has an investment of \$1.7 billion in a broad range of infrastructure as shown in Figure A-10.

FIGURE A-10
Capital Assets – Enterprise Funds
(Dollars in Millions)

	FY	FY	Total	Total
	2017	2018	Dollar	Percent
			Change	Change
Land	\$ 17.2	\$ 18.0	\$ 0.8	4.7%
Buildings	55.7	55.9	0.2	0.4%
Machinery, Equipment and Vehicles	49.2	50.4	1.2	2.4%
Electric System	455.2	464.1	8.9	2.0%
Water System	367.9	388.7	20.8	5.7%
Wastewater System	526.2	550.6	24.4	4.6%
Office Equipment and Intangibles	52.7	53.3	0.6	1.1%
Construction in Progress	54.0	70.6	16.6	30.7%
Subtotal	1,578.1	1,651.6	73.5	4.7%
Accumulated Depreciation	(684.7)	(722.7)	(38.0)	5.5%
Net Property, Plant and Equipment	\$ 893.4	\$ 928.9	\$ 35.5	4.0%

Additional information on the Commission's capital assets can be found in Note 8 in the financial statements.

The 30.7% increase or \$16.6 million increase in Construction in Progress is primarily attributed to the increased activity on existing projects to include the installation of water and wastewater mains and laterals in annexed areas, 2014 and 2016 Water/Wastewater projects, a large substation rebuild, Hurricane Matthew improvements of sewer facilities, electric underground infrastructure replacement (residential and non-residential) and the NCDOT U-4405 Raeford Road Widening Project.

LONG TERM DEBT

PWC's outstanding revenue bonds carry an Aa2 (stable outlook), AA (stable outlook), and AA (stable outlook) credit rating from Moody's, Standard and Poor's, and Fitch, respectively. This high level of credit quality enables PWC to lower its overall borrowing cost by obtaining more favorable interest rates and eliminating the need to purchase insurance. PWC continues to meet all debt covenants and continuing disclosure requirements.

At year-end, PWC had \$269.58 million in long-term debt (before loss on defeasance and reacquired debt, premiums, and discounts, see Note 10E in the financial statements). This is a decrease of \$19.27 million or 6.6% from \$288.85 million in FY17. The decrease is due to principal payments of \$19.27 million.

As can be seen in Figure A-11, the PWC's total weighted average coupon rate and true interest cost on its outstanding debt is 3.69% and 2.69%, respectively, as of June 30, 2018. The Commission constantly monitors market conditions and opportunities to lower its borrowing costs. Over the past several years, the PWC has taken advantage of refunding opportunities and low interest NC State Revolving Loans (NCSRL) to achieve the best possible interest rates on its outstanding debt.

FIGURE A-11
Average Coupon Rate and True Interest Cost
(Dollars in Millions)

Issue Name	Principal Outstanding	Weighted Average Coupon Rate	Weighted Average True Interest Cost
Revenue Refunding Bonds, Series 2016	\$ 111.43	3.82%	2.47%
Revenue Bonds, Series 2014	109.74	3.97%	3.27%
Revenue Refunding Bonds, Series 2009A	22.59	5.00%	3.31%
Revenue Bonds, Series 2009B	1.60	4.00%	3.31%
GO Refunding Bonds, Series 2009	0.52	4.00%	2.16%
2014 NCSRL - Person Street Sanitary Sewer	1.91	2.00%	2.00%
2013 NCSRL - Hoffer Construction Phase 1	14.41	0.00%	0.00%
2013 NCSRL - Outfall Rehab (Large Diameter Rehab)	3.12	2.00%	2.00%
2012 NCSLR - Clearwell/Ferric Conversion	3.98	0.00%	0.00%
2012 NCSLR - Edgewater Project	0.29	2.00%	2.00%
Total	\$ 269.59	3.69%	2.69%

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One area that demonstrates PWC's financial strength is its ability to maintain strong debt coverage ratios, with its revenue bond coverage at 3.56 exceeding the minimum requirement of 1.10. Figure A-12 demonstrates PWC's coverage ratio.

**FIGURE A-12
Debt Coverage Ratio
(Dollars in Millions)**

	FY 2017	FY 2018	Percent Change
Change in Net Position (Figure A-3)	39.7	43.0	8.3%
Adjustments			
Bond Interest Expense	9.0	9.2	2.2%
Depreciation and Amortization	39.6	40.5	2.3%
Transfers (In)/Out	11.2	11.6	3.6%
Capital Contributions and Assessments	(8.4)	(10.6)	26.2%
(Gain)/Loss on Sale of Assets	4.7	1.0	-78.7%
Facility Investment Fees	1.1	1.0	-9.1%
Assessments Collected	0.3	0.2	-33.3%
Special Item-Hope Mills	(1.6)	-	-100.0%
(Gain)/Loss on Investment Valuation	0.6	0.8	33.3%
Income Available for Debt Service	<u>96.2</u>	<u>96.7</u>	<u>0.5%</u>
<u>Senior Lien Debt Coverage</u>			
Revenue Bond Debt Service ¹	<u>26.4</u>	<u>27.1</u>	<u>2.7%</u>
Senior Lien Debt Service Coverage	<u>3.64</u>	<u>3.56</u>	<u>-2.2%</u>
<u>Total System Debt Coverage</u>			
Total System Debt Service ¹	<u>28.30</u>	<u>28.80</u>	<u>1.8%</u>
Total System Debt Service Coverage	<u>3.39</u>	<u>3.36</u>	<u>-0.9%</u>

¹ Net of capitalized interest from bond proceeds of \$0.9 million in FY17 and \$1.3 million in FY18.

In addition to long-term debt, PWC's long-term obligations include the total OPEB Liability of \$28.8 million with the implementation of GASB Statement No. 75. Additional information on PWC's long-term liabilities can be found in Note 10 of the financial statements.

CONTACTING THE PWC'S CHIEF FINANCIAL OFFICER

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the PWC's finances and to demonstrate the PWC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Public Works Commission's Chief Financial Officer, P.O. Box 1089, Fayetteville, NC 28302.

**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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Basic Financial Statements

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Net Position

June 30, 2018

	Electric Utility	Water and Wastewater Utility	Total Utilities	Fleet Maintenance Fund	Total PWC
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 5,122,576	\$ 6,827,227	\$ 11,949,803	\$ -	\$ 11,949,803
Investments	77,360,993	30,132,506	107,493,499	-	107,493,499
Receivables	32,192,772	19,269,161	51,461,933	1,115,719	52,577,652
Internal balances	329,063	(2,725,900)	(2,396,837)	2,396,837	-
Less allowance for doubtful accounts	(274,826)	(36,278)	(311,104)	-	(311,104)
Net receivables	32,247,009	16,506,983	48,753,992	3,512,556	52,266,548
Inventories	15,036,594	2,610,685	17,647,279	1,105	17,648,384
Other current assets	1,709,892	859,952	2,569,844	-	2,569,844
Total current unrestricted assets	131,477,064	56,937,353	188,414,417	3,513,661	191,928,078
Current restricted assets					
Cash and cash equivalents	57,315,191	39,302,598	96,617,789	-	96,617,789
Investments	61,316,344	31,417,415	92,733,759	-	92,733,759
Collateral pledged in lieu of deposits	496,740	-	496,740	-	496,740
Receivables	193,198	577,918	771,116	-	771,116
Total current restricted assets	119,321,473	71,297,931	190,619,404	-	190,619,404
Total current assets	250,798,537	128,235,284	379,033,821	3,513,661	382,547,482
Noncurrent assets					
Other assets	332,831	48,999	381,830	379	382,209
Capital assets:					
Land and land rights	6,839,414	11,179,833	18,019,247	-	18,019,247
Construction in process	32,189,981	38,441,180	70,631,161	-	70,631,161
Electric utility system	194,940,740	-	194,940,740	-	194,940,740
Water system	-	241,861,358	241,861,358	-	241,861,358
Wastewater system	-	343,705,499	343,705,499	-	343,705,499
Buildings	22,362,139	2,674,451	25,036,590	1,713,183	26,749,773
Equipment and machinery	7,909,538	2,533,601	10,443,139	57,878	10,501,017
Computer equipment	1,114,340	1,051,369	2,165,709	-	2,165,709
Intangibles	7,306,201	5,367,878	12,674,079	-	12,674,079
Vehicles	3,462,588	3,855,811	7,318,399	121,187	7,439,586
Office equipment	185,679	22,443	208,122	-	208,122
Capital assets, net	276,310,620	650,693,423	927,004,043	1,892,248	928,896,291
Total noncurrent assets	276,643,451	650,742,422	927,385,873	1,892,627	929,278,500
Total assets	527,441,988	778,977,706	1,306,419,694	5,406,288	1,311,825,982
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized bond refunding charges	240,850	4,337,140	4,577,990	-	4,577,990
Regulatory asset - coal ash	9,869,588	-	9,869,588	-	9,869,588
OPEB deferrals	1,746,325	2,071,223	3,817,548	243,673	4,061,221
Contribution to pension plan in current fiscal year	5,475,247	6,338,281	11,813,528	919,606	12,733,134
Total deferred outflows of resources	17,332,010	12,746,644	30,078,654	1,163,279	31,241,933

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Statement of Net Position

June 30, 2018

	Electric Utility	Water and Wastewater Utility	Total Utilities	Fleet Maintenance Fund	Total PWC
LIABILITIES					
Current liabilities to be paid from unrestricted current assets					
Current portion of long-term liabilities	\$ 3,058,763	\$ 17,496,116	\$ 20,554,879	\$ 92,135	\$ 20,647,014
Accounts payable and accrued expenses	25,751,208	12,403,179	38,154,387	1,577,670	39,732,057
Total current liabilities to be paid from unrestricted current assets	28,809,971	29,899,295	58,709,266	1,669,805	60,379,071
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	9,217,305	14,729,806	23,947,111	-	23,947,111
Total current liabilities to be paid from restricted current assets	9,217,305	14,729,806	23,947,111	-	23,947,111
Total current liabilities	38,027,276	44,629,101	82,656,377	1,669,805	84,326,182
Noncurrent liabilities					
Long-term liabilities	33,869,323	240,381,524	274,250,847	47,584	274,298,431
Total OPEB liability	12,370,452	14,394,609	26,765,061	2,003,602	28,768,663
Net pension liability	3,646,841	4,342,522	7,989,363	760,373	8,749,736
Other liabilities	3,065,199	32,293	3,097,492	-	3,097,492
Unearned deposits	7,076	720,476	727,552	-	727,552
Total noncurrent liabilities	52,958,891	259,871,424	312,830,315	2,811,559	315,641,874
Total liabilities	90,986,167	304,500,525	395,486,692	4,481,364	399,968,056
DEFERRED INFLOWS OF RESOURCES					
OPEB deferrals	698,196	828,093	1,526,289	97,423	1,623,712
Pension deferrals	106,496	122,111	228,607	19,059	247,666
Total deferred inflows of resources	804,692	950,204	1,754,896	116,482	1,871,378
NET POSITION					
Net investment in capital assets	248,969,484	412,484,034	661,453,518	1,892,248	663,345,766
Restricted for -					
Capital projects	-	1,476,402	1,476,402	-	1,476,402
Renewable energy	9,365,765	-	9,365,765	-	9,365,765
Debt service	808	5,648	6,456	-	6,456
Other internal restrictions	90,481,189	47,882,153	138,363,342	-	138,363,342
Unrestricted Net Position	104,165,893	24,425,384	128,591,277	79,473	128,670,750
Total Net Position	\$ 452,983,139	\$ 486,273,621	\$ 939,256,760	\$ 1,971,721	\$ 941,228,481

**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2018

	<u>Electric Utility</u>	<u>Water and Wastewater Utility</u>	<u>Total Utilities</u>	<u>Fleet Maintenance Fund</u>	<u>Total PWC</u>
Operating revenues					
Residential, commercial and industrial sales	\$ 199,319,549	\$ 84,142,341	\$ 283,461,890	\$ -	\$ 283,461,890
Other charges for services	32,988,732	8,703,843	41,692,575	8,925,116	50,617,691
Total operating revenues	<u>232,308,281</u>	<u>92,846,184</u>	<u>325,154,465</u>	<u>8,925,116</u>	<u>334,079,581</u>
Operating expenses					
Power supply and generation	155,562,287	-	155,562,287	-	155,562,287
Electric operation	15,933,526	-	15,933,526	-	15,933,526
Water operations	-	14,724,197	14,724,197	-	14,724,197
Wastewater operations	-	16,214,709	16,214,709	-	16,214,709
General and administrative	15,611,676	15,226,114	30,837,790	-	30,837,790
Depreciation	16,588,914	23,865,388	40,454,302	179,247	40,633,549
Fleet maintenance expense	-	-	-	8,745,869	8,745,869
Total operating expenses	<u>203,696,403</u>	<u>70,030,408</u>	<u>273,726,811</u>	<u>8,925,116</u>	<u>282,651,927</u>
Operating income	<u>28,611,878</u>	<u>22,815,776</u>	<u>51,427,654</u>	<u>-</u>	<u>51,427,654</u>
Nonoperating revenue (expense)					
Intergovernmental revenue	-	4,456,255	4,456,255	-	4,456,255
Intergovernmental expense	(1,200,000)	-	(1,200,000)	-	(1,200,000)
Payment in lieu of taxes	(10,428,117)	-	(10,428,117)	-	(10,428,117)
Interest earned on investments	1,760,279	872,714	2,632,993	-	2,632,993
Gain (loss) on disposal of assets	(1,060,418)	15,700	(1,044,718)	-	(1,044,718)
Interest expense	(1,138,552)	(8,072,789)	(9,211,341)	-	(9,211,341)
Finance costs	(13,645)	(21,935)	(35,580)	-	(35,580)
Total nonoperating revenue (expense)	<u>(12,080,453)</u>	<u>(2,750,055)</u>	<u>(14,830,508)</u>	<u>-</u>	<u>(14,830,508)</u>
Income (loss) before transfers and contributions	<u>16,531,425</u>	<u>20,065,721</u>	<u>36,597,146</u>	<u>-</u>	<u>36,597,146</u>
Contributions	524,807	5,907,877	6,432,684	-	6,432,684
Transfers in	-	2,500,000	2,500,000	8,654	2,508,654
Transfers out	(2,504,327)	(4,327)	(2,508,654)	-	(2,508,654)
Change in Net Position	<u>14,551,905</u>	<u>28,469,271</u>	<u>43,021,176</u>	<u>8,654</u>	<u>43,029,830</u>
Total Net Position - beginning	446,459,424	467,074,626	913,534,050	3,257,754	916,791,804
Prior Period Adjustment - (GASB 75)	(8,028,190)	(9,270,276)	(17,298,466)	(1,294,687)	(18,593,153)
Total Net Position - beginning, restated	<u>438,431,234</u>	<u>457,804,350</u>	<u>896,235,584</u>	<u>1,963,067</u>	<u>898,198,651</u>
Total Net Position - ending	<u>\$ 452,983,139</u>	<u>\$ 486,273,621</u>	<u>\$ 939,256,760</u>	<u>\$ 1,971,721</u>	<u>\$ 941,228,481</u>

Note: The transfers within funds have been eliminated for FY 2018; \$15,139,211 for Electric & \$83,448,628 for Water/Wastewater.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Cash Flows
Year ended June 30, 2018

	<u>Electric Utility</u>	<u>Water and Wastewater Utility</u>	<u>Total Utilities</u>	<u>Fleet Maintenance Fund</u>	<u>Total PWC</u>
Cash flows from operating activities					
Cash received from customers	\$ 229,570,877	\$ 90,823,086	\$ 320,393,963	\$ 8,965,596	\$ 329,359,559
Cash paid to customers	-	-	-	-	-
Cash paid for goods and services	(12,661,401)	(20,813,523)	(33,474,924)	(6,163,467)	(39,638,391)
Cash paid to or on behalf of employees for services	(25,635,112)	(21,417,924)	(47,053,036)	(2,802,129)	(49,855,165)
Cash paid for power supply and generation	(161,386,518)	-	(161,386,518)	-	(161,386,518)
Net cash provided (used) by operating activities	<u>29,887,846</u>	<u>48,591,639</u>	<u>78,479,485</u>	<u>-</u>	<u>78,479,485</u>
Cash flows from noncapital financing activities					
Cash received from intergovernmental agreements	-	4,456,255	4,456,255	-	4,456,255
Cash paid for intergovernmental agreements	(11,628,117)	-	(11,628,117)	-	(11,628,117)
Transfers in	-	2,500,000	2,500,000	8,654	2,508,654
Transfers out	(2,504,327)	(4,327)	(2,508,654)	-	(2,508,654)
Net cash provided (used) by noncapital financing activities	<u>(14,132,444)</u>	<u>6,951,928</u>	<u>(7,180,516)</u>	<u>8,654</u>	<u>(7,171,862)</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	149,607	101,477	251,084	-	251,084
Proceeds from debt issuance	-	-	-	-	-
Contributed capital received	524,807	2,776,991	3,301,798	-	3,301,798
Acquisition and construction of capital assets	(11,769,000)	(48,994,392)	(60,763,392)	(8,654)	(60,772,046)
Principal payments on long-term debt	(5,413,217)	(16,802,885)	(22,216,102)	-	(22,216,102)
Interest payments and other finance costs on long-term debt	(1,152,197)	(8,094,724)	(9,246,921)	-	(9,246,921)
Net cash used by capital and related financing activities	<u>(17,660,000)</u>	<u>(71,013,533)</u>	<u>(88,673,533)</u>	<u>(8,654)</u>	<u>(88,682,187)</u>
Cash flows from investing activities					
Interest earned on investments	1,760,279	872,714	2,632,993	-	2,632,993
Net change in investments	(25,723,205)	(24,116,570)	(49,839,775)	-	(49,839,775)
Net cash provided (used) in investing activities	<u>(23,962,926)</u>	<u>(23,243,856)</u>	<u>(47,206,782)</u>	<u>-</u>	<u>(47,206,782)</u>
Net decrease in cash and cash equivalents	<u>(25,867,524)</u>	<u>(38,713,822)</u>	<u>(64,581,346)</u>	<u>-</u>	<u>(64,581,346)</u>
Cash and cash equivalents					
Beginning of year	<u>88,305,291</u>	<u>84,843,647</u>	<u>173,148,938</u>	<u>-</u>	<u>173,148,938</u>
End of year	<u>\$ 62,437,767</u>	<u>\$ 46,129,825</u>	<u>\$ 108,567,592</u>	<u>\$ -</u>	<u>\$ 108,567,592</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Cash Flows
Year ended June 30, 2018

	<u>Electric Utility</u>	<u>Water and Wastewater Utility</u>	<u>Total Utilities</u>	<u>Fleet Maintenance Fund</u>	<u>Total PWC</u>
Reconciliation of operating income (loss)					
to net cash provided by					
(used in) operating activities					
Operating income (loss)	\$ 28,611,878	\$ 22,815,776	\$ 51,427,654	\$ -	\$ 51,427,654
Adjustments to reconcile operating income (loss)					
to net cash provided by (used in) operating					
activities:					
Depreciation	16,588,914	23,865,388	40,454,302	179,247	40,633,549
Allowance for uncollectible accounts	12,581	(56,671)	(44,090)	-	(44,090)
Special item- Hope Mills (Note 17)	-	-	-	-	-
Change in assets and liabilities					
(Increase) decrease in receivables	(2,674,334)	(1,966,427)	(4,640,761)	40,480	(4,600,281)
(Increase) decrease in internal balances	(538,519)	814,936	276,417	(276,417)	-
(Increase) decrease in inventories	(1,696,824)	(273,839)	(1,970,663)	(281)	(1,970,944)
(Increase) decrease in deferred outflows-other	5,866,734	685,230	6,551,964	-	6,551,964
(Increase) decrease in deferred outflows-OPEB	(857,662)	(2,071,223)	(2,928,885)	(99,007)	(3,027,892)
(Increase) decrease in deferred outflows-pension related	1,216,267	1,442,549	2,658,816	169,711	2,828,527
(Increase) decrease in other current assets	233,475	(129,838)	103,637	-	103,637
(Increase) decrease in other assets	(115,100)	35,980	(79,120)	(290)	(79,410)
(Increase) decrease in pension asset	-	-	-	-	-
Increase (decrease) in OPEB liability	-	526,889	526,889	(99,393)	427,496
Increase (decrease) in pension liability	-	(1,649,684)	(1,649,684)	-	(1,649,684)
Increase (decrease) in unearned deposits	168	(4,556)	(4,388)	-	(4,388)
Increase (decrease) in accounts payable and accrued expenses	2,152,645	3,899,692	6,052,337	4,623	6,056,960
Increase (decrease) in other liabilities	(5,824,231)	-	(5,824,231)	-	(5,824,231)
(Increase) decrease in deferred inflows-OPEB	698,196	828,093	1,526,289	97,423	1,623,712
(Increase) decrease in deferred inflows-pension related	(1,464,986)	(87,858)	(1,552,844)	(10,336)	(1,563,180)
Increase (decrease) in accrued vacation	26,009	(61,704)	(35,695)	(6,238)	(41,933)
Increase (decrease) in accrued sick leave	(12,347,365)	(21,094)	(12,368,459)	478	(12,367,981)
Total adjustments	<u>1,275,968</u>	<u>25,775,863</u>	<u>27,051,831</u>	<u>-</u>	<u>27,051,831</u>
Net cash provided by (used in) operating activities	<u>\$ 29,887,846</u>	<u>\$ 48,591,639</u>	<u>\$ 78,479,485</u>	<u>\$ -</u>	<u>\$ 78,479,485</u>
Noncash investing, capital, and financing activities:					
Contributed capital assets	\$ -	\$ 3,020,371	\$ 3,020,371	\$ -	\$ 3,020,371
FIF credits applied	\$ -	\$ 110,515	\$ 110,515	\$ -	\$ 110,515
Adjustment to market for long term investments	\$ (720,143)	\$ (286,400)	\$ (1,006,543)	\$ -	\$ (1,006,543)
Reconciliation to cash and cash equivalents					
Unrestricted	\$ 5,122,576	\$ 6,827,227	\$ 11,949,803	\$ -	\$ 11,949,803
Restricted	57,315,191	39,302,598	96,617,789	-	96,617,789
Total	<u>\$ 62,437,767</u>	<u>\$ 46,129,825</u>	<u>\$ 108,567,592</u>	<u>\$ -</u>	<u>\$ 108,567,592</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements

June 30, 2017

Note 1 - Summary of significant accounting policies

The financial statements of the Fayetteville Public Works Commission (the "Commission" or "PWC") have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting entity

The Commission is a discretely presented component unit of the City of Fayetteville, North Carolina (the "City"). The Commission is comprised of three enterprise funds, the Electric Fund, the Water and Wastewater Fund, and the Fleet Maintenance Fund. The Commission's financial statements presented herein include the financial position and operations of the Electric Fund and the Water and Wastewater Fund, and accordingly, are not intended to present the financial position or results of operations of the City of Fayetteville, North Carolina. Additionally, the Commission operates the Fleet Maintenance Fund which provides services to both the Commission and the City.

Basis of presentation

The Commission reports the following major enterprise funds:

Electric: This fund accounts for the operation and maintenance of the Butler-Warner Generation Plant and the transmission and distribution of electricity to customers within the City of Fayetteville and surrounding areas.

Water and Wastewater: This fund accounts for the operations and transmission and distribution of water and wastewater for customers within the City of Fayetteville and surrounding areas.

Fleet Maintenance Fund: The fund is used to account for the accumulation and allocation of costs associated with fleet maintenance activities of the Commission and for the City.

Measurement focus and basis of accounting

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

The Commission's 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.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 1 – Summary of significant accounting policies (continued)

Measurement focus and basis of accounting (continued)

The principal operating revenues of the Commission's funds are charges to customers for sales and services. Operating expenses for the Commission's funds include the costs of sales and services, general and administrative services and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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.

Cash and investments

Cash and investments include amounts in demand deposits and investments in U.S. government agencies, North Carolina Capital Management Trust (NCCMT) and commercial paper.

Investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. 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. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

Internal balances

During the course of operations, numerous transactions occur between the individual funds for goods provided or services rendered. Receivables and payables related to these transactions are classified as "internal balances" in the accompanying Statement of Net Position.

Receivables

Receivables consist primarily of customer receivables for utility services. The Commission provides allowances for uncollectible receivables equal to the estimated collection losses to be incurred. The estimated losses are computed using the experience method. The Commission grants credit to residential, business and industrial customers, substantially all of whom are local to the City of Fayetteville area.

Inventories

Inventories of supplies are carried at cost and inventories held for resale are carried at the lower of average cost or net realizable value using the weighted average method.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 1 – Summary of significant accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

Capital assets

Capital assets purchased or constructed since 1958 are recorded at cost. Assets acquired prior to 1958 are carried on an estimated cost basis. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset 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.

Minimum capitalization costs are as follows: \$5,000 for all classes of assets.

Utility plant systems are depreciated over estimated useful lives ranging from 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.

Donated capital assets received prior to June 30, 2015 are recorded at estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 is recorded at acquisition value.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission has four items that meet this criterion, Pension Deferrals (See note 11), OPEB deferrals (See note 16), a regulatory asset related to the Duke Coal Ash Settlement (See note 5), and unamortized bond refunding charges for Electric, Water and Wastewater Refunding bonds (See note 12). In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission has two items that meet the criterion for this category, deferrals of pension expense that result from the implementation of GASB 68, Accounting and Financial Reporting for Pensions and deferrals of OPEB expense that result from the implementation of GASB 75, Accounting and Financial Reporting for Other Post-Employment Benefits.

Long-term obligations

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.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 1 – Summary of significant accounting policies (continued)

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 to LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Commission's employer contributions are recognized when due and the Commission 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.

Compensated absences

Vested or accumulated vacation leave is reported as an expense and a liability as it accrues to employees. In accordance with the provisions of Government Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences," no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, the Commission's sick leave policy allows 25% of accumulated sick leave to be paid at the time of retirement. A liability for the estimated amount of sick leave to ultimately be paid is included in the financial statements.

Unearned deposits

Facility investment fee credits are given on a dollar per dollar basis for off-site water and wastewater approach mains necessary to serve Commission approved projects. The facility investment fee credit, if not utilized in the initial development, will be available to the developer for use in other Commission approved projects for a period not to exceed 5 years from the original contract date, unless otherwise stated in the contract or through extension approved by the Fayetteville Public Works Commission (PWC).

Statement of cash flows

For purposes of the Statement of Cash Flows, the Commission considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Other post-employment benefits

Post-employment expenses are made from the Electric, Water Resources and Fleet Maintenance Funds, which are maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due. The Total OPEB Liability is recorded in accordance with GASB Statement Numbers 74 and 75.

Net Position

Net Position is classified as net investment in capital assets, restricted, and unrestricted (see note 10F). Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through state statute or internally imposed by the Commission as qualifying enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 1 – Summary of significant accounting policies (continued)

At June 30, 2018, the Electric fund had restricted assets and a resultant restricted net position of \$119,321,474 related to debt service, renewable energy and other internally restricted assets offset by \$11,155,832 of unspent bond proceeds and \$8,317,880 of other internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$99,847,762. The Water/Wastewater Fund had restricted assets of \$71,297,931 related to debt service, capital projects and other internally restricted assets offset by \$14,190,364 of unspent bond proceeds and \$7,743,363 of internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$49,364,204.

Implemented Pronouncements

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, “Irrevocable Split-Interest Agreements.” The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2016. However there was no material impact during fiscal year 2018.

GASB issued Statement No. 85, “Omnibus 2017.” This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 86, “Certain Debt Extinguishment Issues.” The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2018.

GASB issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period.” The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, however the Commission has chosen to early implement this standard during fiscal year 2018.

Upcoming Pronouncements

GASB issued Statement No. 83, “Certain Asset Retirement Obligations.” This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 1 – Summary of significant accounting policies (continued)

Upcoming Pronouncements (continued)

GASB issued Statement No. 84, “Fiduciary Activities.” This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB issued Statement No. 87, “Leases.” The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

GASB issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.” The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB issued Statement No. 90, “Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61.” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 2 - Business of the Commission

The Fayetteville Public Works Commission, a discretely presented component of the City of Fayetteville, North Carolina, provides utility services, including electric, water, and wastewater, within Cumberland County and surrounding areas.

Note 3 - Legal compliance - budgets

The Commission operates under its annual budget ordinance. The ordinance provides for revenues and appropriations for the electric, water and wastewater, and fleet maintenance operations. All annual appropriations lapse at the end of the fiscal year. The capital project and special funds budgets are prepared under project ordinances. The budget is prepared on the modified accrual basis as required by North Carolina state law.

Note 4 - Cash and investments

A - Deposits

All deposits of the Commission are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The Commission may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Commission may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the Commission's deposits are either insured or collateralized by the depositories, which use one of two methods. Under the dedicated method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Commission's agent in the Commission's name. Under the pooling method, 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 Commission, these deposits are considered to be held by the Commission's agent in the Commission's name. 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 Commission or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Commission under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each pooling method depository.

At June 30, 2018, the Commission had deposits in pooling method banks with a carrying amount of \$49,619,722 and a bank balance of \$52,434,994. Of the total bank balance, \$515,848 was covered by federal depository insurance and \$51,919,146 was covered by collateral under the pooling method.

At June 30, 2018, the Commission had \$10,243,419 in Certificate of Deposits.

At June 30, 2018, the Commission had \$4,550 in petty cash.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 4 - Cash and investments (continued)

B - Investments

At June 30, 2018, the Commission had the following investments and maturities.

Investment Type	Valuation Measurement Method	Reported Value	Less than 6 Months	6 Mos - 1 Yr	1-5 Years	6-10 Years
U.S. Government agencies	Fair Value-Level 2	\$ 126,207,962	\$ -	\$ 11,433,230	\$ 100,009,685	\$ 14,765,04
Commercial paper	Fair Value-Level 2	68,831,179	47,700,114	21,131,065	-	-
NC Capital Management Trust - Term Portfolio*	Fair Value-Level 1	6,878,388	6,878,388	-	-	-
NC Capital Management Trust - Government Portfolio	Amortized Cost	47,009,630	47,009,630	-	-	-
Total		\$248,927,159	\$ 101,588,132	\$32,564,295	\$ 100,009,685	\$ 14,765,047

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission's investment policy requires that only purchases of treasuries and agency securities to be laddered with staggered maturity dates and limits these securities to a final maturity of no more than ten years, all other investment types are limited to a final maturity of no more than three years.

Credit Risk. The Commission limits investments to the provisions of the G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Commission's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2018. The Commission's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 4 - Cash and investments (continued)

B – Investments (continued)

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission has no policy on custodial credit risk but management procedures are that the Commission shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Commission's name.

Concentration of Credit Risk. The Commission limits investments to avoid over-concentration in securities from a specific issuer or business sector. More than 5% of the Commission's investments are in Freddie Mac, Federal Home Loan Bank, Fannie Mae and JP Morgan commercial paper. These investments are 31%, 21%, 9% and 8%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

	Reported
Total investments	\$ 248,927,159
Cash	49,619,722
Plus Certificates of Deposit	10,243,419
Petty cash	4,550
Total cash and investments	308,794,849
Less: Investments with maturities of more than 3 months	(200,227,258)
Total cash and cash equivalents	\$ 108,567,592

Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 11,949,803
Cash and cash equivalents - restricted	96,617,789
Total cash and cash equivalents	\$ 108,567,592

Note 5 – Regulatory Deferrals

The Commission has taken regulatory action that results in differences between the recognition of expenses for rate-making purpose and their treatment under generally accepted accounting principles for non-regulated entities (see Note 1). This action resulted in a regulatory asset and changes to this balance, and its inclusion in rates, occur only at the direction of the Commission.

PWC's regulatory asset relating to certain coal ash costs pursuant to an agreement with Duke Energy Progress (DEP) will be recovered over a period of fixed monthly charges through December 2019 (see Note 14 – Coal Ash). At June 30, 2018, this asset had a value of \$9,869,588.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 6 – Accounts Receivable

At June 30, 2018, the Commission's unrestricted receivable balances were as follows:

	<u>Electric Fund</u>	<u>Water and Wastewater Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Unrestricted:				
Accounts	\$ 26,840,221	\$ 11,178,191	\$ -	\$ 38,018,412
Sales taxes	1,998,848	77,803	31,096	\$ 2,107,747
Due from City - Assessments	-	7,225,701	-	\$ 7,225,701
Due from City - Assessments Interest	-	288,587	-	\$ 288,587
Accrued interest	680,216	202,556	-	\$ 882,772
Other	2,673,487	296,323	1,084,623	\$ 4,054,433
Total	<u>\$ 32,192,772</u>	<u>\$ 19,269,161</u>	<u>\$ 1,115,719</u>	<u>\$ 52,577,652</u>

Note 7 - Restricted assets and restricted liabilities

The Commission has classified as restricted the assets representing deposits, reserves, capital project appropriations and unexpended bond proceeds, because their use is completely restricted to the purpose for which the bonds were issued or the purpose for which the funds were set aside. Liabilities due to be paid from restricted assets are classified as restricted liabilities.

Restricted Assets and Restricted Liabilities:	<u>Internally Restricted</u>		<u>Externally Restricted</u>	
	<u>Electric</u>	<u>Water</u>	<u>Electric</u>	<u>Water</u>
Cash and Cash Equivalents				
Annexation Phase V Fund Cash	\$ -	\$ 7,742,189	\$ -	\$ -
Rate Stabilization Fund Cash	6,225,644	578,286	-	-
NC Renewable Rider	-	-	9,365,765	-
Customer Deposits	7,366,385	2,539,016	-	-
Debt Service	1,661,540	11,139,144	808	5,648
Annexation Phase V Reserve Fund Cash	-	-	-	-
Health Insurance Reserve	1,500,000	1,500,000	-	-
Coal Ash Reserve	18,850,000	-	-	-
BWG Startup Costs	1,078,280	-	-	-
Generation Fuel Reserve	110,938	-	-	-
Construction Fund	-	-	11,155,831	15,798,315
Total restricted cash and cash equivalents	<u>\$ 36,792,787</u>	<u>\$ 23,498,635</u>	<u>\$ 20,522,404</u>	<u>\$ 15,803,963</u>
Investments	<u>\$ 61,316,344</u>	<u>\$ 31,417,415</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral pledges in lieu of deposits	<u>\$ 496,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receivables				
Accounts	\$ -	-	\$ -	\$ -
Sales taxes	-	525,369	-	-
Grants	596	607	-	-
Accrued interest	192,602	51,942	-	-
Total restricted receivables	<u>\$ 193,198</u>	<u>\$ 577,918</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts payable and accrued expenses				
Trade	\$ -	\$ 1,981,041	\$ -	\$ -
Meter Deposits	8,224,173	3,615,176	-	-
NCDOT	-	3,322,000	-	-
Other	993,132	5,811,589	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 9,217,305</u>	<u>\$ 14,729,806</u>	<u>\$ -</u>	<u>\$ -</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 8 – Capital assets

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Electric Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 6,559,196	\$ 56,243	\$ -	\$ 223,975	\$ 6,839,414
Construction in progress	21,806,740	21,947,740	(1,033,354)	(10,531,145)	32,189,981
Capital assets being depreciated:					
Electric utility system	455,242,005	1,253,867	(2,448,416)	10,005,750	464,053,206
Buildings	46,125,396	8,061	-	6,948	46,140,405
Equipment and machinery	18,915,690	169,845	(124,414)	180,761	19,141,882
Intangibles	22,005,389	60,227	-	(24,562)	22,041,054
Computer equipment	5,405,873	394,192	(272,241)	112,442	5,640,266
Vehicles	8,390,552	668,305	(112,295)	(2,364)	8,944,198
Office equipment	1,322,019	(1,053)	(2,188)	-	1,318,778
Total Capital assets being depreciated	<u>557,406,924</u>	<u>2,553,444</u>	<u>(2,959,554)</u>	<u>10,278,975</u>	<u>567,279,789</u>
Less accumulated depreciation for:					
Electric utility system	(258,275,460)	(12,209,116)	1,372,110	-	(269,112,466)
Buildings	(22,608,361)	(1,169,127)	-	(778)	(23,778,266)
Equipment and machinery	(10,681,498)	(658,913)	108,067	-	(11,232,344)
Intangibles	(13,306,129)	(1,429,449)	-	725	(14,734,853)
Computer equipment	(4,372,158)	(450,354)	271,599	24,987	(4,525,926)
Vehicles	(4,944,010)	(644,923)	107,323	-	(5,481,610)
Office equipment	(1,099,026)	(36,261)	2,188	-	(1,133,099)
Total accumulated depreciation:	<u>(315,286,642)</u>	<u>(16,598,143)</u>	<u>1,861,287</u>	<u>24,934</u>	<u>(329,998,564)</u>
Electric fund capital assets, net	<u>\$ 270,486,218</u>	<u>\$ 7,959,284</u>	<u>\$ (2,131,621)</u>	<u>\$ (3,261)</u>	<u>\$ 276,310,620</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 10,634,347	\$ 36,616	\$ (30)	\$ 508,900	\$ 11,179,833
Construction in progress	32,129,528	52,108,178	-	(45,796,526)	38,441,180
Capital assets being depreciated:					
Water system	367,933,668	78,519	(34,422)	20,731,909	388,709,674
Sewer system	526,167,695	76,693	-	24,384,583	550,628,971
Buildings	6,080,315	31,647	-	35,662	6,147,624
Equipment and machinery	12,202,946	456,138	(71,174)	(1,426)	12,586,484
Intangibles	18,246,923	50,982	-	50,693	18,348,598
Computer equipment	4,825,136	414,890	(265,264)	112,368	5,087,130
Vehicles	8,694,208	533,289	(441,601)	2,032	8,787,928
Office equipment	472,517	-	(469)	-	472,048
Total Capital assets being depreciated	<u>944,623,408</u>	<u>1,642,158</u>	<u>(812,930)</u>	<u>45,315,821</u>	<u>990,768,457</u>
Less accumulated depreciation for:					
Water system	(136,925,642)	(9,935,751)	13,077	-	(146,848,316)
Sewer system	(195,783,199)	(11,140,273)	-	-	(206,923,472)
Buildings	(3,320,633)	(153,318)	-	778	(3,473,173)
Equipment and machinery	(9,660,293)	(455,605)	63,015	-	(10,052,883)
Intangibles	(11,821,652)	(1,158,343)	-	(725)	(12,980,720)
Computer equipment	(3,938,542)	(336,854)	264,622	(24,987)	(4,035,761)
Vehicles	(4,675,329)	(673,346)	416,558	-	(4,932,117)
Office equipment	(447,405)	(2,669)	469	-	(449,605)
Total accumulated depreciation:	<u>(366,572,695)</u>	<u>(23,856,159)</u>	<u>757,741</u>	<u>(24,934)</u>	<u>(389,696,047)</u>
Water and Sewer capital assets, net	<u>\$ 620,814,588</u>	<u>\$ 29,930,793</u>	<u>\$ (55,219)</u>	<u>\$ 3,261</u>	<u>\$ 650,693,423</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>Balance June 30, 2018</u>
Fleet Maintenance Fund:					
Capital assets not being depreciated:					
Construction in process	\$ 119,964	\$ -	\$ -	\$ (119,964)	-
Capital assets being depreciated:					
Buildings	3,464,592	8,654	-	119,964	3,593,210
Equipment and machinery	593,990	-	(4,814)	-	589,176
Intangibles	252,381	-	-	-	252,381
Computer equipment	41,086	-	-	-	41,086
Vehicles	408,484	-	(12,601)	-	395,883
Office equipment	6,448	-	-	-	6,448
Total Capital assets being depreciated	<u>4,766,981</u>	<u>8,654</u>	<u>(17,415)</u>	<u>-</u>	<u>4,878,184</u>
Less accumulated depreciation for:					
Buildings	(1,780,750)	(99,277)	-	-	(1,880,027)
Equipment and machinery	(512,825)	(23,287)	4,814	-	(531,298)
Intangibles	(225,464)	(26,917)	-	-	(252,381)
Computer equipment	(39,867)	(1,219)	-	-	(41,086)
Vehicles	(258,749)	(28,548)	12,601	-	(274,696)
Office equipment	(6,448)	-	-	-	(6,448)
Total accumulated depreciation:	<u>(2,824,103)</u>	<u>(179,248)</u>	<u>17,415</u>	<u>-</u>	<u>(2,985,936)</u>
Fleet Maintenance Fund capital assets, net	<u>\$ 2,062,842</u>	<u>\$ (170,594)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,892,248</u>

** Depreciation includes amortization of intangible assets.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 9 – Accounts Payable and Accrued Expenses

At June 30, 2018, the Commission’s unrestricted accounts payable and accrued expenses balances were as follows:

Unrestricted:	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Fund	Total
Trade	\$ 1,192,358	\$ 5,435,247	\$ 1,453,967	\$ 8,081,572
Purchased power	15,327,136	-	-	15,327,136
Power supply true up adjustment	106,800	-	-	106,800
Coal Ash liability	6,804,389	-	-	6,804,389
Payroll related	997,248	1,162,789	123,703	2,283,740
Interest	439,913	2,855,554	-	3,295,467
Incurred but not reported claims	714,539	714,540	-	1,429,079
Other	168,825	2,235,049	-	2,403,874
	<u>\$ 25,751,208</u>	<u>\$ 12,403,179</u>	<u>\$ 1,577,670</u>	<u>\$ 39,732,057</u>

Note 10 - Long-term debt

A - Defeased debt

In prior years, the Commission has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the Commission’s liabilities. As of June 30, 2018, the amount of prior year defeased debt outstanding and removed from the Commission’s liabilities amounted to \$25,615,000.

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 10 - Long-term debt (continued)

B - General obligation bonds

The City, for the benefit of the Commission, has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligation bonds outstanding for the year ended June 30, 2018 were as follows:

	June 30, 2018
\$4,403,885 General Obligation Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at 4.0%	\$517,341
Total General Obligation Bonds	517,341
Add: Unamortized Premium	47,865
Total	\$565,206

C - Revenue bonds

The Commission has issued revenue bonds which have been used to finance the construction of facilities utilized in the operations of the Electric and Water and Wastewater Systems. Revenue Bonds outstanding for the year ended June 30, 2018 were as follows:

	June 30, 2018
\$114,155,000 Series 2009A Revenue Refunding Bonds due in various annual installments through March 1, 2024; interest at 5.0%.	22,590,000
\$36,710,000 Series 2009B Revenue Bonds due in various annual installments through March 1, 2019; interest at 4.0%.	1,600,000
\$111,455,000 Series 2014 Revenue Bonds due in various annual installments through March 1, 2039; interest at various rates between 3.0% and 5.0%.	109,740,000
\$114,405,000 Series 2016 Revenue Refunding Bonds due in various annual installments through March 1, 2041; interest at various rates between 3.0% and 5.0%.	111,425,000
Total Revenue Bonds	245,355,000
Add: Unamortized Premium	21,578,022
Less: Unamortized Discount	(765)
Total	\$266,932,257

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 10 - Long-term debt (continued)

C - Revenue bonds (continued)

Maturities of bonds payable are as follows

Electric Fund:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 2,036,512	\$ 1,319,738	\$ 2,036,512	\$ 1,319,738
2020	-	-	2,209,124	1,217,912	2,209,124	1,217,912
2021	-	-	1,664,272	1,107,456	1,664,272	1,107,456
2022	-	-	1,529,292	1,024,242	1,529,292	1,024,242
2023	-	-	1,593,776	947,778	1,593,776	947,778
2024-2028	-	-	6,524,123	3,774,364	6,524,123	3,774,364
2029-2033	-	-	7,033,831	2,603,555	7,033,831	2,603,555
2034-2038	-	-	7,780,716	1,291,055	7,780,716	1,291,055
2039-2041	-	-	2,396,981	122,085	2,396,981	122,085
	-	-	32,768,627	13,408,185	32,768,627	13,408,185
Add: Unamortized premium			2,437,199		2,437,199	
Total Electric	\$ -	\$ -	\$ 35,205,826	\$ 13,408,185	\$ 35,205,826	\$ 13,408,185

Water and Wastewater Fund:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 175,527	\$ 20,694	\$ 14,743,488	\$ 8,492,812	\$ 14,919,015	\$ 8,513,506
2020	170,907	13,673	14,360,876	7,771,638	14,531,783	7,785,311
2021	170,907	6,836	12,125,728	7,053,594	12,296,635	7,060,430
2022	-	-	10,640,708	6,447,308	10,640,708	6,447,308
2023	-	-	11,061,224	5,915,272	11,061,224	5,915,272
2024-2028	-	-	42,135,877	22,942,937	42,135,877	22,942,937
2029-2033	-	-	43,861,169	15,552,720	43,861,169	15,552,720
2034-2038	-	-	46,379,284	7,765,995	46,379,284	7,765,995
2039-2041	-	-	17,278,019	917,415	17,278,019	917,415
	517,341	41,203	212,586,373	82,859,691	213,103,714	82,900,894
Add: Unamortized premium	47,865		19,140,823		19,188,688	
Less: Unamortized loss	-		(765)		(765)	
Total Water and Wastewater	\$ 565,206	\$ 41,203	\$ 231,726,431	\$ 82,859,691	\$ 232,291,637	\$ 82,900,894
Total Electric and Water and Wastewater	\$ 565,206	\$ 41,203	\$ 266,932,257	\$ 96,267,876	\$ 267,497,463	\$ 96,309,079

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 10 - Long-term debt (continued)

C - Revenue bonds (continued)

The Commission has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$357,110,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2016. 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 2041. The total principal and interest remaining to be paid on the bonds is \$341,622,876. Principal and interest paid for the current year and total customer revenues were \$28,428,100 and \$313,540,878, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$10,404,958 for the year ended June 30, 2018.

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, 2018.

D – Notes payable

The Commission has entered into revolving loan agreements with the State of North Carolina for various water and wastewater capital projects.

These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the Commission and the City of Fayetteville. Notes payables outstanding for the year ended June 30, 2018 were as follows:

	<u>June, 30 2018</u>
\$382,788 State Revolving Loan due in annual installments through May 1, 2033; interest at 2.0% paid semi-annually on May 1 and November 1.	\$ 287,091
\$5,299,942 State Revolving Loan due in annual installments through May 1, 2033; no interest.	3,978,267
\$3,901,648 State Revolving Loan due in annual installments through May 1, 2034; interest at 2.0% paid semi-annually on May 1 and November 1.	\$ 3,121,318
\$15,890,541 State Revolving Loan due in annual installments beginning May 1, 2017; no interest.	14,410,355
\$2,243,830 State Revolving Loan due in annual installments through May 1, 2035; interest at 2.0% paid semi-annually on May 1 and November 1	<u>1,907,256</u>
	<u>\$ 23,704,287</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 10 - Long-term debt (continued)

D – Notes payable (continued)

Maturities of the notes payable are as follows:

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2019	\$ 1,495,026	\$ 106,313
2020	1,392,206	99,785
2021	1,392,206	93,257
2022	1,392,206	86,729
2023	1,392,206	80,200
2024-2028	6,961,032	303,077
2029-2033	6,961,032	139,871
2034-2036	2,718,373	10,633
	<u>\$ 23,704,287</u>	<u>\$ 919,865</u>

Total interest expense related to the notes payable obligations totaled \$111,754 for the year ended June 30, 2018.

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FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 10 - Long-term debt (continued)

E – Changes in long-term liabilities

	Restated Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Electric Fund:					
Revenue bonds	38,181,844	-	5,413,217	32,768,627	2,036,512
Coal ash liability	15,693,819	-	5,824,231	9,869,588	
Unearned deposits	6,908	17,025	16,857	7,076	
Compensated absences	1,771,357	1,722,260	1,771,357	1,722,260	1,022,251
Total OPEB liability	12,814,900	1,051,288	1,495,736	12,370,452	-
Net pension liability (LGERS)	5,037,751	-	1,390,910	3,646,841	
	<u>73,506,579</u>	<u>2,790,573</u>	<u>15,912,308</u>	<u>60,384,844</u>	<u>3,058,763</u>
Add: Unamortized premium	<u>2,927,280</u>			<u>2,437,199</u>	-
Total Electric long-term liabilities	<u>76,433,859</u>			<u>62,822,043</u>	<u>3,058,763</u>
Water and Wastewater Fund:					
General obligation bonds	692,867	-	175,526	517,341	175,527
Revenue bonds*	224,938,156	2,943,852	15,295,635	212,586,373	14,743,488
Notes payable	25,036,011	-	1,331,724	23,704,287	1,495,026
Unearned deposits	835,547	84,007	199,078	720,476	-
Arbitrage payable	51,806	-	19,513	32,293	-
Compensated absences	1,841,107	1,881,716	1,841,107	1,881,716	1,082,075
Total OPEB liability	14,901,046	1,246,909	1,753,346	14,394,609	-
Net pension liability (LGERS)	5,992,206	-	1,649,684	4,342,522	-
	<u>274,288,746</u>	<u>6,156,484</u>	<u>22,265,613</u>	<u>258,179,617</u>	<u>17,496,116</u>
Add: Unamortized premium	<u>20,732,856</u>			<u>19,188,688</u>	-
Less: Unamortized discount	<u>(1,913)</u>			<u>(765)</u>	-
Total Water and Wastewater long-term liabilities	<u>295,019,689</u>			<u>277,367,540</u>	<u>17,496,116</u>
Fleet Maintenance Service Fund:					
Compensated absences	145,479	139,719	145,479	139,719	92,135
Total OPEB liability	2,086,146	146,830	229,374	2,003,602	-
Net pension liability (LGERS)	954,454	-	194,081	760,373	-
	<u>3,186,079</u>	<u>286,549</u>	<u>568,934</u>	<u>2,903,694</u>	<u>92,135</u>

* Revenue bond increase is a result of previously issued debt being reallocated from Electric to Water.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 10 - Long-term debt (continued)

F – Net investment in capital assets

	<u>Electric</u>	<u>Water</u>	<u>Fleet</u>
Capital Assets, Net	\$ 276,310,620	\$ 650,693,423	\$ 1,892,248
Less: Outstanding debt related to capital assets	(32,768,627)	(236,808,001)	-
Less: Premium on outstanding debt	(2,437,199)	(19,188,688)	-
Less: Deferred loss related to unspent bond proceeds	-	(149,341)	-
Less: Retainage related to capital asset	(94,497)	(591,628)	-
Add: Deferred bond discount	-	765	-
Add: Deferred loss on bond refunding	240,850	4,337,140	-
Add: Outstanding unspent bond proceeds	<u>7,718,337</u>	<u>14,190,364</u>	-
Total Net Investment in Capital Assets	<u>\$ 248,969,484</u>	<u>\$ 412,484,034</u>	<u>\$ 1,892,248</u>

Note 11 – Retirement Plans

Local Governmental Employees' Retirement System

Plan Description. The Commission 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 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.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 11 – Retirement Plans: Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Commission'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 Commission's contractually required contribution rate for the year ended June 30, 2018, was 12.73% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Commission were \$4,946,988 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Commission reported a liability of \$8,749,736 for its proportionate share of the net pension liability. The net pension liability is presented in other long term liabilities in the accompanying financial statements. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Commission's proportion of the net pension asset was based on a projection of the Commission'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, 2017, the Commission's proportion was 0.573%, which was an increase of 0.008% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$4,364,733. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 504,065	\$ 247,666
Changes of assumptions	1,249,582	-
Net Difference between projected and actual earning on pension plans investments	2,124,444	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	3,908,054	-
Commission contributions subsequent to the measurement date	<u>4,946,989</u>	<u>-</u>
	<u>\$ 12,733,134</u>	<u>\$ 247,666</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 11 – Retirement Plans: Local Governmental Employees' Retirement System (continued)

\$4,946,988 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ 1,880,561
2020	3,774,768
2021	2,089,956
2022	(206,806)
2023	-
Thereafter	-
	<u>\$ 7,538,479</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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, 2017 are summarized in the following table:

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2018

Note 11 – Retirement Plans: Local Governmental Employees' Retirement System (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 Commission's proportionate share of the net pension asset to changes in the discount rate. The following presents the Commission's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Commission's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Commission's proportionate share of the net pension liability (asset)	\$26,266,881	\$8,749,736	\$(5,871,565)

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

Note 12 – Deferred Outflows and Inflows of Resources – Unamortized Bond Refunding Charges

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 and losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds, the 2009 GO Refunding Bonds and the 2016 Revenue Refunding Bonds have been adjusted for the loss from defeasance (net amortization) of \$4,577,990. This deferred outflow of resources is included as unamortized bond refunding charges in the statement of net position.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 13 - Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

A – Workers’ Compensation

The Commission is self-insured with respect to workers’ compensation (up to approximately \$1,000,000) and self-insured with respect to health insurance claims (up to approximately \$2,000,000). In addition, the Commission is self-insured with respect to certain policy deductible amounts as follows: up to \$100,000 per occurrence on public officials’ liability, up to \$1,000,000 per occurrence on liability claims, and up to \$250,000 per occurrence on property claims. In addition, the Commission maintains excess liability insurance (\$10,000,000) to cover catastrophic losses and auto liability coverage with a \$5,000 deductible per occurrence. The Commission maintains an investment account amounting to \$3,500,000 to cover possible workers’ compensation and other claims. This investment is classified under restricted assets in the financial statements. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made, because the amount is not reasonably estimated.

B – Health Insurance Claims

The Commission uses a third party administrator to process health insurance claims. At June 30, 2018 and 2017, a liability for incurred but not reported claims of \$1,429,079 and \$1,695,376 respectively, are included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims for the Commission is presented below:

	2018	2017
Liability as of beginning of the year	\$ 1,695,376	\$ 1,951,600
Current year claims and changes in estimates	7,397,413	8,577,522
Actual claim payments	<u>(7,663,710)</u>	<u>(8,833,746)</u>
Liability as of end of the year	<u>\$ 1,429,079</u>	<u>\$ 1,695,376</u>

C – Commercial Crime Policy Insurance

All Employees including the Chief Financial Officer, Controller and Director of Planning and Capital Projects are insured under the Commission’s Commercial Crime Policy in accordance with G.S. 159-29. The Crime policy provides coverage for losses related to employee dishonesty, fraud, forgery/alteration and theft of money or securities up to \$1,000,000. The Crime policy has a \$25,000 deductible per loss.

D – Commercial Performance and Surety Bond (Chief Financial Officer specific)

The Chief Financial Officer is also insured under an individual Commercial Performance and Surety Bond Policy in accordance with Section 6A.8 of Chapter VI of the Charter of the City of Fayetteville and North Carolina General Statute 159 Article 3. It provides coverage for duties related to finance, accounting and faithful performance up to \$100,000 with no deductible.

E – Flood Insurance

The Commission carries flood insurance through the commercial insurance market. The current policy limit is \$400,000,000. The Federal Emergency Management Agency (FEMA) defines Zone A as an area close to a river, lake, or stream. For assets in Flood Zones A, V and B, a sublimit of \$30,000,000 applies to the loss event. The Commission’s standard deductible is \$100,000 with the exception of a \$250,000 deductible set for combustion steam generators.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 13 - Risk management (continued)

F – Other Commercial Coverage Insurance

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

Note 14 - Commitments and contingencies

A – Arbitrage

During the year ended June 30, 2018 the following bonds were subject to arbitrage regulations:

- 2008 Water and Wastewater Revenue
- 2009A Revenue Refunding Electric, Water and Wastewater
- 2009B Water and Wastewater Revenue
- 2014 Electric, Water and Wastewater Revenue
- 2016 Electric, Water and Wastewater Revenue

The arbitrage rebate payments are due on the fifth anniversary of the bond issue date. It is management's belief that the Commission's future rebate liability, if any, will be immaterial. The Commission reviewed its potential liability for the penalty at June 30, 2018 and the estimated arbitrage rebate payable of \$51,806 has been accrued in the June 30, 2018 financial statements.

B – Capital Expenditures

The Commission has authorized expenditures totaling approximately \$366.1 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2018 cumulative expenditures to date totaled approximately \$188.5 million leaving an unexpended balance of \$177.6 million for projects that are expected to be completed at various dates through the year ending June 30, 2024.

C – Litigation

The Commission is involved in a few lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statement.

D – Power Supply Contracts

In June 2009 the Commission executed a 20 year full requirements Power Supply and Coordination Agreement (PSCA) with Duke Energy Progress (DEP) formerly named Progress Energy Carolina, Inc. effective July 1, 2012. Subsequent amendments extended the term to 30 years. Under the PSCA, DEP provides PWC's full power supply requirements at an annually determined capacity and energy price based on DEP's average system cost. PWC will continue to utilize its SEPA allocation as permitted in the SEPA contract and the PSCA. PWC may elect to terminate the PSCA effective June 30, 2024 with written notice provided by June 30, 2019. Also in June 2009, PWC and DEP executed a 5 year Butler Warner Power Sales Agreement effective July 1, 2012. Subsequent amendments provided for extension of the term until December 31, 2023. Under this agreement, PWC generates and delivers energy to DEP pursuant to scheduled energy requests provided by DEP. DEP pays PWC for capacity, energy (including any fuel costs) and start costs.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 14 - Commitments and contingencies (continued)

Either party may challenge the correctness of any bill pursuant to the PSCA no later than 24 months after the payment date such bill was due. DEP provides PWC estimated energy and capacity rates each calendar year and calculates a true-up charge or credit, with interest, following the completion of DEP's calendar year period once the actual costs are known. Calendar year 2016 and 2017 are open for challenges and are currently under review. Additionally, DEP has appealed a FERC ruling in PWC's favor for materials and supplies costs embedded in the PSCA formula amounting to \$2,520,390.13 for 2015 through 2017. DEP refunded the charges, in accordance with the terms of the FERC ruling, in 2018 and PWC transferred these funds to the rate stabilization fund awaiting the final decision on the appeal. The decision will also impact these costs for 2018 which are unknown at this time. If PWC prevails in the FERC appeal, amounts due PWC for 2018, will be handled as part of the annual true-up process specified in the Agreement. As of the date of these financial statements, any known adjustments not yet billed or credited have been recorded.

In addition to the purchased power contract, PWC pays power transmission costs to its power supply provider, DEP. The transmission rates are established by the Federal Energy Regulatory Commission (FERC).

During the year ended June 30, 2018 the purchased power cost, including transmission costs, coal ash costs (see Note 14), and contractual true up and challenge net (credits)/charges of \$106,800 to DEP was \$151,092,538 .

E – Coal Ash

In September 2014, the Coal Ash Management Act (CAMA) became law in North Carolina. Subsequent to its passage, the Environmental Protection Agency (EPA) issued its own regulations and together with CAMA, requires DEP to take remedial actions to its plants producing Coal Combustion Residuals (CCRs). On April 26, 2017, DEP and PWC executed an amendment to the PSCA incorporating the recovery of CCR costs and in May 2017, DEP filed the amended contract with the Federal Energy Regulatory Commission (FERC). As of July 20, 2017, FERC accepted the contract with a July 1, 2017 effective date. Based on this acceptance and the terms of the contract, DEP began billing PWC for prior CCR costs (CCRCs) dating back to January 2015 in fixed monthly installments over a period of 24 months in January 2018. Another component of the charges related to coal ash recovery is Beneficial Reuse Costs (BRCs) and PWC was billed accordingly for DEP's cost incurred from January 2017. In January 2018, current and future costs going forward is estimated in the energy and demand rates of the PSCA for BRCs and CCRCs, respectively, and are subject to true-up provisions of the PSCA. The prior BRCs and CCRCs for 2015, 2016 and 2017 have been recorded as a liability and corresponding Regulatory Asset (see Note 5). DEP has shared with PWC the estimated cost to be recovered from PWC over the next 20 years, with the majority being due in the first 10 years. For this purpose, PWC collected approximately \$28 million through fiscal year 2017 restricted for this purpose and intends to fund the remaining costs through a combination of Electric Rate Stabilization funds and a pass through charge to all customers through customer billings. Fiscal year 2018 coal ash costs of \$ 9,280,885 are included in the purchased power costs above.

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 14 - Commitments and contingencies (continued)

F – Leases

The Commission leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2018 to 2023. Minimum lease provisions at June 30, 2018 will result in rental income for future years as follows:

Year ending June 30	Rent
2019	\$ 586,636
2020	134,230
2021	83,878
2022	59,405
2023	54,098
Total	\$ 918,247

Note 15 - Related party transactions/transfers out

The Commission operates as a component unit of the City of Fayetteville, North Carolina. As such, the Commission provides fleet, electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,936,356 in 2018. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions to/from the City amounted to \$7,171,862 in 2018. Balances due to/from the Commission were as follows:

	<u>June 30, 2018</u>
Receivables (due from the City of Fayetteville)	\$ 458,089
Assessments (due from the City of Fayetteville)	7,225,701
Assessments interest (due from the City of Fayetteville)	288,587
	\$ 7,972,377
Payables (due to the City of Fayetteville)	\$ 1,341,380

Note 16 - Other postemployment benefits

Healthcare Benefits

Plan Description. The Commission has a single-employer defined benefit healthcare plan. The Commission has the authority to establish and amend the benefit terms and financing requirements. The Commission has chosen to fund the health care benefits on a pay as you go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. This plan provides postemployment healthcare benefits to retirees and their dependents up to the age of 65. The Commission and the qualified retirees share in the cost of the coverage. Employees who retire with a minimum of 20 years of creditable service have the option of sharing in the cost of coverage for themselves and purchasing coverage for dependents at the Commission's group rate. The Commission may amend the benefit provisions. A separate report was not issued for the plan.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 16 - Other postemployment benefits (continued)

Membership of the health benefits plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	Employees:
Retirees and dependents receiving benefits	95
Active plan members and covered spouses	654
Total	<u>749</u>

Total OPEB Liability

The Commission's total OPEB liability of \$28,768,663 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Salary increases	3.0 percent, average
Discount rate	3.58 percent
Healthcare cost trend rates	Composite - Medical & Rx – 4.5 - 8.10%
	Admin Rate – 3%

The discount rate is based on the yield of the Bond Buyer GO-20 Bond Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 29,802,092
Changes for the year	
Service cost	565,873
Interest	836,244
Changes of benefit terms	-
Differences between expected and actual experience	1,346,521
Changes in assumptions or other inputs	(1,715,410)
Benefit payments	<u>(2,066,657)</u>
Net changes	(1,033,429)
Balance at June 30, 2018	\$ 28,768,663

Changes in assumptions and other inputs reflect a change in the discount rate from 2.85% to 3.58%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table with fully generational projections at Scale MP-2017.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 2016 through June 30, 2017.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 16 - Other postemployment benefits (continued)

Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$31,151,092	\$28,768,663	\$26,616,780

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

	1% Decrease (7.10%)	Trend Rate (8.10%)	1% Increase (9.10%)
Total OPEB liability	\$27,324,495	\$28,768,663	\$32,543,607

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

For the year ended June 30, 2018, the Commission recognized OPEB expense of \$1,548,741. At June 30, 2018, the Commission 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
Difference between expected and actual experience	\$ 1,108,199	\$ -
Changes of assumptions	-	1,411,798
Commission contributions subsequent to the measurement date	2,953,022	-
Retiree contributions subsequent to the measurement date	-	211,914
Total	\$ 4,061,221	\$ 1,623,712

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 16 - Other postemployment benefits (continued)

Total OPEB Liability (continued)

\$2,953,023 reported as deferred outflows of resources related to OPEB resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	\$ (65,290)
2019	(65,290)
2020	(65,290)
2021	(65,290)
2022	(42,439)
Thereafter	-
	<u>\$ (303,599)</u>

Note 17 – Interfund Activity

	Electric	Water	Capital Projects Funds	Total
Electric Fund:				
Water	\$ 921,946	\$ -	\$ -	\$ 921,946
Electric Rate Stabilization Fund	(10,000)	-	10,000	-
2014 LED Lighting Fund	4,102	-	(4,102)	-
Electric NCDOT U-4405 Raeford Rd CPF	902,842	-	(902,842)	-
Fleet Maintenance Fund	(592,883)	-	-	(592,883)
Water Fund:				
Electric	-	(921,946)	-	(921,946)
2014 Water/Wastewater Fund	-	88,020	(88,020)	-
Annex V, 18-19	-	118,648	(118,648)	-
Annex V, 20-21	-	20,342	(20,342)	-
2016 Water/Wastewater	-	183,281	(183,281)	-
Fleet Maintenance Fund	-	(1,803,954)	-	(1,803,954)
Due To total	<u>\$ 1,226,007</u>	<u>\$ (2,315,609)</u>	<u>\$ (1,307,235)</u>	<u>\$ (2,396,837)</u>
Fleet Fund:				
Fleet Maintenance Fund	<u>\$ 592,883</u>	<u>\$ 1,803,954</u>	<u>\$ -</u>	<u>\$ 2,396,837</u>

The interfund balances are a result of the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (continued)

June 30, 2018

Note 17 – Interfund Activity (continued)

Transfers are primarily related to the transfer of capital assets between funds, which usually occur at the onset of a capital project and as the project draws to an end. Those transfers that are not capital related are made between the Rate Stabilization funds, various capital project funds, and the respective Electric Operating or Water and Wastewater Operating funds. These types of transfers are used to finance the programs/projects that the PWC must account for in other funds in accordance with budgetary authorizations.

	Transfer To					Total
	Electric	Water	Fleet	Annex V Reserve	Capital Project Funds	
Transfer From						
Electric Fund:						
transfer to Fleet Maintenance Fund	\$ (4,327)	\$ -	\$ 4,327	\$ -	\$ -	\$ -
transfer to Electric Rate Stabilization Fund	(4,750,000)	-	-	-	4,750,000	-
transfer to Substation Rebuild CPF	(4,910,000)	-	-	-	4,910,000	-
transfer to Annexation Ph V Reserve	(2,500,000)	-	-	2,500,000	-	-
transfer to Electric (from Series 2014 Electric Connect Fund)	3,162,641	-	-	-	(3,162,641)	-
transfer to Electric (from Series 2014 LED Lighting CPF Fund)	2,316,570	-	-	-	(2,316,570)	-
Water Fund:						
transfer to Fleet Maintenance Fund	-	(4,327)	4,327	-	-	-
transfer to Water Rate Stabilization Fund	-	(250,000)	-	-	250,000	-
transfer to Annexation V Reserve Fund	-	(1,345,506)	-	1,345,506	-	-
transfer to 2013 PO HOFFER PH 1 SRL Fund	-	(15,890,542)	-	-	15,890,542	-
transfer to NCDOT Prj Fund	-	(3,282,664)	-	-	3,282,664	-
transfer to Water (from 2014 Water Wastewater)	-	6,618,184	-	-	(6,618,184)	-
transfer to Water (from 2016 Water Wastewater)	-	11,152,918	-	-	(11,152,918)	-
transfer to Water (from Series 2016 Water Connect)	-	2,379,904	-	-	(2,379,904)	-
transfer to Water (from 2014 Annexation, 16/17)	-	3,735,819	-	-	(3,735,819)	-
transfer to Water (from Annexation V, 18 & 19)	-	3,855,278	-	-	(3,855,278)	-
transfer to Water (from Annexation V, 20 & 21)	-	113,351	-	-	(113,351)	-
transfer to Annexation V Reserve (from Annex V Reserve, 16-17)	-	-	-	310,045	(310,045)	-
transfer to Annexation V Reserve (from Annex V Reserve, 22-23)	-	-	-	(2,069)	2,069	-
transfer to Annexation V Reserve (from Annex V Reserve, 32-34)	-	-	-	(404,954)	404,954	-
transfer to Annexation V Reserve 18-19 (from Annex V Reserve)	-	-	-	(4,905,325)	4,905,325	-
transfer to Annexation v Reserve 20-21 (from Annex V Reserve)	-	-	-	(463,584)	463,584	-
	<u>\$ (6,685,116)</u>	<u>\$ 7,082,415</u>	<u>\$ 8,654</u>	<u>\$ (1,620,381)</u>	<u>\$ 1,214,428</u>	<u>\$ -</u>

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**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Notes to the Financial Statements (concluded)

June 30, 2018

Note 18 – Change in Accounting Principles/Restatement

The Commission implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Commission to record beginning total OPEB liability and related effects on net position of contributions made by the Commission during the measurement period (fiscal year ending June 30, 2017). As a result, beginning net position decreased by \$18,593,153.

Note 19 – Subsequent Events

The Commission has evaluated events subsequent to October 1, 2018 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that the following event occurred that requires recognition or disclosure in the financial statements.

Hurricane Florence

Hurricane Florence impacted PWC over several days around September 13-17, 2018. As a result of tropical winds and extensive rainfall, moderate damage occurred throughout the PWC utility system. The Commission has assessed about 60% of the system for damages and there are still a lot of unknowns. At this time, damage estimates are within the range of \$4 million to \$5 million including all labor cost, contractor cost, services, equipment, etc. Most of these losses should be recoverable via FEMA and/or Insurance.

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**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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Required Supplementary Information

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information**

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service Cost	565,873
Interest	836,244
Changes of benefit terms	-
Differences between expected and actual experience	1,346,521
Changes in assumptions	(1,715,410)
Benefit payments	(2,066,657)
Net change in total OPEB liability	(1,033,429)
Total OPEB liability - beginning	29,802,092
Total OPEB liability - ending	28,768,663
Covered payroll	38,396,209
Total OPEB liability as a percentage of covered payroll	74.93%

Notes to Schedule

1 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
2018	2.85%

2 The Commission has elected not to accumulate assets in a qualifying trust as allowed by Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Local Government Employees' Retirement System
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information**

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PWC'S proportion of the net pension liability (asset) (%)	0.5727%	0.5647%	0.5617%	0.5597%	0.5439%
PWC's proportion of the net pension liability (asset) (\$)	\$ 8,749,736	\$ 11,984,401	\$ 2,521,055	\$ (3,301,280)	\$ 6,556,084
PWC's covered-employee payroll	\$ 38,396,209	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227	\$ 34,013,831
PWC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.79%	32.60%	7.00%	-9.29%	19.27%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to 2014.

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

**FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Local Government Employees' Retirement System
 Required Supplementary Information**

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,946,988	\$ 4,791,848	\$ 4,374,095	\$ 4,429,479	\$ 2,513,615
Contributions in relation to the contractually required contribution	<u>4,946,988</u>	<u>4,791,848</u>	<u>4,374,095</u>	<u>4,429,479</u>	<u>2,513,615</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PWC's covered-employee payroll	\$ 38,860,875	\$ 38,396,209	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227
Contributions as a percentage of covered-employee payroll	12.73%	12.48%	11.90%	12.30%	7.07%

* Information is not available for years prior to 2014.

Supplementary Information

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Combining Schedule of Net Position
Electric Utility
June 30, 2018**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Substation Rebuild Capital Project Fund	Electric NCDOT U-4405 Raeford Rd Fund	Total
ASSETS							
Current unrestricted assets							
Cash and cash equivalents	\$ 5,122,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,122,576
Investments	77,360,993	-	-	-	-	-	77,360,993
Receivables	32,192,772	-	-	-	-	-	32,192,772
Internal balances	1,226,007	10,000	-	(4,102)	-	(902,842)	329,063
Less allowance for doubtful accounts	(274,826)	-	-	-	-	-	(274,826)
Inventories	15,036,594	-	-	-	-	-	15,036,594
Other current assets	1,709,892	-	-	-	-	-	1,709,892
Total current unrestricted assets	132,374,008	10,000	-	(4,102)	-	(902,842)	131,477,064
Current restricted assets							
Cash and cash equivalents	39,933,716	6,225,644	-	7,718,336	3,437,495	-	57,315,191
Investments	18,897,964	42,418,380	-	-	-	-	61,316,344
Collateral	496,740	-	-	-	-	-	496,740
Receivables	596	192,602	-	-	-	-	193,198
Total current restricted assets	59,329,016	48,836,626	-	7,718,336	3,437,495	-	119,321,473
Total current assets	191,703,024	48,846,626	-	7,714,234	3,437,495	(902,842)	250,798,537
Noncurrent assets							
Other assets	332,831	-	-	-	-	-	332,831
Capital assets:							
Land and land rights	6,839,414	-	-	-	-	-	6,839,414
Construction in process	28,693,157	-	-	222,052	2,163,285	1,111,487	32,189,981
Electric utility systems	194,940,740	-	-	-	-	-	194,940,740
Buildings	22,362,139	-	-	-	-	-	22,362,139
Equipment and machinery	7,909,538	-	-	-	-	-	7,909,538
Computer programs	1,114,340	-	-	-	-	-	1,114,340
Intangibles	7,306,201	-	-	-	-	-	7,306,201
Vehicles	3,462,588	-	-	-	-	-	3,462,588
Office equipment	185,679	-	-	-	-	-	185,679
Capital assets, net	272,813,796	-	-	222,052	2,163,285	1,111,487	276,310,620
Total noncurrent assets	273,146,627	-	-	222,052	2,163,285	1,111,487	276,643,451
Total assets	464,849,651	48,846,626	-	7,936,286	5,600,780	208,645	527,441,988
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	240,850	-	-	-	-	-	240,850
Regulatory asset - coal ash	9,869,588	-	-	-	-	-	9,869,588
OPEB deferrals	1,746,325	-	-	-	-	-	1,746,325
Contributions to pension plan in current fiscal year	5,475,247	-	-	-	-	-	5,475,247
Total deferred outflows of resources	17,332,010	-	-	-	-	-	17,332,010
LIABILITIES							
Current liabilities to be paid from unrestricted current assets							
Current portion of long-term liabilities	3,058,763	-	-	-	-	-	3,058,763
Accounts payable and accrued expenses	25,751,208	-	-	-	-	-	25,751,208
Total current liabilities to be paid from unrestricted current assets	28,809,971	-	-	-	-	-	28,809,971
Current liabilities to be paid from restricted current assets							
Accounts payable and accrued expenses	8,317,880	-	-	-	690,780	208,645	9,217,305
Total current liabilities to be paid from restricted current assets	8,317,880	-	-	-	690,780	208,645	9,217,305
Total current liabilities	37,127,851	-	-	-	690,780	208,645	38,027,276
Noncurrent liabilities							
Long-term liabilities	33,869,323	-	-	-	-	-	33,869,323
Total OPEB liability	12,370,452	-	-	-	-	-	12,370,452
Net pension liability	3,646,841	-	-	-	-	-	3,646,841
Other liabilities	3,065,199	-	-	-	-	-	3,065,199
Unearned deposits	7,076	-	-	-	-	-	7,076
Total noncurrent liabilities	52,958,891	-	-	-	-	-	52,958,891
Total liabilities	90,086,742	-	-	-	690,780	208,645	90,986,167
DEFERRED INFLOWS OF RESOURCES							
OPEB deferrals	698,196	-	-	-	-	-	698,196
Pension deferrals	106,496	-	-	-	-	-	106,496
Total deferred inflows of resources	804,692	-	-	-	-	-	804,692
NET POSITION							
Net investment in capital assets	245,473,810	-	-	222,052	2,162,135	1,111,487	248,969,484
Restricted for -							
Renewable energy	9,365,765	-	-	-	-	-	9,365,765
Debt service	808	-	-	-	-	-	808
Other internal restrictions	41,644,563	48,836,626	-	-	-	-	90,481,189
Unrestricted Net Position	94,805,281	10,000	-	7,714,234	2,747,865	(1,111,487)	104,165,893
Total Net Position	\$ 391,290,227	\$ 48,846,626	\$ -	\$ 7,936,286	\$ 4,910,000	\$ -	\$ 452,983,139

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Combining Schedule of Revenues, Expenses and Changes in Net Position
Electric Utility
Year ended June 30, 2018**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Substation Rebuild Capital Project Fund	Electric NCDOT U-4405 Raeford Rd Fund	Total
Operating revenues							
Residential, commercial, and industrial service	199,319,549	-	-	-	-	-	199,319,549
Other charges for services	32,988,732	-	-	-	-	-	32,988,732
Total operating revenues	<u>232,308,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,308,281</u>
Operating expenses							
Power supply and generation	155,562,287	-	-	-	-	-	155,562,287
Electric operation	15,933,526	-	-	-	-	-	15,933,526
General and administrative	15,611,676	-	-	-	-	-	15,611,676
Depreciation	16,588,914	-	-	-	-	-	16,588,914
Total operating expenses	<u>203,696,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,696,403</u>
Operating income	<u>28,611,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,611,878</u>
Nonoperating revenue (expense)							
Intergovernmental expense	(1,200,000)	-	-	-	-	-	(1,200,000)
Payment in lieu of taxes	(10,428,117)	-	-	-	-	-	(10,428,117)
Interest earned on investments	1,229,031	531,248	-	-	-	-	1,760,279
Gain (loss) on disposal of assets	(1,060,418)	-	-	-	-	-	(1,060,418)
Interest expense	(1,138,552)	-	-	-	-	-	(1,138,552)
Finance costs	(13,645)	-	-	-	-	-	(13,645)
Total nonoperating revenue (expense)	<u>(12,611,701)</u>	<u>531,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,080,453)</u>
Income before transfers and contributions	<u>16,000,177</u>	<u>531,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,531,425</u>
Contributions	524,807	-	-	-	-	-	524,807
Transfers in	5,479,211	4,750,000	-	-	4,910,000	-	15,139,211
Transfers out	(12,164,327)	-	(3,162,641)	(2,316,570)	-	-	(17,643,538)
Change in Net Position	9,839,868	5,281,248	(3,162,641)	(2,316,570)	4,910,000	-	14,551,905
Total Net Position - beginning	389,478,549	43,565,378	3,162,641	10,252,856	-	-	446,459,424
Prior Period Adjustment - GASB 75	(8,028,190)	-	-	-	-	-	(8,028,190)
Total Net Position - beginning, restated	<u>381,450,359</u>	<u>43,565,378</u>	<u>3,162,641</u>	<u>10,252,856</u>	<u>-</u>	<u>-</u>	<u>438,431,234</u>
Total Net Position - ending	<u>\$ 391,290,227</u>	<u>\$ 48,846,626</u>	<u>\$ -</u>	<u>\$ 7,936,286</u>	<u>\$ 4,910,000</u>	<u>\$ -</u>	<u>\$ 452,983,139</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)**

	2018			2017 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Electric operations				
Residential, commercial, and industrial sales	\$ 197,640,800	\$ 1,678,749	\$ 199,319,549	\$ 189,216,095
Other sales of electric	11,699,800	(417,281)	11,282,519	11,134,405
Wholesale power cost adjustment	(3,900,000)	130,443	(3,769,557)	(1,118,079)
City Services	1,414,200	51,292	1,465,492	1,414,489
Non-utility charges	1,814,800	(163,626)	1,651,174	1,670,921
Service charges	6,597,400	84,908	6,682,308	6,437,786
Miscellaneous	16,094,300	(417,504)	15,676,796	17,072,401
Total operating revenues	231,361,300	946,981	232,308,281	225,828,018
Non-operating revenues				
Interest earned on investments	1,600,000	(370,969)	1,229,031	782,518
Total non-operating revenues	1,600,000	(370,969)	1,229,031	782,518
Contributions				
Contributions	2,150,100	(1,625,293)	524,807	1,109,808
Total contributions	2,150,100	(1,625,293)	524,807	1,109,808
Transfers in				
Transfer from Electric Rate Stabilization Fund	-	-	-	-
Total transfers in	-	-	-	-
Budgetary appropriations				
Reserve for REPS	3,945,600	(4,495,789)	(550,189)	2,558,032
Transfer from Coal Ash reserve	9,278,500	(334,610)	8,943,890	-
Appropriated net position	2,120,300	(2,120,300)	-	-
Total budgetary appropriations	15,344,400	(6,950,699)	8,393,701	2,558,032
Total revenues	\$ 250,455,800	\$ (7,999,980)	\$ 242,455,820	\$ 230,278,376
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 155,819,000	\$ 256,713	\$ 155,562,287	\$ 141,770,054
Administration	1,485,700	690,128	795,572	637,434
Apparatus repair shop	433,400	31,980	401,420	382,552
Electric meter shop	323,000	100,337	222,663	278,607
Construction and maintenance	8,621,700	883,185	7,738,515	8,020,430
Substation construction	2,273,100	86,282	2,186,818	2,093,692
Engineering	2,966,300	262,540	2,703,760	2,687,768
Fiber	282,000	24,174	257,826	209,484
SCADA	-	-	-	2,472
CT metering crews	369,500	50,372	319,128	293,236
Compliance	837,300	(470,524)	1,307,824	542,727
Total electric operations	173,411,000	1,915,187	171,495,813	156,918,456

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)**

	2018			2017 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,149,550	\$ 122,340	\$ 1,027,210	\$ 886,326
Internal audit	52,850	223	52,627	49,981
Communications and community relations	822,400	43,221	779,179	712,325
Financial administration	318,900	78,558	240,342	211,774
Human resources	884,000	31,027	852,973	906,021
Accounting	497,300	20,660	476,640	430,093
Accounts receivable	722,200	87,832	634,368	699,338
Payroll	64,400	894	63,506	63,145
Customer accounts	1,864,550	62,421	1,802,129	1,809,770
Utility field services	849,850	91,063	758,787	935,274
Corporate development	834,050	49,387	784,663	756,236
Risk management	1,348,450	259,660	1,088,790	691,664
Collections	1,444,550	754,598	689,952	888,361
Capital Projects	519,100	130,990	388,110	408,325
Rates	357,550	54,973	302,577	155,245
Budget	123,250	16,656	106,594	122,495
Purchasing	324,900	73,225	251,675	234,892
Warehouse	463,400	43,435	419,965	443,181
Fleet maintenance	1,315,600	304,878	1,010,722	997,898
Facilities maintenance	298,250	3,608	294,642	345,135
Customer programs and call center	666,650	(80)	666,730	662,780
Corporate services administration	143,700	103	143,597	151,108
Development and marketing	438,650	27,100	411,550	595,507
Telecommunications systems	2,159,200	222,653	1,936,547	1,480,499
Information systems	3,730,650	1,523,184	2,207,466	2,048,524
Medical insurance	4,502,700	801,670	3,701,030	4,564,356
Other	3,729,650	1,618,949	2,110,701	2,345,235
Allocated rent and fiber clearing	(2,060,900)	22,002	(2,082,902)	(2,047,988)
Overhead clearing	(5,259,900)	(604,038)	(4,655,862)	(4,683,694)
Total general and administrative	22,305,500	5,841,192	16,464,308	16,863,806
Total operating expenditures	195,716,500	7,756,379	187,960,121	173,782,262
Non-operating expenditures				
Intergovernmental expense	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 1,200,000
Payment in lieu of taxes	10,428,200	83	10,428,117	9,966,765
Loss on asset disposal	-	(1,060,418)	1,060,418	1,995,746
Interest expense	1,364,500	23	1,364,477	1,588,702
Finance costs	16,100	2,455	13,645	8,040
Total non-operating expenditures	13,008,800	(1,057,857)	14,066,657	14,759,253

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)**

	2018			2017 Actual
	Budget	Variance Positive (Negative)	Actual	
Transfers out				
Transfers to Electric Rate Stabilization Fund	\$ 4,750,000	\$ -	\$ 4,750,000	\$ 473,273
Transfers to Annexation V Reserve Fund	3,143,100	643,100	2,500,000	2,666,116
Transfers to Substation Rebuild Fund	4,910,000	-	4,910,000	-
Transfers to Fleet Maintenance Fund	215,000	210,673	4,327	59,982
Total transfers out	<u>13,018,100</u>	<u>853,773</u>	<u>12,164,327</u>	<u>3,199,371</u>
Budgetary appropriations				
Inventory increase (decrease)	427,000	387,969	39,031	136,636
Vehicle and equipment increase (decrease)	-	721,719	(721,719)	(365,658)
Debt principal payments	2,469,400	7,853	2,461,547	2,365,021
Transfer to REPS Reserve	2,207,400	(14,354)	2,221,754	2,204,763
BWGP Start up Cost Reserve	84,000	(186,062)	270,062	132,391
Capital outlay	22,024,200	3,795,581	18,228,619	20,080,470
Budget Carryover Reserve	1,060,000	-	1,060,000	-
Transfer to Coal Ash Reserve	440,400	(6,990)	447,390	17,346,500
Total budgetary appropriations	<u>28,712,400</u>	<u>4,705,716</u>	<u>24,006,684</u>	<u>41,900,123</u>
Total expenditures	<u>\$ 250,455,800</u>	<u>\$ 12,258,011</u>	<u>\$ 238,197,789</u>	<u>\$ 233,641,009</u>
Reconciliation of change in Net Position				
Total revenues		\$ (7,999,980)	\$ 242,455,820	\$ 230,278,376
Total expenditures		<u>12,258,011</u>	<u>238,197,789</u>	<u>233,641,009</u>
Subtotal		<u>\$ 4,258,031</u>	4,258,031	(3,362,633)
Reconciling items:				
Budgetary appropriations			15,612,983	39,342,091
Depreciation			(16,588,914)	(16,152,792)
Amortization for refunding			225,925	60,249
OPEB expense			603,914	(253,604)
LGERS expense			248,718	240,240
Series 2016 Electric Connect Bond Proceeds			3,162,641	-
Series 2016 LED Conversion Bond Proceeds			-	(1,386)
Transfer of assets (to)/from the 2014 Electric Connect Capital Project Fund			-	3,348,860
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			2,316,570	2,458,375
Total reconciling items			<u>5,581,837</u>	<u>29,042,033</u>
Change in Net Position			<u>\$ 9,839,868</u>	<u>\$ 25,679,400</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Electric Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	5,662,000	5,086,854	531,248	5,618,102
Total revenues	<u>9,831,725</u>	<u>9,256,579</u>	<u>531,248</u>	<u>9,787,827</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>9,831,725</u>	<u>9,256,579</u>	<u>531,248</u>	<u>9,787,827</u>
Other financing sources (uses)				
Transfer from Electric Fund	74,127,155	69,377,200	4,750,000	74,127,200
Transfer from Electric Fund - WPCA	3,831,700	3,861,615	-	3,861,615
Transfer from Electric Fund - True-up credits	753,173	682,484	-	682,484
Transfer to Electric Fund	(35,850,900)	(35,850,900)	-	(35,850,900)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,600)	-	(3,761,600)
Appropriated Net Position	(48,931,253)	-	-	-
Total other financing sources (uses)	<u>(9,831,725)</u>	<u>34,308,799</u>	<u>4,750,000</u>	<u>39,058,799</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 43,565,378</u>	<u>5,281,248</u>	<u>\$ 48,846,626</u>
Reconciling items:				
Change in Net Position			<u>\$ 5,281,248</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Series 2014 Electric Connect Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 23,564	\$ -	\$ 23,564
Total revenues	<u>-</u>	<u>23,564</u>	<u>-</u>	<u>23,564</u>
Expenditures				
Construction	-	16,987,236	-	16,987,236
Engineering	-	112,439	-	112,439
Other	-	112,005	-	112,005
Total expenditures	<u>20,350,800</u>	<u>17,211,680</u>	<u>-</u>	<u>17,211,680</u>
Revenues under expenditures	<u>(20,350,800)</u>	<u>(17,188,116)</u>	<u>-</u>	<u>(17,188,116)</u>
Other financing sources				
2014 Revenue Bond Proceeds	14,887,800	14,887,757	-	14,887,757
2016 Revenue Bond Proceeds	5,463,000	5,463,000	(3,162,641)	2,300,359
Total other financing sources	<u>20,350,800</u>	<u>20,350,757</u>	<u>(3,162,641)</u>	<u>17,188,116</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 3,162,641</u>	<u>(3,162,641)</u>	<u>\$ -</u>
Reconciling items:				
Change in Net Position			<u>\$ (3,162,641)</u>	

Capital Project Fund closed at June 30, 2018.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Series 2014 LED Lighting Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 45,715	\$ 85,846	\$ 131,561
Total revenues	<u>-</u>	<u>45,715</u>	<u>85,846</u>	<u>131,561</u>
Expenditures				
Construction	-	6,711,138	2,099,178	8,810,316
Total expenditures	<u>18,402,989</u>	<u>6,711,138</u>	<u>2,099,178</u>	<u>8,810,316</u>
Revenues under expenditures	<u>(18,402,989)</u>	<u>(6,665,423)</u>	<u>(2,013,332)</u>	<u>(8,678,755)</u>
Other financing sources				
Transfer from Electric REPS Reserve	3,500,000	1,490,000	-	1,490,000
2014 Revenue Bond Proceeds	4,901,603	4,901,603	-	4,901,603
2016 Revenue Bond Proceeds	10,001,386	10,001,386	-	10,001,386
Total other financing sources	<u>18,402,989</u>	<u>16,392,989</u>	<u>-</u>	<u>16,392,989</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 9,727,566</u>	<u>(2,013,332)</u>	<u>\$ 7,714,234</u>
Reconciling items:				
Capital outlay			2,013,332	
Transfer of assets (to)/from the Electric Fund			(2,316,570)	
Change in Net Position			<u>\$ (2,316,570)</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Substation Rebuild Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	703,773	703,773
Engineering	-	-	77,871	77,871
Right of Way	-	-	1,381,641	1,381,641
Total expenditures	<u>15,375,000</u>	<u>-</u>	<u>2,163,285</u>	<u>2,163,285</u>
Revenues under expenditures	<u>(15,375,000)</u>	<u>-</u>	<u>(2,163,285)</u>	<u>(2,163,285)</u>
Other financing sources				
Transfer from Electric Fund	15,375,000	-	4,910,000	4,910,000
Total other financing sources	<u>15,375,000</u>	<u>-</u>	<u>4,910,000</u>	<u>4,910,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>2,746,715</u>	<u>\$ 2,746,715</u>
Reconciling items:				
Capital outlay			2,163,285	
Change in Net Position			<u>\$ 4,910,000</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Electric NCDOT U-4405 Raeford Road
Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Right of way	-	-	960,900	960,900
Other	-	-	150,587	150,587
Total expenditures	<u>10,500,000</u>	<u>-</u>	<u>1,111,487</u>	<u>1,111,487</u>
Revenues under expenditures	<u>(10,500,000)</u>	<u>-</u>	<u>(1,111,487)</u>	<u>(1,111,487)</u>
Other financing sources				
NCDOT proceeds	10,500,000	-	-	-
Total other financing sources	<u>10,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(1,111,487)</u>	<u>\$ (1,111,487)</u>
Reconciling items:				
Capital outlay			1,111,487	
Change in Net Position			<u>\$ -</u>	

FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
 Water and Wastewater Utility
 June 30, 2018

	Water and Wastewater Fund	Water and Wastewater Rate Stablization Fund	Annexation Phase V Reserve Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund
ASSETS							
Current unrestricted assets							
Cash and cash equivalents	\$ 6,827,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	30,132,506	-	-	-	-	-	-
Receivables	19,269,161	-	-	-	-	-	-
Internal balances	(2,315,609)	-	-	-	(88,020)	-	-
Less Allowance for doubtful accounts	(36,278)	-	-	-	-	-	-
Inventories	2,610,685	-	-	-	-	-	-
Other current assets	859,952	-	-	-	-	-	-
Total current unrestricted assets	57,347,644	-	-	-	(88,020)	-	-
Current restricted assets							
Cash and cash equivalents	15,183,808	578,286	7,742,188	-	259,340	-	-
Investments	7,022,133	-	16,883,907	-	-	-	-
Receivables	607	-	49,685	-	78,306	-	-
Total current restricted assets	22,206,548	578,286	24,675,780	-	337,646	-	-
Total current assets	79,554,192	578,286	24,675,780	-	249,626	-	-
Noncurrent assets							
Other assets	48,999	-	-	-	-	-	-
Capital Assets:							
Land and land rights	11,179,833	-	-	-	-	-	-
Construction in process	19,046,404	-	-	-	6,778,113	-	-
Water system	241,861,358	-	-	-	-	-	-
Sewer system	343,705,499	-	-	-	-	-	-
Buildings	2,674,451	-	-	-	-	-	-
Equipment and machinery	2,533,601	-	-	-	-	-	-
Computer equipment	1,051,369	-	-	-	-	-	-
Intangibles	5,367,878	-	-	-	-	-	-
Vehicles	3,855,811	-	-	-	-	-	-
Office equipment	22,443	-	-	-	-	-	-
Capital assets, net	631,298,647	-	-	-	6,778,113	-	-
Total noncurrent assets	631,347,646	-	-	-	6,778,113	-	-
Total assets	710,901,838	578,286	24,675,780	-	7,027,739	-	-
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	4,337,140	-	-	-	-	-	-
OPEB deferrals	2,071,223	-	-	-	-	-	-
Contributions to pension plan in current fiscal year	6,338,281	-	-	-	-	-	-
Total deferred outflows of resources	12,746,644	-	-	-	-	-	-

FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
 Water and Wastewater Utility
 June 30, 2018

Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund	Annexation Phase V Areas 32/33/34 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,827,227
-	-	-	-	-	-	-	30,132,506
-	-	-	-	-	-	-	19,269,161
(118,648)	-	(183,281)	(20,342)	-	-	-	(2,725,900)
-	-	-	-	-	-	-	(36,278)
-	-	-	-	-	-	-	2,610,685
-	-	-	-	-	-	-	859,952
<u>(118,648)</u>	<u>-</u>	<u>(183,281)</u>	<u>(20,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,937,353</u>
-	-	13,931,025	-	1,607,951	-	-	39,302,598
-	7,511,375	-	-	-	-	-	31,417,415
248,320	2,258	183,182	15,313	247	-	-	577,918
<u>248,320</u>	<u>7,513,633</u>	<u>14,114,207</u>	<u>15,313</u>	<u>1,608,198</u>	<u>-</u>	<u>-</u>	<u>71,297,931</u>
<u>129,672</u>	<u>7,513,633</u>	<u>13,930,926</u>	<u>(5,029)</u>	<u>1,608,198</u>	<u>-</u>	<u>-</u>	<u>128,235,284</u>
-	-	-	-	-	-	-	48,999
-	-	-	-	-	-	-	11,179,833
5,519,348	-	4,676,479	1,355,657	475,398	113,508	476,273	38,441,180
-	-	-	-	-	-	-	241,861,358
-	-	-	-	-	-	-	343,705,499
-	-	-	-	-	-	-	2,674,451
-	-	-	-	-	-	-	2,533,601
-	-	-	-	-	-	-	1,051,369
-	-	-	-	-	-	-	5,367,878
-	-	-	-	-	-	-	3,855,811
-	-	-	-	-	-	-	22,443
<u>5,519,348</u>	<u>-</u>	<u>4,676,479</u>	<u>1,355,657</u>	<u>475,398</u>	<u>113,508</u>	<u>476,273</u>	<u>650,693,423</u>
<u>5,519,348</u>	<u>-</u>	<u>4,676,479</u>	<u>1,355,657</u>	<u>475,398</u>	<u>113,508</u>	<u>476,273</u>	<u>650,742,422</u>
<u>5,649,020</u>	<u>7,513,633</u>	<u>18,607,405</u>	<u>1,350,628</u>	<u>2,083,596</u>	<u>113,508</u>	<u>476,273</u>	<u>778,977,706</u>
-	-	-	-	-	-	-	4,337,140
-	-	-	-	-	-	-	2,071,223
-	-	-	-	-	-	-	6,338,281
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,746,644</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2018**

	Water and Wastewater Fund	Water and Wastewater Rate Stablization Fund	Annexation Phase V Reserve Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund
LIABILITIES							
Current liabilities to be paid from unrestricted current assets							
Current portion of long-term liabilities	\$ 17,496,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	12,403,179	-	-	-	-	-	-
Total current liabilities to be paid from unrestricted current assets	29,899,295	-	-	-	-	-	-
Current liabilities to be paid from restricted current assets							
Accounts payable and accrued expenses	3,764,446	-	-	-	249,625	-	-
Total current liabilities to be paid from restricted current assets	3,764,446	-	-	-	249,625	-	-
Total current liabilities	33,663,741	-	-	-	249,625	-	-
Noncurrent liabilities							
Long-term liabilities	240,381,524	-	-	-	-	-	-
Total OPEB liability	14,394,609	-	-	-	-	-	-
Net pension liability	4,342,522	-	-	-	-	-	-
Other liabilities	32,293	-	-	-	-	-	-
Unearned deposits	720,476	-	-	-	-	-	-
Total noncurrent liabilities	259,871,424	-	-	-	-	-	-
Total liabilities	293,535,165	-	-	-	249,625	-	-
DEFERRED INFLOWS OF RESOURCES							
OPEB deferrals	828,093	-	-	-	-	-	-
Pension deferral	122,111	-	-	-	-	-	-
Total deferred inflows of resources	950,204	-	-	-	-	-	-
NET POSITION							
Net investment in capital assets	393,621,582	-	-	-	6,778,114	-	-
Restricted for -							
Capital Projects	-	-	-	-	-	-	-
Debt service	5,648	-	-	-	-	-	-
Other internal restrictions	18,436,454	578,286	24,675,780	-	-	-	-
Unrestricted Net Position	17,099,429	-	-	-	-	-	-
Total Net Position	\$ 429,163,113	\$ 578,286	\$ 24,675,780	\$ -	\$ 6,778,114	\$ -	\$ -

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2018**

Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund	Annexation Phase V Areas 32/33/34 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,496,116
-	-	-	-	-	-	-	12,403,179
-	-	-	-	-	-	-	29,899,295
1,546,001	3,322,000	5,018,221	514,959	131,796	111,439	71,319	14,729,806
1,546,001	3,322,000	5,018,221	514,959	131,796	111,439	71,319	14,729,806
1,546,001	3,322,000	5,018,221	514,959	131,796	111,439	71,319	44,629,101
-	-	-	-	-	-	-	240,381,524
-	-	-	-	-	-	-	14,394,609
-	-	-	-	-	-	-	4,342,522
-	-	-	-	-	-	-	32,293
-	-	-	-	-	-	-	720,476
-	-	-	-	-	-	-	259,871,424
1,546,001	3,322,000	5,018,221	514,959	131,796	111,439	71,319	304,500,525
-	-	-	-	-	-	-	828,093
-	-	-	-	-	-	-	122,111
-	-	-	-	-	-	-	950,204
5,163,671	-	4,544,646	1,317,337	468,904	113,508	476,272	412,484,034
-	-	-	-	1,476,402	-	-	1,476,402
-	-	-	-	-	-	-	5,648
-	4,191,633	-	-	-	-	-	47,882,153
(1,060,652)	-	9,044,538	(481,668)	6,494	(111,439)	(71,318)	24,425,384
<u>\$ 4,103,019</u>	<u>\$ 4,191,633</u>	<u>\$ 13,589,184</u>	<u>\$ 835,669</u>	<u>\$ 1,951,800</u>	<u>\$ 2,069</u>	<u>\$ 404,954</u>	<u>\$ 486,273,621</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Net Position
Water and Wastewater Utility
Year ended June 30, 2018

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund
Operating revenues							
Residential, commercial, and industrial sale	\$ 84,142,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	7,903,843	-	-	-	-	-	-
Total operating revenues	<u>92,046,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses							
Water operations	14,724,197	-	-	-	-	-	-
Wastewater operations	16,214,709	-	-	-	-	-	-
General and administrative	15,226,114	-	-	-	-	-	-
Depreciation	23,865,388	-	-	-	-	-	-
Total operating expenses	<u>70,030,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	<u>22,015,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating revenue (expense)							
Intergovernmental revenue	4,661,326	-	(205,071)	-	-	-	-
Interest earned on investments	536,502	5,473	327,382	-	-	-	-
Gain (loss) on disposal of assets	15,700	-	-	-	-	-	-
Interest expense	(8,072,789)	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-
Finance costs	(21,935)	-	-	-	-	-	-
Total nonoperating revenue (expense)	<u>(2,881,196)</u>	<u>5,473</u>	<u>122,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers and contributions	<u>19,134,580</u>	<u>5,473</u>	<u>122,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Contributions	5,907,877	-	-	-	-	-	-
Transfers in	42,096,832	250,000	6,912,689	-	-	15,890,542	-
Transfers out	(35,014,418)	-	(8,533,069)	(2,379,904)	(6,618,184)	-	(4,045,864)
Change in Net Position	<u>32,124,871</u>	<u>255,473</u>	<u>(1,498,069)</u>	<u>(2,379,904)</u>	<u>(6,618,184)</u>	<u>15,890,542</u>	<u>(4,045,864)</u>
Total Net Position - beginning	<u>406,308,518</u>	<u>322,813</u>	<u>26,173,849</u>	<u>2,379,904</u>	<u>13,396,298</u>	<u>(15,890,542)</u>	<u>4,045,864</u>
Prior Period Adjustment-GASB 75	<u>(9,270,276)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position - beginning, restated	<u>397,038,242</u>	<u>322,813</u>	<u>26,173,849</u>	<u>2,379,904</u>	<u>13,396,298</u>	<u>(15,890,542)</u>	<u>4,045,864</u>
Total Net Position - ending	<u>\$ 429,163,113</u>	<u>\$ 578,286</u>	<u>\$ 24,675,780</u>	<u>\$ -</u>	<u>\$ 6,778,114</u>	<u>\$ -</u>	<u>\$ -</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Net Position
 Water and Wastewater Utility
 Year ended June 30, 2018

Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund	Annexation Phase V Areas 32/33/34 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,142,341
-	-	-	-	800,000	-	-	8,703,843
-	-	-	-	800,000	-	-	92,846,184
-	-	-	-	-	-	-	14,724,197
-	-	-	-	-	-	-	16,214,709
-	-	-	-	-	-	-	15,226,114
-	-	-	-	-	-	-	23,865,388
-	-	-	-	-	-	-	70,030,408
-	-	-	-	800,000	-	-	22,815,776
-	-	-	-	-	-	-	4,456,255
-	3,357	-	-	-	-	-	872,714
-	-	-	-	-	-	-	15,700
-	-	-	-	-	-	-	(8,072,789)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(21,935)
-	3,357	-	-	-	-	-	(2,750,055)
-	3,357	-	-	800,000	-	-	20,065,721
-	-	-	-	-	-	-	5,907,877
9,460,324	6,000,000	4,467,634	463,584	-	2,069	404,954	85,948,628
(8,410,278)	(2,717,336)	(15,620,551)	(113,351)	-	-	-	(83,452,955)
1,050,046	3,286,021	(11,152,917)	350,233	800,000	2,069	404,954	28,469,271
3,052,973	905,612	24,742,101	485,436	1,151,800	-	-	467,074,626
-	-	-	-	-	-	-	(9,270,276)
3,052,973	905,612	24,742,101	485,436	1,151,800	-	-	457,804,350
\$ 4,103,019	\$ 4,191,633	\$ 13,589,184	\$ 835,669	\$ 1,951,800	\$ 2,069	\$ 404,954	\$ 486,273,621

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)**

	2018			2017 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Water operations				
Residential, commercial, and industrial sales	\$ 38,836,100	\$ (451,689)	\$ 38,384,411	\$ 35,864,139
Other sales of water	3,087,400	49,416	3,136,816	3,110,459
Connection fees	190,000	259,288	449,288	297,232
City services	305,400	35,776	341,176	287,727
Total water operations	<u>42,418,900</u>	<u>(107,209)</u>	<u>42,311,691</u>	<u>39,559,557</u>
Wastewater operations				
Residential, commercial, and industrial sales	46,026,800	(268,870)	45,757,930	43,024,472
Other sales of wastewater	522,900	(8,270)	514,630	630,010
Connection fees	66,000	125,097	191,097	123,591
City services	124,700	4,987	129,687	123,099
Total wastewater operations	<u>46,740,400</u>	<u>(147,056)</u>	<u>46,593,344</u>	<u>43,901,172</u>
Other operating revenues				
Non-utility charges	1,210,900	(74,946)	1,135,954	1,232,492
Service charges	1,890,000	41,942	1,931,942	1,840,466
Miscellaneous	35,000	38,253	73,253	27,373
Total other operating revenues	<u>3,135,900</u>	<u>5,249</u>	<u>3,141,149</u>	<u>3,100,331</u>
Total operating revenues	<u>92,295,200</u>	<u>(249,016)</u>	<u>92,046,184</u>	<u>86,561,060</u>
Non-operating revenues				
Intergovernmental revenue	2,930,000	1,731,326	4,661,326	1,463,287
Gain (loss) on asset disposal	-	15,700	15,700	(2,723,693)
Interest earned on investments	810,000	(273,498)	536,502	384,395
Total non-operating revenues	<u>3,740,000</u>	<u>1,473,528</u>	<u>5,213,528</u>	<u>(876,011)</u>
Contributions				
Contributions	3,046,700	(269,709)	2,776,991	1,185,371
Total contributions	<u>3,046,700</u>	<u>(269,709)</u>	<u>2,776,991</u>	<u>1,185,371</u>
Transfers in				
Transfer from Annexation Phase V Reserve Fund	2,757,100	38	2,757,138	2,493,564
Transfer from Water Rate Stabilization Fund	-	-	-	4,918,000
Total transfers in	<u>2,757,100</u>	<u>38</u>	<u>2,757,138</u>	<u>7,411,564</u>
Budgetary appropriations				
Transfer from Debt Service Reserve-Series 2008	-	624,000	624,000	-
Reserve for W/WW capital projects	450,000	(355,034)	94,966	544,525
Appropriation of Net Position	8,730,300	(7,442,100)	1,288,200	865,957
Total budgetary appropriations	<u>9,180,300</u>	<u>(7,173,134)</u>	<u>2,007,166</u>	<u>1,410,482</u>
Total revenues	<u>\$ 111,019,300</u>	<u>\$ (6,218,293)</u>	<u>\$ 104,801,007</u>	<u>\$ 95,692,466</u>
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,869,200	\$ 442,009	\$ 1,427,191	\$ 1,475,561
Water meter shop	175,800	19,180	156,620	134,102
Water maintenance and repair	4,974,000	(24,501)	4,998,501	5,274,923
Contract system maintenance	78,060	(13)	78,073	99,531
P. O. Hoffer water treatment plant	5,428,540	716,960	4,711,580	4,658,540
Glenville Lake water treatment plant	3,000,640	545,211	2,455,429	2,448,570
Environmental system protection	245,300	2,772	242,528	228,146
Laboratory	294,750	12,839	281,911	271,518
Environmental	119,300	1,602	117,698	116,444
Watersheds	254,600	(66)	254,666	191,084
Total water operations	<u>16,440,190</u>	<u>1,715,993</u>	<u>14,724,197</u>	<u>14,898,419</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

**Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)**

	<u>Budget</u>	<u>2018 Variance Positive (Negative)</u>	<u>Actual</u>	<u>2017 Actual</u>
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,869,200	\$ 442,009	\$ 1,427,191	\$ 1,475,561
Sewer maintenance and repair	7,818,140	147,349	7,670,791	7,636,482
Contract system maintenance	52,040	(9)	52,049	66,354
Cross Creek WW treatment plant	3,051,540	155,456	2,896,084	2,842,302
Rockfish Creek WW treatment plant	3,361,740	75,676	3,286,064	3,035,767
Residuals management	271,000	30,607	240,393	334,999
Environmental system protection	245,300	2,772	242,528	228,146
Laboratory	294,750	12,839	281,911	271,518
Environmental	119,300	1,602	117,698	116,444
Total wastewater operations	<u>17,083,010</u>	<u>868,301</u>	<u>16,214,709</u>	<u>16,007,573</u>
General and administrative				
Executive	645,950	134,784	511,166	387,163
Internal audit	52,850	468	52,382	49,981
Communications and community relations	822,400	74,042	748,358	703,736
Financial administration	318,900	78,829	240,071	211,774
Human resources	884,000	36,601	847,399	892,044
Accounting	497,300	32,659	464,641	422,301
Accounts receivable	722,200	90,592	631,608	697,307
Payroll	64,400	1,045	63,355	62,903
Customer accounts	1,864,550	68,187	1,796,363	1,802,447
Utility field service	849,850	44,999	804,851	953,615
Corporate development	834,150	52,955	781,195	745,414
Risk management	1,348,550	360,085	988,465	615,476
Collections	444,550	107,341	337,209	672,105
Capital projects	519,100	131,189	387,911	405,134
Rates	184,050	33,015	151,035	122,223
Budget	123,250	16,742	106,508	125,115
Purchasing	325,100	84,319	240,781	230,786
Warehouse	463,400	246,618	216,782	390,914
Fleet maintenance	1,352,600	(181,005)	1,533,605	1,596,067
Facilities maintenance	298,250	5,052	293,198	338,204
Customer programs administration and call center	664,850	20,291	644,559	641,448
Corporate services administration	143,700	17,860	125,840	130,467
Development and marketing	368,850	172,221	196,629	216,562

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund

Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018			2017 Actual
	Budget	Variance Positive (Negative)	Actual	
General and administrative (continued)				
Telecommunications systems	\$ 2,159,400	\$ 267,869	\$ 1,891,531	\$ 1,437,535
Information systems	3,730,750	1,551,141	2,179,609	2,038,277
Medical insurance	4,689,000	680,959	4,008,041	4,665,255
Other	2,037,550	692,111	1,345,439	1,328,601
Overhead clearing	(4,319,600)	1,031,588	(5,351,188)	(5,397,403)
Total general and administrative	<u>22,089,900</u>	<u>5,852,557</u>	<u>16,237,343</u>	<u>16,485,451</u>
Total operating expenditures	<u>55,613,100</u>	<u>8,436,851</u>	<u>47,176,249</u>	<u>47,391,443</u>
Non-operating expenditures				
Interest expense	9,152,300	66	9,152,234	8,677,460
Finance costs	22,100	165	21,935	63,840
Total non-operating expenditures	<u>9,174,400</u>	<u>231</u>	<u>9,174,169</u>	<u>8,741,300</u>
Special items				
Special item-Hope Mills	1,700,000	1,700,000	-	(1,593,935)
Total special items	<u>1,700,000</u>	<u>1,700,000</u>	<u>-</u>	<u>(1,593,935)</u>
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	4,185,700	83,056	4,102,644	3,074,739
Transfer to NCDOT Fund	6,000,000	-	6,000,000	-
Transfer to Fleet Maintenance Fund	215,000	210,673	4,327	59,982
Total transfers out	<u>10,650,700</u>	<u>293,729</u>	<u>10,356,971</u>	<u>3,384,721</u>
Budgetary appropriations				
Inventory increase (decrease)	-	290,579	(290,579)	(394,393)
Vehicle and equipment increase (decrease)	-	606,778	(606,778)	(477,435)
Debt principal payments	16,860,400	57,515	16,802,885	16,551,007
Capital outlay	17,020,700	3,725,213	13,295,487	16,457,959
Total budgetary appropriations	<u>33,881,100</u>	<u>4,680,085</u>	<u>29,201,015</u>	<u>32,137,138</u>
Total expenditures	<u>\$ 111,019,300</u>	<u>\$ 15,110,896</u>	<u>\$ 95,908,404</u>	<u>\$ 90,060,667</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

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

Year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018		2017 Actual
	Budget	Variance Positive (Negative)	
Reconciliation of change in Net Position			
Total revenue	\$	(6,218,293)	\$ 95,692,466
Total expenditures		15,110,896	90,060,667
Subtotal	\$	8,892,603	5,631,799
Reconciling items:			
Budgetary appropriations			30,726,656
Depreciation			(22,733,251)
Amortization for refunding			577,928
OPEB expense			(300,855)
LGERS expense			279,349
Developer and FIF credits			4,826,776
Series 2014 Annex 14 & 15 bond proceeds			931,287
Series 2014 Annex 8-13 bond proceeds			433,156
Series 2014 Water & Wastewater bond proceeds			(1,364,443)
Series 2016 Annex 16 & 17 bond proceeds			-
Series 2016 Annex 18 & 19 bond proceeds			-
Series 2016 Water Connect bond proceeds			3,000,000
Series 2016 Water & Wastewater bond proceeds			(3,009,832)
Transfer of assets (to) / from Annexation Phase V, Areas 8-13			142,593
Transfer of assets (to) / from Annexation Phase V, Areas 16-17			255,728
Transfer of assets (to) / from Annexation Phase V, Areas 18-19			8,410,278
Transfer of assets (to) / from Annexation Phase V, Areas 20-21			113,352
Transfer of assets (to) / from NCDOT Capital Project Fund			2,717,336
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund			5,738,894
Transfer of assets (to) / from Series 2014 Water/WW Capital Project Fund			6,618,184
Transfer of assets (to) / from Series 2016 Water/WW Capital Project Fund			15,620,551
Transfer of assets (to) / from Series 2013 PO Hoffer Phase 1 SRL Fund			(15,890,542)
Total reconciling items			65,375,315
Change in Net Position	\$	32,124,871	\$ 71,007,114

**FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
 From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 455,000	\$ 407,813	\$ 5,473	\$ 413,286
Total revenues	<u>455,000</u>	<u>407,813</u>	<u>5,473</u>	<u>413,286</u>
Other financing sources				
Transfer from Water and Wastewater Fund	7,250,000	7,000,000	250,000	7,250,000
Transfer to Water and Wastewater Fund	(7,085,000)	(7,085,000)	-	(7,085,000)
Appropriated Net Position	(620,000)	-	-	-
Total other financing sources	<u>(455,000)</u>	<u>(85,000)</u>	<u>250,000</u>	<u>165,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 322,813</u>	<u>255,473</u>	<u>\$ 578,286</u>
Change in Net Position			<u>\$ 255,473</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Annexation Phase V Reserve Fund
From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 479,000	\$ 188,375	\$ 327,382	\$ 515,757
Total revenues	<u>479,000</u>	<u>188,375</u>	<u>327,382</u>	<u>515,757</u>
Expenditures				
Interest	79,356	79,356	-	79,356
Total expenditures	<u>79,356</u>	<u>79,356</u>	<u>-</u>	<u>79,356</u>
Revenues over (under) expenditures	<u>399,644</u>	<u>109,019</u>	<u>327,382</u>	<u>436,401</u>
Other financing sources (uses)				
Transfer from Electric Fund	8,910,416	5,767,316	2,500,000	8,267,316
Assessments transfer	14,635,000	9,347,307	2,202,444	11,549,751
Transfer from Water and Wastewater Fund	14,510,823	12,610,623	1,900,200	14,510,823
Transfer (to) Water and Wastewater Fund	(10,604,373)	(7,847,235)	(2,757,138)	(10,604,373)
Transfer from the City	11,261,179	11,447,443	(205,071)	11,242,372
Transfer from (to) Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer from (to) Annexation Phase V, Areas 8-13 Fund	(729,548)	(729,549)	-	(729,549)
Transfer from (to) Annexation Phase V, Areas 14-15 Fund	(198,512)	(198,512)	-	(198,512)
Transfer from (to) Annexation Phase V, Areas 16-17 Fund	(1,212,013)	(1,522,058)	310,045	(1,212,013)
Transfer from (to) Annexation Phase V, Areas 18-19 Fund	(12,945,000)	(3,052,973)	(4,905,324)	(7,958,297)
Transfer from (to) Annexation Phase V, Areas 20-21 Fund	(250,000)	(485,436)	(463,584)	(949,020)
Transfer from (to) Annexation Phase V, Areas 22-23 Fund	(15,850,000)	-	(2,069)	(2,069)
Transfer from (to) Annexation Phase V, Areas 32-34 Fund	(8,000,000)	-	(404,954)	(404,954)
Appropriated Net Position	(655,519)	-	-	-
Total other financing sources (uses)	<u>(399,644)</u>	<u>26,064,829</u>	<u>(1,825,451)</u>	<u>24,239,378</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 26,173,848</u>	<u>(1,498,069)</u>	<u>\$ 24,675,779</u>
Reconciling items:				
Change in Net Position			<u>\$ (1,498,069)</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Series 2014 Water Connect Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 49,797	\$ -	\$ 49,797
Total revenues	<u>-</u>	<u>49,797</u>	<u>-</u>	<u>49,797</u>
Expenditures				
Construction	-	21,568,492	-	21,568,492
Other	-	210,401	-	210,401
Total expenditures	<u>24,109,000</u>	<u>21,778,893</u>	<u>-</u>	<u>21,778,893</u>
Revenues under expenditures	<u>(24,109,000)</u>	<u>(21,729,096)</u>	<u>-</u>	<u>(21,729,096)</u>
Other financing sources (uses)				
2014 Revenue Bond Proceeds	19,834,000	19,834,000	-	19,834,000
2016 Revenue Bond Proceeds	4,275,000	4,275,000	(2,379,904)	1,895,096
Total other financing sources	<u>24,109,000</u>	<u>24,109,000</u>	<u>(2,379,904)</u>	<u>21,729,096</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,379,904</u>	<u>(2,379,904)</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			-	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			<u>\$ (2,379,904)</u>	

Capital Project Fund closed at June 30, 2018.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Series 2014 Water and Wastewater Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ 116,203	\$ 42,155	\$ 158,358
Total revenues	<u>-</u>	<u>116,203</u>	<u>42,155</u>	<u>158,358</u>
Expenditures				
Construction	-	43,563,794	3,253,866	46,817,660
Engineering	-	4,199,402	1,343,404	5,542,806
Right of way	-	619,410	43,310	662,720
Other	-	1,345,560	80,305	1,425,865
Total expenditures	<u>54,384,442</u>	<u>49,728,166</u>	<u>4,720,885</u>	<u>54,449,051</u>
Revenues under expenditures	<u>(54,384,442)</u>	<u>(49,611,963)</u>	<u>(4,678,730)</u>	<u>(54,290,693)</u>
Other financing sources				
Transfer from Water/Wastewater Fund	103,987	-	-	-
2014 Revenue Bond Proceeds	54,280,455	54,290,694	-	54,290,694
Total other financing sources	<u>54,384,442</u>	<u>54,290,694</u>	<u>-</u>	<u>54,290,694</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,678,731</u>	<u>(4,678,730)</u>	<u>\$ 1</u>
Reconciling items:				
Capital outlay			4,678,730	
Transfer of assets (to)/from the Water and Wastewater Fund			(6,618,184)	
Change in Net Position			<u>\$ (6,618,184)</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of 2013 PO Hoffer Phase 1
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	13,499,835	-	13,499,835
Engineering	-	2,059,339	-	2,059,339
Loan Closing Costs	-	331,368	-	331,368
Total expenditures	<u>16,100,000</u>	<u>15,890,542</u>	<u>-</u>	<u>15,890,542</u>
Revenues under expenditures	<u>(16,100,000)</u>	<u>(15,890,542)</u>	<u>-</u>	<u>(15,890,542)</u>
Other financing sources				
State Revolving Loan Proceeds	<u>16,100,000</u>	<u>15,890,542</u>	<u>-</u>	<u>15,890,542</u>
Total other financing sources	<u>16,100,000</u>	<u>15,890,542</u>	<u>-</u>	<u>15,890,542</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			-	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Loan Proceeds			<u>15,890,542</u>	
Change in Net Position			<u>\$ 15,890,542</u>	

Capital Project Fund closed at June 30, 2018.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Annexation Phase V - Areas 16 through 17 Capital Project Fund
From Inception and for the Period Ended June 30, 2017**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on other investments	\$ -	\$ 31,910	\$ 4,217	\$ 36,127
Total revenues	<u>-</u>	<u>31,910</u>	<u>4,217</u>	<u>36,127</u>
Expenditures				
Construction	-	15,235,290	211,005	15,446,295
Engineering	-	1,442,136	8,031	1,450,167
Right of Way	-	450,603	-	450,603
City Participation	-	(690,439)	-	(690,439)
Other	-	957,515	40,910	998,425
Total expenditures	<u>17,618,924</u>	<u>17,395,105</u>	<u>259,946</u>	<u>17,655,051</u>
Revenues under expenditures	<u>(17,618,924)</u>	<u>(17,363,195)</u>	<u>(255,729)</u>	<u>(17,618,924)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	1,212,013	1,522,059	(310,046)	1,212,013
Series 2016 Annex 16 & 17 Bond Proceeds	16,406,911	19,887,000	(3,480,089)	16,406,911
Total other financing sources	<u>17,618,924</u>	<u>21,409,059</u>	<u>(3,790,135)</u>	<u>17,618,924</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,045,864</u>	<u>(4,045,864)</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			255,729	
Transfer of assets (to)/from the Water and Wastewater Fund			(255,729)	
Change in Net Position			<u>\$ (4,045,864)</u>	

Capital Project Fund closed at June 30, 2018.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Annexation Phase V - Areas 18 through 19 Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ 25,975	\$ 25,975
Expenditures				
Construction	-	2,093,198	10,169,102	12,262,300
Engineering	-	1,130,678	191,394	1,322,072
Right of way	-	172,331	(3,850)	168,481
City participation	-	-	(404,883)	(404,883)
Other	-	195,117	412,515	607,632
Total expenditures	<u>18,225,000</u>	<u>3,591,324</u>	<u>10,364,278</u>	<u>13,955,602</u>
Revenues under expenditures	<u>(18,225,000)</u>	<u>(3,591,324)</u>	<u>(10,338,303)</u>	<u>(13,929,627)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	13,670,000	3,052,973	4,905,324	7,958,297
Bond proceeds	4,555,000	-	4,555,000	4,555,000
Total other financing sources	<u>18,225,000</u>	<u>3,052,973</u>	<u>9,460,324</u>	<u>12,513,297</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (538,351)</u>	<u>(877,979)</u>	<u>\$ (1,416,330)</u>
Reconciling items:				
Capital outlay			10,338,303	
Transfer of assets (to)/from the Water and Wastewater Fund			(8,410,278)	
Change in Net Position			<u>\$ 1,050,046</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of North Carolina Department of Transportation Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Total revenues	\$ -	\$ -	\$ -	\$ 3,357	\$ 3,357
Expenditures					
Construction	24,012,000	1,058,000	453,337	2,717,336	4,228,673
Total expenditures	24,012,000	1,058,000	453,337	2,717,336	4,228,673
Revenues under expenditures	(24,012,000)	(1,058,000)	(453,337)	(2,713,979)	(4,225,316)
Other financing sources					
Transfer from Water/Wastewater Fund	24,012,000	1,963,612	453,337	6,000,000	8,416,949
Total other financing sources	24,012,000	1,963,612	453,337	6,000,000	8,416,949
Revenues and other financing sources over (under) expenditures	\$ -	\$ 905,612	-	3,286,021	\$ 4,191,633
Reconciling items:					
Capital outlay			453,337	2,717,336	
Transfer of assets (to)/from the Water/Wastewater Fund			(453,337)	(2,717,336)	
Change in Net Position			\$ -	\$ 3,286,021	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Series 2016 Water and Wastewater Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ 110,978	\$ 261,346	\$ 372,324
Total revenues	<u>-</u>	<u>110,978</u>	<u>261,346</u>	<u>372,324</u>
Expenditures				
Construction	-	9,596,128	17,438,003	27,034,131
Engineering	-	-	1,191,700	1,191,700
ROW	-	10,331	117,220	127,551
Other	-	651,847	649,856	1,301,703
Total expenditures	<u>38,195,466</u>	<u>10,258,306</u>	<u>19,396,779</u>	<u>29,655,085</u>
Revenues under expenditures	<u>(38,195,466)</u>	<u>(10,147,328)</u>	<u>(19,135,433)</u>	<u>(29,282,761)</u>
Other financing sources				
2016 Revenue Bond Proceeds	38,195,466	33,727,832	4,467,634	38,195,466
Total other financing sources	<u>38,195,466</u>	<u>33,727,832</u>	<u>4,467,634</u>	<u>38,195,466</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 23,580,504</u>	<u>(14,667,799)</u>	<u>\$ 8,912,705</u>
Reconciling items:				
Capital outlay			19,135,433	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>(15,620,551)</u>	
Change in Net Position			<u>\$ (11,152,917)</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Annexation Phase V - Areas 20 through 21 Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	511,136	511,136
Engineering	-	555,572	181,850	737,422
Right of way	-	696	112,655	113,351
Other	-	14,849	92,250	107,099
Total expenditures	<u>13,700,000</u>	<u>571,117</u>	<u>897,891</u>	<u>1,469,008</u>
Revenues under expenditures	<u>(13,700,000)</u>	<u>(571,117)</u>	<u>(897,891)</u>	<u>(1,469,008)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	250,000	485,436	463,584	949,020
Bond proceeds	13,450,000	-	-	-
Total other financing sources	<u>13,700,000</u>	<u>485,436</u>	<u>463,584</u>	<u>949,020</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (85,681)</u>	<u>(434,307)</u>	<u>\$ (519,988)</u>
Reconciling items:				
Capital outlay			897,891	
Transfer of assets to the Water and Wastewater Fund			(113,351)	
Change in Net Position			<u>\$ 350,233</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Hurricane Matthew Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	145,558	145,558
Engineering	-	-	329,840	329,840
Total expenditures	<u>4,887,200</u>	<u>-</u>	<u>475,398</u>	<u>475,398</u>
Revenues under expenditures	<u>(4,887,200)</u>	<u>-</u>	<u>(475,398)</u>	<u>(475,398)</u>
Other financing sources				
Insurance proceeds	4,268,700	1,151,800	800,000	1,951,800
FEMA proceeds	418,500	-	-	-
Transfer from Water/Wastewater Fund	200,000	-	-	-
Total other financing sources	<u>4,887,200</u>	<u>1,151,800</u>	<u>800,000</u>	<u>1,951,800</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 1,151,800</u>	324,602	<u>\$ 1,476,402</u>
Reconciling items:				
Capital outlay			475,398	
Change in Net Position			<u>\$ 800,000</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Annexation Phase V - Areas 22 through 23 Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	111,439	111,439
Other	-	-	2,069	2,069
Total expenditures	<u>15,850,000</u>	<u>-</u>	<u>113,508</u>	<u>113,508</u>
Revenues under expenditures	<u>(15,850,000)</u>	<u>-</u>	<u>(113,508)</u>	<u>(113,508)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	<u>15,850,000</u>	<u>-</u>	<u>2,069</u>	<u>2,069</u>
Total other financing sources	<u>15,850,000</u>	<u>-</u>	<u>2,069</u>	<u>2,069</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(111,439)</u>	<u>\$ (111,439)</u>
Reconciling items:				
Capital outlay			113,508	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			<u>\$ 2,069</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

**Schedule of Changes in the Status of Annexation Phase V - Areas 32 through 34 Capital Project Fund
From Inception and for the Period Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	456,573	456,573
Other	-	-	19,700	19,700
Total expenditures	<u>79,200,000</u>	<u>-</u>	<u>476,273</u>	<u>476,273</u>
Revenues under expenditures	<u>(79,200,000)</u>	<u>-</u>	<u>(476,273)</u>	<u>(476,273)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	8,000,000	-	404,954	404,954
Bond proceeds	71,200,000	-	-	-
Total other financing sources	<u>79,200,000</u>	<u>-</u>	<u>404,954</u>	<u>404,954</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(71,319)</u>	<u>\$ (71,319)</u>
Reconciling items:				
Capital outlay			476,273	
Change in Net Position			<u>\$ 404,954</u>	

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Fleet Maintenance Fund

Year ended June 30, 2018
(with comparative actual amounts for the period ended June 30, 2017)

	2018		Actual	2017 Actual
	Budget	Variance Positive (Negative)		
Revenues				
Operating revenues				
City services	\$ 7,508,000	\$ (869,740)	\$ 6,638,260	\$ 6,820,075
PWC services	2,316,700	(29,844)	2,286,856	2,386,292
Total operating revenues	<u>9,824,700</u>	<u>(899,584)</u>	<u>8,925,116</u>	<u>9,206,367</u>
Transfers in				
Transfers from Electric Fund	215,000	(210,673)	4,327	59,982
Transfers from Water and Wastewater Fund	215,000	(210,673)	4,327	59,982
Total transfers-in	<u>430,000</u>	<u>(421,346)</u>	<u>8,654</u>	<u>119,964</u>
Total revenues	<u>\$ 10,254,700</u>	<u>\$ (1,320,930)</u>	<u>\$ 8,933,770</u>	<u>\$ 9,326,331</u>
Expenditures				
Operating expenditures				
Fleet maintenance	9,824,700	(994,702)	8,829,998	8,982,962
Total operating expenditures	<u>9,824,700</u>	<u>(994,702)</u>	<u>8,829,998</u>	<u>8,982,962</u>
Budgetary appropriations				
Capital outlay	430,000	(421,346)	8,654	119,964
Total budgetary appropriations	<u>430,000</u>	<u>(421,346)</u>	<u>8,654</u>	<u>119,964</u>
Total expenditures	<u>\$ 10,254,700</u>	<u>\$ (1,416,048)</u>	<u>\$ 8,838,652</u>	<u>\$ 9,102,926</u>
Reconciliation of changes in Net Position				
Total revenues		\$ (1,320,930)	\$ 8,933,770	\$ 9,326,331
Total expenditures		(1,416,048)	8,838,652	9,102,926
Subtotal		<u>\$ 95,118</u>	<u>95,118</u>	<u>223,405</u>
Reconciling items:				
Budgetary appropriations			8,654	119,964
Depreciation			(179,247)	(187,727)
OPEB expense			84,129	(35,678)
Total reconciling items			<u>(86,464)</u>	<u>(103,441)</u>
Change in Net Position			<u>\$ 8,654</u>	<u>\$ 119,964</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Schedule of Bonded Indebtedness

June 30, 2018

<u>Issue Date</u>	<u>Fund</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
1/30/08	2008 Water & Wastewater	17,025,000	4.00%	2018	600,000	-	600,000	-	-
					<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>-</u>
10/21/09	2009A Electric & Water & Wastewater	114,155,000	5.00%	2018	13,380,000	-	13,380,000	-	-
			5.00%	2019	7,080,000	-	-	7,080,000	7,080,000
			5.00%	2020	6,505,000	-	-	6,505,000	-
			5.00%	2021	3,320,000	-	-	3,320,000	-
			5.00%	2022	1,880,000	-	-	1,880,000	-
			5.00%	2023	1,950,000	-	-	1,950,000	-
			5.00%	2024	1,855,000	-	-	1,855,000	-
					<u>35,970,000</u>	<u>-</u>	<u>13,380,000</u>	<u>22,590,000</u>	<u>7,080,000</u>
10/21/09	2009B Water & Wastewater	36,710,000	4.00%	2018	1,990,000	-	1,990,000	-	-
			4.00%	2019	1,600,000	-	-	1,600,000	1,600,000
					<u>3,590,000</u>	<u>-</u>	<u>1,990,000</u>	<u>1,600,000</u>	<u>1,600,000</u>
9/11/14	2014 Electric & Water & Wastewater	111,455,000	3.00%	2018	590,000	-	590,000	-	-
			5.00%	2019	3,355,000	-	-	3,355,000	3,355,000
			5.00%	2020	3,520,000	-	-	3,520,000	-
			5.00%	2021	3,700,000	-	-	3,700,000	-
			5.00%	2022	3,885,000	-	-	3,885,000	-
			5.00%	2023	4,070,000	-	-	4,070,000	-
			5.00%	2024	4,280,000	-	-	4,280,000	-
			3.00%	2025	4,495,000	-	-	4,495,000	-
			3.00%	2026	4,635,000	-	-	4,635,000	-
			4.00%	2027	4,770,000	-	-	4,770,000	-
			3.50%	2028	4,960,000	-	-	4,960,000	-
			3.50%	2029	5,135,000	-	-	5,135,000	-
			3.50%	2030	5,310,000	-	-	5,310,000	-
			3.50%	2031	5,495,000	-	-	5,495,000	-
			3.50%	2032	5,695,000	-	-	5,695,000	-
			4.00%	2033	5,890,000	-	-	5,890,000	-
			4.00%	2034	6,125,000	-	-	6,125,000	-
			4.00%	2035	6,370,000	-	-	6,370,000	-
			4.00%	2036	6,625,000	-	-	6,625,000	-
			3.50%	2037	6,885,000	-	-	6,885,000	-
			4.00%	2038	7,130,000	-	-	7,130,000	-
			4.00%	2039	7,410,000	-	-	7,410,000	-
					<u>110,330,000</u>	<u>-</u>	<u>590,000</u>	<u>109,740,000</u>	<u>3,355,000</u>
10/22/09	G.O. Water & Wastewater	4,403,885	4.00%	2018	175,526	-	175,526	-	-
			4.00%	2019	175,527	-	-	175,527	175,527
			4.00%	2020	170,907	-	-	170,907	-
			4.00%	2021	170,907	-	-	170,907	-
					<u>692,867</u>	<u>-</u>	<u>175,526</u>	<u>517,341</u>	<u>175,527</u>

**FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**

Schedule of Bonded Indebtedness

June 30, 2018

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
6/29/16	2016	114,405,000	5.00%	2018	1,205,000	-	1,205,000	-	-
	Electric &		5.00%	2019	4,745,000	-	-	4,745,000	4,745,000
	Water & Wastewater		5.00%	2020	6,545,000	-	-	6,545,000	-
			5.00%	2021	6,770,000	-	-	6,770,000	-
			5.00%	2022	6,405,000	-	-	6,405,000	-
			5.00%	2023	6,635,000	-	-	6,635,000	-
			5.00%	2024	4,785,000	-	-	4,785,000	-
			5.00%	2025	4,920,000	-	-	4,920,000	-
			5.00%	2026	5,060,000	-	-	5,060,000	-
			3.00%	2027	4,425,000	-	-	4,425,000	-
			3.00%	2028	4,475,000	-	-	4,475,000	-
			3.00%	2029	4,545,000	-	-	4,545,000	-
			3.00%	2030	4,615,000	-	-	4,615,000	-
			3.00%	2031	4,675,000	-	-	4,675,000	-
			3.00%	2032	4,735,000	-	-	4,735,000	-
			3.00%	2033	4,800,000	-	-	4,800,000	-
			3.00%	2034	4,870,000	-	-	4,870,000	-
			3.00%	2035	4,925,000	-	-	4,925,000	-
			3.00%	2036	3,635,000	-	-	3,635,000	-
			3.00%	2037	3,740,000	-	-	3,740,000	-
			3.00%	2038	3,855,000	-	-	3,855,000	-
			3.00%	2039	3,970,000	-	-	3,970,000	-
			3.00%	2040	4,085,000	-	-	4,085,000	-
			3.00%	2041	4,210,000	-	-	4,210,000	-
					<u>112,630,000</u>	<u>-</u>	<u>1,205,000</u>	<u>111,425,000</u>	<u>4,745,000</u>
Total bond indebtedness					<u>\$ 263,812,867</u>	<u>\$ -</u>	<u>\$ 17,940,526</u>	<u>\$ 245,872,341</u>	<u>\$ 16,955,527</u>

**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION (Unaudited)

This part of the Fayetteville Public Works Commission’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission’s overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the Commission’s financial performance has changed over time.	F2–F11
Revenue Capacity These schedules contain trend information to help the reader assess the Commission’s most significant local revenue source.	F12
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the Commission’s current levels of outstanding debt and the Commission’s ability to issue additional debt in the future.	F13–14
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission’s financial activities take place.	F15–F17
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Commission’s financial report relates to the services the Commission provides and the activities it performs.	F18–F19

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				Fiscal Year					
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities										
Net investment in capital assets	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 535,997,739	\$ 586,162,269	663,345,767
Restricted for:										
Renewable Energy	-	-	-	-	-	-	-	-	6,593,822	9,365,765
Capital projects	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050	1,151,800	1,476,402
Debt service	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117	1,995,312	6,456
Other internal restrictions	-	-	-	-	-	-	-	-	-	138,363,342
Unrestricted	145,101,657	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548	231,126,138	338,366,487	320,888,601	128,670,749
Total primary government net positions	<u>\$ 632,488,958</u>	<u>\$ 688,671,070</u>	<u>\$ 745,980,209</u>	<u>\$ 810,463,338</u>	<u>\$ 821,956,778</u>	<u>\$ 836,548,581</u>	<u>\$ 854,707,717</u>	<u>\$ 877,013,393</u>	<u>\$ 916,791,804</u>	<u>941,228,481</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Primary government										
Net investment in capital assets	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 535,997,739	\$ 586,162,269	663,345,767
Restricted for:										
Renewable Energy	-	-	-	-	-	-	-	-	6,593,822	9,365,765
Capital projects	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050	1,151,800	1,476,402
Debt service	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117	1,995,312	6,456
Other internal restrictions	-	-	-	-	-	-	-	-	-	138,363,342
Unrestricted	145,101,657	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548	231,126,138	338,366,487	320,888,601	128,670,749
Total primary government net positions	<u>\$ 632,488,958</u>	<u>\$ 688,671,070</u>	<u>\$ 745,980,209</u>	<u>\$ 810,463,338</u>	<u>\$ 821,956,778</u>	<u>\$ 836,548,581</u>	<u>\$ 854,707,717</u>	<u>\$ 877,013,393</u>	<u>\$ 916,791,804</u>	<u>941,228,481</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Change in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business type activities										
Operating revenue										
Charges for services	\$ 233,252,948	\$ 244,256,719	\$ 270,705,131	\$ 276,016,274	\$ 291,114,342	\$ 300,781,049	\$ 308,619,610	\$ 311,122,241	\$ 322,721,879	\$ 334,079,581
Misc operating revenue	7,422,442	11,065,254	328,726	16,400	5,021	1,104	334	-	-	-
Operating revenues	-	-	-	-	-	-	-	-	-	-
Total operating revenue	<u>240,675,390</u>	<u>255,321,973</u>	<u>271,033,857</u>	<u>276,032,674</u>	<u>291,119,363</u>	<u>300,782,153</u>	<u>308,619,944</u>	<u>311,122,241</u>	<u>322,721,879</u>	<u>334,079,581</u>
Operating expenses										
Power supply and generation	104,981,262	103,856,516	107,702,994	103,619,819	148,520,775	163,175,003	157,248,396	141,085,995	141,770,054	155,562,287
Electric operations	11,129,955	11,249,470	11,439,256	12,501,170	14,276,714	15,475,385	11,059,845	15,378,277	15,148,402	15,933,526
Water operations	11,372,129	12,415,704	13,149,818	14,059,094	14,562,693	14,575,051	12,822,428	14,225,334	14,898,419	14,724,197
Miscellaneous operating expense-water	7,421,764	11,063,969	327,681	15,010	-	-	-	-	-	-
Sanitary sewer operations	11,027,309	11,390,966	11,602,787	12,743,659	13,016,609	13,615,899	13,428,070	15,071,362	16,007,573	16,214,709
General and administrative	24,029,963	23,357,418	24,634,211	26,259,839	31,067,333	33,002,023	37,216,879	35,088,657	33,384,126	30,837,790
Depreciation	29,074,593	29,622,994	30,841,253	31,529,852	36,754,827	34,671,469	36,348,935	37,091,903	39,073,770	40,633,549
Fleet maintenance	6,181,586	6,597,213	7,360,542	7,337,737	7,826,061	8,253,426	7,947,859	8,528,872	8,993,274	8,745,869
Total operating expenses	<u>205,218,561</u>	<u>209,554,250</u>	<u>207,058,542</u>	<u>208,066,180</u>	<u>266,025,012</u>	<u>282,768,256</u>	<u>276,072,412</u>	<u>266,470,400</u>	<u>269,275,618</u>	<u>282,651,927</u>
Operating income (loss)	<u>35,456,829</u>	<u>45,767,723</u>	<u>63,975,315</u>	<u>67,966,494</u>	<u>25,094,351</u>	<u>18,013,897</u>	<u>32,547,532</u>	<u>44,651,842</u>	<u>53,446,261</u>	<u>51,427,654</u>
Nonoperating revenue (expense)										
Intergovernmental revenue	-	-	-	-	-	-	-	117,531	1,463,287	4,456,255
Intergovernmental expense	-	-	-	-	-	-	-	-	(1,200,000)	(1,200,000)
Payment in lieu of taxes	-	-	-	-	-	-	-	(9,547,800)	(9,966,765)	(10,428,117)
Interest earned on investments	4,653,327	3,050,641	2,149,498	2,984,481	1,463,337	2,902,109	1,490,911	2,125,856	1,739,044	2,632,993
Gain (loss) on disposal of assets	(147,331)	(356,749)	(1,201,165)	(142,064)	1,961,214	(462,840)	(1,142,805)	(8,877,903)	(4,719,440)	(1,044,718)
Interest expense	(8,723,343)	(7,602,623)	(8,087,136)	(7,489,731)	(7,270,893)	(6,601,453)	(8,227,011)	(7,989,038)	(8,950,190)	(9,211,341)
Amortization	(1,536,270)	(1,081,256)	(1,487,207)	(1,480,623)	(1,004,424)	(714,299)	(661,958)	(677,796)	(677,796)	-
Finance costs	(452,525)	(132,616)	(21,225)	(19,425)	(100,162)	(62,588)	(678,741)	(745,198)	(71,880)	(35,580)
Total nonoperating revenue (expense)	<u>(6,206,142)</u>	<u>(6,122,603)</u>	<u>(8,647,235)</u>	<u>(6,147,362)</u>	<u>(4,950,928)</u>	<u>(4,939,071)</u>	<u>(9,219,604)</u>	<u>(25,594,348)</u>	<u>(22,383,740)</u>	<u>(14,830,508)</u>
Income (loss) before transfers and contributions	<u>29,250,687</u>	<u>39,645,120</u>	<u>55,328,080</u>	<u>61,819,132</u>	<u>20,143,423</u>	<u>13,074,826</u>	<u>23,327,928</u>	<u>19,057,494</u>	<u>31,062,521</u>	<u>36,597,146</u>
Capital contributions	12,643,003	24,243,346	12,154,156	11,152,573	3,803,969	9,440,775	7,804,945	10,396,313	7,121,955	6,432,684
Special Item- Hope Mills	-	-	-	-	-	-	-	(7,148,131)	1,593,935	-
Transfers in	9,491,875	65,577,715	33,595,642	594,334	28,461,707	44,565,331	350,594	3,156,186	2,786,080	2,508,654
Transfers out	(9,491,875)	(65,577,715)	(33,595,642)	(594,334)	(28,461,707)	(44,565,331)	(350,594)	(3,156,186)	(2,786,080)	(2,508,654)
Transfers in -City of Fayetteville	2,580,565	1,063,025	627,172	1,332,077	2,934,498	4,379,817	3,596,493	-	-	-
Transfers out -City of Fayetteville	(8,054,235)	(8,691,240)	(10,800,269)	(9,820,653)	(10,961,399)	(12,303,615)	(12,527,760)	-	-	-
Change in net position	<u>\$ 36,420,020</u>	<u>\$ 56,260,251</u>	<u>\$ 57,309,139</u>	<u>\$ 64,483,129</u>	<u>\$ 15,920,491</u>	<u>\$ 14,591,803</u>	<u>\$ 22,201,606</u>	<u>\$ 22,305,676</u>	<u>\$ 39,778,411</u>	<u>\$ 43,029,830</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Revenue Base by Customer Class
Charges for Services
Electric Kilowatt Hours Sold
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Lighting	Other	Total	Total Direct Rate		
							Electric		
							Base Rate ^a	Usage Rate ^b	
							first 500 kWh	ea kWh > 500	
2018	913,765,977	652,143,703	397,416,709	23,924,437	65,120,505	2,052,371,331	\$ 17.50	\$ 0.1010	\$ 0.1010
2017	871,261,877	639,983,403	395,652,590	29,345,656	61,090,581	1,997,334,107	15.00	0.10	0.10
2016	870,089,226	647,621,655	416,245,591	33,878,389	63,597,174	2,031,432,035	13.50	0.0990	0.0990
2015	912,997,829	635,745,697	411,868,420	37,092,085	63,610,785	2,061,314,816	13.50	0.0990	0.0990
2014	933,550,479	755,446,906	297,474,309	36,909,744	62,356,003	2,085,737,441	11.80	0.0964	0.0964
2013	912,090,576	746,303,677	281,595,874	35,189,619	62,223,142	2,037,402,888	10.80	0.0946	0.0946
2012	897,373,380	760,894,124	299,989,818	35,420,886	59,706,692	2,053,384,900	10.80	0.0946	0.0946
2011	1,013,170,837	785,669,193	301,732,101	35,647,580	64,960,101	2,201,179,812	10.80	0.0900	0.0977
2010	969,676,167	762,559,263	318,392,654	34,471,378	60,706,464	2,145,805,926	9.90	0.0825	0.0896
2009	950,176,318	761,932,351	315,244,653	33,636,689	59,890,915	2,120,880,926	9.00	0.0750	0.0815

Notes:

^a Rate shown is for Residential Service- basic facilities charge. See Schedule 6 for additional customer category rates.

^b Rate shown is for Residential Service-energy charge per kWh. See Schedule 6 for additional customer category rates.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
 Revenue Base by Customer Class
 Charges for Services
 Water Mgals Sold
 Last Ten Fiscal Years**

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Total Direct Rate						
							Water						
							Base Rate ^b	Usage Rate ^c					
	first 6 Mgals	ea Mgal > 6	first 2 Mgals	next 3-5Mgals	next 5-10Mgals	ea add'l Mgals							
2018	3,573,103	1,735,985	976,535	1,228,020	854,158	8,367,801	\$ 13.00	\$ -	\$ -	\$ 2.45	\$ 2.91	\$ 3.96	\$ 4.73
2017	3,596,178	1,709,864	1,006,967	1,241,483	816,849	8,371,341	11.50	-	-	2.36	2.81	3.82	4.56
2016	3,679,770	1,657,998	985,208	1,278,857	835,982	8,437,815	10.00	-	-	2.34	2.78	3.78	4.52
2015	3,693,708	1,602,583	914,301	1,211,695	897,337	8,319,624	9.00	-	-	2.26	2.69	3.65	4.37
2014	3,719,832	1,610,970	829,204	1,166,850	842,321	8,169,177	7.75	-	-	2.22	2.64	3.59	4.29
2013	3,761,361	1,867,535	608,837	1,371,392	845,782	8,454,907	7.00	-	-	2.22	2.64	3.59	4.29
2012	3,916,053	1,868,417	677,498	1,400,959	1,097,494	8,960,421	6.27	-	-	2.22	2.64	3.59	4.29
2011	4,068,240	1,908,371	643,140	1,490,678	1,177,400	9,287,829	5.74	-	-	2.17	2.59	3.54	4.24
2010	4,030,403	1,803,698	594,930	659,493	f 1,095,799	8,184,323	5.24	-	-	2.10	2.52	3.47	4.17
2009	3,929,692	1,837,589	750,995	594,745	1,081,226	8,194,247	5.24	-	-	2.10	2.52	3.47	4.17

Notes: Mgal = 1,000 gallons

^a During the period 2005 through 2006, the increase in water sales is the result of customer growth of 3.4% and an increase in rates early in the fiscal year, which resulted in a 200 mgal and 100 mgal increase in residential and other water sales, respectively.

^b Rate shown is for 5/8" meter size - inside city. See Schedule 7 for additional meter size rates.

^c Rate shown is for Residential - inside city customer category. See Schedule 7 for additional customer category rates.

^d Rate structure in this category was based on first 5 mgals in 2007.

^e Rate structure in this category was based on first 6 mgals in 2008.

^f During the period 2010 and 2011, the increase in water sales is the result of supplying Ft Bragg water on a monthly basis as of July 2010.

**FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
 Revenue Base by Customer Class
 Charges for Services
 Wastewater MGALS Treated
 Last Ten Fiscal Years**

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Total Direct Rate Wastewater			
							Base Rate ^a	Usage Rate		
								per Mgal ^b	Sewer Only Flat Rate	
									Inside	Outside
2018	3,166,639	1,623,932	650,239	123,128	439,535	6,003,473	\$ 13.00	\$ 5.25	\$ 35.05	\$ 61.34
2017	3,179,056	1,587,572	694,893	144,252	472,606	6,078,379	11.50	5.25	34.60	58.82
2016	3,245,044	1,533,267	694,225	176,163	488,497	6,137,196	10.00	5.00	34.50	56.93
2015	3,242,175	1,482,458	636,480	194,606	483,543	6,039,262	9.00	4.89	32.96	52.74
2014	3,252,419	1,498,619	615,777	187,458	473,640	6,027,916	7.75	4.87	32.10	49.74
2013	3,245,769	1,707,549	387,928	133,323	459,421	5,933,990	7.00	4.87	31.35	47.05
2012	3,326,474	1,718,225	373,945	94,442	459,677	5,972,763	6.40	4.87	30.75	44.58
2011	3,418,513	1,710,285	371,696	82,085	460,746	6,043,325	5.88	4.77	29.73	41.63
2010	3,382,934	1,677,976	398,290	96,380	443,717	5,999,297	5.41	4.67	28.76	38.83
2009	3,272,380	1,671,151	488,014	93,038	438,936	5,963,519	5.41	4.67	28.76	37.39

Notes: Mgal = 1,000 gallons

^a Rate shown is for 5/8" meter size - inside city. See Schedule 8 for additional meter size rates.

^b Rate shown is for Sanitary Sewer Service category. See Schedule 8 for additional sewer and waste service category rates.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Standard Electric Rates
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential										
Basic	\$ 9.00	\$ 9.90	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80	\$ 13.50	\$ 13.50	\$ 15.00	\$ 17.50
Energy, first 500 kWh	0.0750	0.0825	0.0900	0.0946	0.0946	0.0964	0.0990	0.0990	0.1004	0.1010
All additional kWh	0.0815	0.0896	0.0977	-	-	-	-	-	-	-
General service										
Basic	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00
Demand, first 10 kW	-	-	-	0.1013	0.1013	0.1013	0.1013	0.0990	0.0990	0.1050
all additional kW	6.7500	7.4000	8.1000	-	-	-	-	-	-	-
Energy, first 2,000 kWh	0.0845	0.0929	0.1013	-	-	-	-	-	-	-
all additional kW	0.0505	0.0555	0.0605	-	-	-	-	-	-	-
Lg General service										
Basic	\$ 200.00	\$ 220.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00	\$ 265.00	\$ 275.00	\$ 290.00	\$ 290.00
Demand, all kW	10.10	11.10	12.10	12.10	12.10	13.00	14.00	15.25	17.00	17.25
Excess Off Peak	-	-	2.00	-	-	-	-	-	-	-
Energy On Peak	0.0400	0.0462	0.0383	-	-	-	-	-	-	-
Off Peak	-	-	0.0300	-	-	-	-	-	-	-
Energy (1000kW and greater)	-	-	0.0300	0.0504	0.0504	0.0523	0.0542	0.0515	0.0515	0.0525
Small industrial service										
Basic	\$ 15.00	\$ 16.50	\$ 18.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, first 10 kW	-	-	-	-	-	-	-	-	-	-
all additional kW	6.7500	7.4000	8.1000	-	-	-	-	-	-	-
Energy, first 2,000 kWh	0.0844	0.0928	0.1012	-	-	-	-	-	-	-
all additional kW	0.05420	0.05960	0.06500	-	-	-	-	-	-	-
Medium industrial service										
Basic	\$ -	\$ -	\$ -	\$ 60.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, kW	-	-	-	6.95	-	-	-	-	-	-
Energy, first 200 kWh/kW	-	-	-	0.0727	-	-	-	-	-	-
Next 150 kWh/kW	-	-	-	0.0513	-	-	-	-	-	-
Next 150 kWh/kW	-	-	-	0.0480	-	-	-	-	-	-
All above 500 kWh/kW	-	-	-	0.0474	-	-	-	-	-	-
Lg Industrial service										
Basic	\$ 500.00	\$ 550.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00	\$ 650.00	\$ 675.00	\$ 700.00	\$ 700.00
Demand, first 5,000 kW	12.85	13.45	14.50	-	-	-	-	-	-	-
next 5,000 kW	11.75	12.50	13.45	-	-	-	-	-	-	-
All additional kW	10.60	11.90	12.80	-	-	-	-	-	-	-
Energy, all kWh	0.0400	0.0462	0.0383	0.0504	0.0504	0.0523	0.0542	0.0515	0.0515	0.0525
Traffic signal service										
Basic	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00
Energy, all kWh	0.05300	0.05820	0.06350	0.06350	0.06350	0.06790	0.07250	0.07250	0.07250	0.07250
Church service										
Basic	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00
Energy, first 500 kWh	0.08800	0.09680	0.10560	-	-	-	-	-	-	-
NEXT 2,000 kWh	0.08250	0.09070	-	-	-	-	-	-	-	-
all additional kWh	0.08250	0.09070	0.09890	0.09960	0.09960	0.10130	0.10130	0.09900	0.10040	0.10500
Sports field lighting service										
Basic	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00	\$ 30.00	\$ 35.00
Energy, all kWh	0.05669	0.06230	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.10500
Minimum, all kW	2.8477	-	-	-	-	-	-	-	-	-

Note: Increases in electric rates must be approved by the Fayetteville Public Works Commission.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Water Rates
Last Ten Fiscal Years

	2009		2010		2011		2012		2013	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 5.24	\$ 6.81	\$ 5.24	\$ 7.07	\$ 5.74	\$ 8.04	\$ 6.27	\$ 9.09	\$ 7.00	\$ 10.50
3/4"	5.24	6.81	5.24	7.07	5.74	8.04	6.27	9.09	7.00	10.50
1"	7.96	10.35	7.96	10.75	8.62	12.07	9.52	13.80	11.00	16.50
1.5"	14.19	18.44	14.19	19.16	15.19	21.27	16.94	24.56	19.00	28.50
2"	21.97	28.56	21.97	29.66	23.41	32.77	26.22	38.02	30.00	45.00
3"	40.25	52.33	40.25	54.34	42.73	59.82	48.00	69.64	55.00	82.50
4"	66.31	86.21	66.31	89.52	70.27	98.38	79.12	114.72	90.00	135.00
6"	130.89	170.15	130.89	176.70	138.49	193.89	156.14	226.40	175.00	262.50
8"	208.69	271.29	208.69	281.73	220.69	308.97	248.94	360.96	280.00	420.00
Usage rate										
1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	-	-	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	2.10	2.73	2.10	2.84	2.17	3.04	2.22	3.22	2.22	3.33
next 3,000 gallons (3-5Mgals)	2.52	3.28	2.52	3.40	2.59	3.63	2.64	3.83	2.64	3.96
next 5,000 gallons=(6-10Mgals)	3.47	4.51	3.47	4.68	3.54	4.96	3.59	5.21	3.59	5.39
each additional gallon	4.17	5.42	4.17	5.63	4.24	5.94	4.29	6.22	4.29	6.44
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.49	5.84	4.49	6.06	4.56	6.38	4.61	6.68	4.61	6.92
next 30,000 gallons=(31-60Mgals)	5.53	7.19	5.53	7.47	5.60	7.84	5.65	8.19	5.65	8.48
each additional gallon	8.66	11.26	8.66	11.69	8.73	12.22	8.78	12.73	8.78	13.17
Backflow Prevention Assembly Inspection Charge	-	-	-	-	0.90	0.90	0.90	0.90	0.90	0.90
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.40	\$ 3.12	\$ 2.40	\$ 3.24	\$ 2.56	\$ 3.58	\$ 2.67	\$ 3.87	\$ 2.67	\$ 4.01
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 1.84	\$ 1.84	\$ 1.84	\$ 1.84	\$ 1.94	\$ 1.94	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06
Fire hydrant delivery										
<i>Basic Facilities per Meter Set</i>	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
per 1,000 gallons = 1 Mgal	2.40	2.40	2.40	2.40	2.56	2.56	2.67	2.67	2.67	2.67
Bulk water delivery										
<i>Basic Facilities per Truckload</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	225.00	225.00	225.00	225.00	275.00	275.00	275.00	275.00	275.00	275.00
Temporary Permit=1 Month	50.00	50.00	50.00	50.00	-	-	-	-	-	-
each additional month <3 months	50.00	50.00	50.00	50.00	-	-	-	-	-	-

^aRate structure in this category was based on first 1mgals in 2008.

FAYETTEVILLE PUBLIC WORKS COMMISSION
 COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
 Water Rates
 Last Ten Fiscal Years

	2014		2015		2016		2017		2018	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40	\$ 10.00	\$ 16.50	\$ 10.00	\$ 16.50	\$ -	\$ -
3/4"	7.75	12.00	9.00	14.40	10.00	16.50	10.00	16.50	13.00	22.75
1"	12.00	18.60	14.00	22.40	16.00	26.40	18.40	31.30	20.80	36.40
1.5"	21.00	32.55	24.00	38.40	27.00	44.55	31.05	52.80	35.10	61.45
2"	33.00	51.15	39.00	62.40	45.00	74.25	51.75	88.00	58.50	102.40
3"	60.00	93.00	70.00	112.00	80.00	132.00	92.00	156.40	104.00	182.00
4"	100.00	155.00	115.00	184.00	130.00	214.50	149.50	254.15	169.00	295.75
6"	195.00	302.25	225.00	360.00	255.00	420.75	293.25	498.55	331.50	580.15
8"	310.00	480.50	360.00	576.00	400.00	660.00	460.00	782.00	520.00	910.00
Usage rate 1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	-	-	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	2.22	3.44	2.26	3.62	2.34	3.86	2.36	4.01	2.45	4.29
next 3,000 gallons (3-5Mgals)	2.64	4.09	2.69	4.30	2.78	4.59	2.81	4.78	2.91	5.09
next 5,000 gallons=(6-10Mgals)	3.59	5.56	3.65	5.84	3.78	6.24	3.82	6.49	3.96	6.93
each additional gallon	4.29	6.65	4.37	6.99	4.52	7.46	4.56	7.75	4.73	8.28
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.61	7.15	4.69	7.50	4.86	8.02	4.9	8.33	5.09	8.91
next 30,000 gallons=(31-60Mgals)	5.65	8.76	5.75	9.20	5.96	9.83	6.01	10.22	6.24	10.92
each additional gallon	8.78	13.61	8.94	14.30	9.25	15.26	9.33	15.86	9.69	16.96
Backflow Prevention Assembly Inspection Char	0.9	0.9	0.9	0.9	0.9	0.9	1.6	1.6	1.6	1.6
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.67	\$ 4.14	\$ 2.71	\$ 4.34	\$ 2.81	\$ 4.64	\$ 2.83	\$ 4.81	\$ 2.94	\$ 5.15
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 2.03	\$ 2.06	\$ 2.10	\$ 2.10	\$ 2.18	\$ 2.18	\$ 2.34	\$ 2.34	\$ 2.43	\$ 2.43
Fire hydrant delivery										
Basic Facilities per Meter Set	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 51.75	\$ 51.75	\$ 58.50	\$ 58.50
per 1,000 gallons = 1 Mgal	2.67	2.67	2.71	2.71	2.81	2.81	2.83	2.83	2.94	2.94
Bulk water delivery										
Basic Facilities per Truckload	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	275	275	300	300	300	300	315	315	330	330
Temporary Permit=1 Month	-	-	-	-	-	-	-	-	-	-
each additional month <3 months	-	-	-	-	-	-	-	-	-	-

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Wastewater Rates
Last Ten Fiscal Years

	2009		2010		2011		2012		2013	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 5.41	\$ 7.03	\$ 5.41	\$ 7.30	\$ 5.88	\$ 8.23	\$ 6.40	\$ 9.28	\$ 7.00	\$ 10.50
3/4"	5.41	7.03	5.41	7.30	5.88	8.23	6.40	9.28	7.00	10.50
1"	8.22	10.68	8.22	11.10	8.93	12.50	9.81	14.22	11.00	16.50
1.5"	14.63	19.02	14.63	19.75	15.89	22.25	17.60	25.52	19.00	28.50
2"	22.65	29.45	22.65	30.58	24.59	34.43	27.34	39.64	30.00	45.00
3"	41.50	53.95	41.50	56.03	45.03	63.04	50.23	72.83	55.00	82.50
4"	68.37	88.88	68.37	92.30	74.18	103.85	82.86	120.15	90.00	135.00
6"	134.93	175.41	134.93	182.16	146.39	204.95	163.70	237.37	175.00	262.50
8"	215.13	279.67	215.13	290.43	233.39	326.75	261.10	378.60	280.00	420.00
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.67	6.07	4.67	6.30	4.77	6.68	4.87	7.06	4.87	7.31
<i>Commercial wastewater service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.67	6.07	4.67	6.30	4.77	6.68	4.87	7.06	4.87	7.31
Sewer only										
Flat monthly	\$ 28.76	\$ 37.39	\$ 28.76	\$ 38.83	\$ 29.73	\$ 41.63	\$ 30.75	\$ 44.58	\$ 31.35	\$ 47.05
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	\$ 3.48	\$ 3.48	\$ 3.48	\$ 3.48	\$ 3.50	\$ 3.50	\$ 3.52	\$ 3.52	\$ 3.52	\$ 3.52
Bulk liquid waste service										
<i>Basic Facilities</i>	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.93	\$ 8.93	\$ 9.81	\$ 9.81	\$ 11.00	\$ 11.00
per 1,000 gallons = 1 Mgal	29.00	37.70	29.00	39.15	30.00	42.00	31.00	44.95	31.35	47.05

Note: Increases in wastewater rates must be approved by the Fayetteville Public Works Commission.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Wastewater Rates
Last Ten Fiscal Years

	2014		2015		2016		2017		2018	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40	\$ 10.00	\$ 10.00	\$ 11.50	\$ 19.55	\$ -	\$ -
3/4"	7.75	12.00	9.00	14.40	10.00	10.00	11.50	19.55	13.00	22.75
1"	12.00	18.60	14.00	22.40	16.00	26.40	18.40	31.30	20.80	36.40
1.5"	21.00	32.55	24.00	38.40	27.00	44.55	31.05	52.80	35.10	61.45
2"	33.00	51.15	39.00	62.40	45.00	74.25	51.75	88.00	58.50	102.40
3"	60.00	93.00	70.00	112.00	80.00	132.00	92.00	156.40	104.00	182.00
4"	100.00	155.00	115.00	184.00	130.00	214.50	149.50	254.15	169.00	295.75
6"	195.00	302.25	225.00	360.00	255.00	420.75	293.25	498.55	331.50	580.15
8"	310.00	480.50	360.00	576.00	400.00	660.00	460.00	782.00	520.00	910.00
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.87	7.55	4.89	7.82	5.00	8.25	5.25	8.93	5.25	9.19
<i>Commercial wastewater service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.87	7.55	4.89	7.82	5.00	8.25	5.25	8.93	5	9.19
Sewer only										
Flat monthly	\$ 32.10	\$ 49.74	\$ 32.96	\$ 52.74	\$ 34.50	\$ 56.93	\$ 34.60	\$ 58.82	\$ 35.05	\$ 61.34
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	\$ 3.52	\$ 3.52	\$ 3.75	\$ 3.75	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94
Bulk liquid waste service										
<i>Basic Facilities</i>	\$ 12.00	\$ 12.00	\$ 14.00	\$ 14.00	\$ 16.00	\$ 16.00	\$ 18.40	\$ 18.40	\$ 20.80	\$ 20.80
per 1,000 gallons = 1 Mgal	32.10	49.74	33.00	53.00	35.00	57.00	35.00	58.82	35.10	61.34

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Ten Largest Customers
Current Year and Nine Years Ago

Electric Revenue

Fiscal Year 2009	Fiscal Year 2018
Cape Fear Valley Hospital	Goodyear
Cargill	Mann + Hummel (Purolator)
CBL Associates	Cargill
FSU	Cape Fear Valley Hospital
Food Lion	FSU
Goodyear	VA Hospital
Hexion Specialty Chemicals	Momentive Splty Chem
M J Soffe	CBL Assoc
Purolator	Nitta Gelatin
Walmart Totalized	Law Enforcement Center

These customers represented kWh sales for 2009 and 2018 of 398,341,253 and 367,002,970, respectively; and revenue of \$20,686,129 and \$26,223,190. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 12.62% and 12.60%. No individual customer comprised more than 4.6% and 5.0% of total electric sales revenue.

Water Revenue

Fiscal Year 2009	Fiscal Year 2018
Cape Fear Valley Hospital	FT Bragg
Cargill	Town of Spring Lake
Dak Resins	Goodyear
Goodyear	Dak Resins
Hexion Specialty Chemicals	Hoke County
Hoke County	Carolina By Products
M J Sofee	Momentive Splty Chem
Nitta Gelatin	Aqua Water
Aqua Water	Cape Fear Valley Hospital
Town of Spring Lake	Cargill

These customers represented sales for 2009 and 2018 of 1,258,429,000 and 1,994,267,388 gallons, respectively; and revenues of \$2,288,843 and \$5,045,049. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 8.81% and 13.04%. No individual customer comprised more than 1.88% and 4.58% of total water sales revenue.

Wastewater Revenue

Fiscal Year 2009	Fiscal Year 2018
Cape Fear Valley Hospital	Carolina By Product
Cargill	Cape Fear Valley Hospital
Carolina By Products	Nitta Gelatin
Goodyear	Cargill
Hexion Specialty Chemicals	Goodyear Tire
M J Soffe	Momentive Splty Chem
Nitta Gelatin	Mann + Hummel (Purolator)
Norcross	Methodist Univ.
Purolator	VA Hospital
Town of Stedman	FSU

These customers represented sales for 2009 and 2018 of 585,713,000 and 609,116,000 gallons, respectively; and revenues of \$1,895,281 and \$2,477,758. The aggregate sum of the ten largest wastewater customers' revenue is 6.3% and 5.3%. No individual customer comprised more than 1.59% and 1.75% of total wastewater sales revenue.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes	Total		
				Amount	Per Capita ⁽¹⁾	As a Share of Personal Income
2018	\$ 565,206	\$ 266,932,257	\$ 23,704,287	\$ 291,201,750	\$ 893.69	3.97%
2017	758,682	286,712,408	25,036,011	312,507,101	978.32	4.10%
2016	1,162,500	305,949,298	25,241,350	332,353,148	1,026.29	4.38%
2015	2,741,682	233,551,959	33,792,073	270,085,714	818.87	3.58%
2014	3,411,254	127,467,576	25,874,625	156,753,455	473.40	2.13%
2013	4,270,372	140,451,030	22,224,936	166,946,338	522.64	2.38%
2012	5,051,325	142,065,254	15,415,501	162,532,080	434.24	2.12%
2011	5,901,470	151,607,212	16,683,349	174,192,031	510.28	2.35%
2010	6,453,885	169,120,000	17,951,198	193,525,083	612.86	2.85%
2009	7,412,175	155,045,000	19,219,047	181,676,222	588.48	2.80%

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

(1) See schedule 12 for per capita personal income and population data.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utility Service Charges	Less: Operating Expenses ⁽¹⁾	Other Adjustments ⁽²⁾	Net Available Revenues	Debt Service ⁽⁵⁾			Coverage Ratio ⁽⁴⁾
					Principal	Interest ⁽³⁾	Total	
2018	\$ 334,079,581	\$ 244,545,630	\$ -	\$ 89,533,951	\$ 19,096,724	\$ 10,491,337	\$ 29,588,061	3.03
2017	322,721,879	230,201,848	-	92,520,031	18,540,882	10,228,444	28,769,326	3.22
2016	302,408,510	220,849,625	-	81,558,885	15,470,721	8,805,529	24,276,250	3.36
2015	300,484,378	231,775,618	-	68,708,760	13,892,288	8,875,916	22,768,204	3.02
2014	292,346,282	239,483,361	-	52,862,921	13,332,792	6,017,667	19,350,459	2.73
2013	283,193,071	221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87

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

(2) 'Other adjustments' is the recognition of Prepaid Purchase Power Supply net of discount.

(3) 'Interest' represents accrual based interest excluding capitalized interest.

(4) 'Coverage ratios' do not represent coverage calculations as defined in the bond order.

(5) 'Debt service' includes revenue bonds and notes and excludes G.O. bonds.

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

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income	Per Capita Personal Income ²	Unemployment Rate ³ County
2018	325,841	\$ 7,325,892,978	\$ 22,483	4.70%
2017	319,431	7,616,193,333	23,843	5.30%
2016	323,838	7,582,019,094	23,413	5.10%
2015	329,827	7,540,834,701	22,863	7.50%
2014	331,126	7,354,639,586	22,211	7.60%
2013	319,431	7,013,107,605	21,955	9.5%
2012	374,295	7,667,807,370	20,486	9.8%
2011	341,363	7,417,135,264	21,728	10.1%
2010	315,772	6,793,834,580	21,515	8.9%
2009	308,721	6,496,724,724	21,044	9.5%

Sources:

1. Fayetteville, NC Website.
2. Census Quick Facts- Per capita income for Cumberland County.
3. Bureau of Labor Statistics, US Department of Labor. Calendar year unemployment statistics for Cumberland County Data for 2011 as of June 2011.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Percentage of Total County Employment</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>	<u>Rank</u>
U.S. Dept. of Defense (Civil Service) ⁽¹⁾	8,757	6.29%	1	4,431	3.39%	3
Cape Fear Valley Health System	6,317	4.54%	2	5,000	3.82%	2
Cumberland County Board of Education	6,022	4.33%	3	7,500	5.73%	1
Wal-Mart Associates Inc.	2,850	2.05%	4	4,426	3.38%	4
Cumberland County	2,337	1.68%	5	2,500	1.91%	6
Goodyear Tire & Rubber Inc. (Kelly Springfield)	2,114	1.52%	6	2,650	2.03%	5
Fayetteville Tech	1,431	1.03%	7	1,340	1.02%	9
City of Fayetteville	1,785	1.28%	8	1,580	1.21%	7
Veterans Admin	1,000	0.72%	9	-	-	-
Food Lion	900	0.65%	10	-	-	-
State of NC	-	-	-	1,429	1.09%	8
U.S. Postal	-	-	-	1,312	1.00%	10
Total Employment (Ten Largest Civilian Employers)	<u>33,513</u>	<u>24.08%</u>		<u>32,168</u>	<u>24.58%</u>	

(1) Civilian employment only. Excludes military personnel in excess of 42,000.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Full Time Employees by Identifiable Activity
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Electric:										
Electric Substation	13	14	14	13	12	13	15	11	11	11
Electric Power Supply	3	3	3	3	3	2	2	1	1	1
Electric Generation	25	25	25	23	23	26	26	28	29	28
Electric Engineering	22	22	21	22	19	21	20	25	26	21
Electric Construction	74	73	76	68	72	68	67	66	73	70
Water/Wastewater:										
Water Plant Operations	15	15	15	15	14	14	14	14	14	14
Wastewater Plant Operations	16	16	17	17	17	17	17	17	18	17
Water/Wastewater Systems Maintenance	21	22	21	21	22	23	22	22	22	23
Water Resources Engineering	34	34	33	31	31	33	28	32	29	30
Water Resources Construction	97	93	100	97	97	96	96	89	89	91
Residual Management	2	2	2	2	2	2	2	2	2	2
Environmental Services	1	1	1	1	1	1	1	1	1	1
Laboratory	6	6	6	5	6	6	6	5	6	5
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	1	1	1	1	1	3	1	3	3	1
Administration:										
Billing/Customer Service	56	57	55	56	56	54	50	57	56	57
Meter Reading	5	5	5	5	4	4	4	10	11	11
Utility Field Services	19	18	21	21	23	28	29	29	31	33
Human Resources	8	7	7	6	5	6	6	7	7	6
Finance and Accounting	30	30	33	30	31	32	42	35	36	32
Management Information Systems	13	13	11	11	13	13	19	19	19	19
Executive Administration	141	148	147	150	146	130	111	104	104	101
Total Employees:	<u>606</u>	<u>609</u>	<u>618</u>	<u>602</u>	<u>602</u>	<u>596</u>	<u>582</u>	<u>581</u>	<u>592</u>	<u>559</u>

Source: Fayetteville Public Works Commission Human Resource Department

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Operating Indicators
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water System:										
Water main breaks	130	180	182	165	104	137	113	110	115	174
Average daily consumption (Mgals) (1)	22,450	22,423	25,446	26,724	24,648	24,815	25,011	24,908	24,592	25,738
Peaks (MGD) (2) (3)	34.9	37.2	39.4	37.9	35.6	33.7	34.2	35.1	34.8	33.0
Total sold (Mgals) (1)	7,707,256	7,749,106	8,888,870	8,960,423	9,009,524	7,836,927	8,023,949	8,161,023	8,095,333	8,053,788
Sewer System:										
Main breaks	291	342	293	342	344	294	148	141	97	168
Average daily consumption (Mgals) (1)	16,338	16,436	16,557	24,720	24,400	27,000	25,800	27,800	27,400	23,700
Peaks (MGD) (3)	31.5	27.8	26.3	35.9	27.7	45.0	28.9	32.6	41.4	24.8
Total sold (Mgals) (1)	5,953,806	5,999,105	6,043,126	5,972,764	5,933,990	6,027,916	6,039,262	6,137,196	6,078,380	6,003,473
Electric System:										
Electric outages (minutes)	2,210,508	2,296,534	2,340,931	2,807,700	3,821,940	4,677,182	8,143,105	8,624,299	-	-
Peaks (MW) (4)	459.5	462.4	459.1	459.1	446.0	454.0	490.3	424.0	453.0	461.4
Total kWh sold (5)	2,074,038,439	2,139,521,914	2,194,905,986	2,053,384,900	2,037,402,888	2,079,806,749	2,055,323,594	2,025,935,664	1,991,911,083	2,047,248,575
Average daily consumption (kWh)	5,810,633	5,878,920	6,030,630	5,917,385	5,581,926	5,698,101	5,631,024	5,550,509	5,457,291	5,608,900

- (1) Mgals = 1,000 gallons
- (2) Reflects highest monthly average
- (3) MGD = 1,000,000 gallons per day
- (4) MW = megawatts
- (5) kWh = kilowatt hours

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Capital Indicators
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water System:										
Miles of water main	1,296.3	1,316.4	1,329.2	1,351.5	1,364.3	1,374.4	1,384.6	1,375.0	1,385.0	1,383.2
Number of new service connections	1,220	616	962	2,649	1,375	1,258	1,778	1,128	222	425
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) ⁽¹⁾	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Sewer System:										
Number of new service connections	1,752	317	1,140	1,612	1,375	1,358	2,635	1,072	262	899
Miles of sanitary sewer mains	1,149.7	1,231.9	1,246.0	1,272.0	1,219.0	1,281.0	1,293.0	1,318.0	1,333.0	1,345.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	471	650	533	1,359	64	432	1,456	965	388	352
Distribution line circuit miles	2,986.88	1305.49 (2)	1,313.79	1,316.73	1,316.48	1,323.60	1,323.97	1,337.16	1,339.41	1,349.19

(1) MGD = 1,000,000 gallons per day

(2) Previous data that had been provided has been corrected.

**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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COMPLIANCE SECTION

**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 Board Commissioners
Fayetteville Public Works Commission
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 entity'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 did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Responses* as finding 2018-001 that we consider to be a material weakness. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Responses* as finding 2018-002 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 Commission's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina

October 1, 2018

Fayetteville Public Works Commission
(A Component Unit of the City Of Fayetteville, North Carolina)
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2018

Section II Financial Statement Findings

Finding 2018-001

Material Weakness in Internal Control -
Work Order Module Integration

Criteria:	The Commission's work order module system, WAM, should be fully integrated with the general ledger whereby activity and amounts within WAM are the same as in the general ledger system.
Condition and context:	During testing of the WAM work order system, we noted that data and reports produced from WAM do not agree with balances in the EBS general ledger system. We also noted that not all indirect costs are being captured for allocation. This is a repeat finding of 2017-001.
Effect:	The allocation of costs between repairs and maintenance and construction in process is compromised. Significant and numerous reconciliations must be performed in order to ensure WAM has captured all charges through EBS for allocation. There is not currently a way to tie activity and balances in the WAM system back to construction in process additions and repairs and maintenance expenses.
Cause:	WAM was not appropriately integrated to the general ledger during the initial IT integration of the software with the general ledger. Additionally, as a complex software module, IT staff and process staff must have the skills, knowledge and experience to effectively use and maintain the module.
Recommendation:	We recommend the Commission continue have the IT department identify the root cause of the errors from initial integration and make corrections to the module and data processes appropriately in order to ensure full, seamless integration between WAM and the general ledger and accuracy of data. This includes appropriate production reports from both systems that allow sufficient monitoring of activity and balances throughout the year. We also recommend the Commission continue to perform appropriate compensating controls put in place during fiscal year 2018.

Fayetteville Public Works Commission
(A Component Unit of the City Of Fayetteville, North Carolina)
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2018

Section II Financial Statement Findings (continued)

Finding 2018-002

Significant Deficiency in Internal Control -
IT functionality and reporting

Criteria: The IT system should be provide sufficient functionality and reporting to support the financial operations of the Commission.

Condition and context: During testing of the bank reconciliation process we noted \$737,345 of unposted exceptions between the final ending reconciled cash balance and the ending general ledger cash balance, of which \$119,657 cannot be identified. During testing of the accrued payroll expense, we noted a debit balance in the Fleet Maintenance accrued salaries and benefits account resulting in an adjusting journal entry to increase the accrued payroll and due from accounts in the Fleet Maintenance fund of \$110,298.

Effect: The final cash balance in the general ledger is \$737,345 less than the final cash balance per the bank reconciliation, resulting in an understatement of cash and overstatement of accounts receivable of \$737,345.

Cause: The IT system generated reports do not provide sufficient detail to identify and resolve exceptions noted in the bank reconciliation process in a timely manner. The automatic custom costing entry for payroll double posted the direct deposit entries for the October 27, 2017 payroll.

Recommendation: We recommend the Commission have the IT department work closely with the Finance department to develop appropriate reporting that will allow for timely resolution of exceptions identified during the cash reconciliation process. We also recommend the Commission adhere to their established bank reconciliation review policy to ensure no material unposted discrepancies between the general ledger and the bank reconciliation remain at year end. Additionally, we recommend that all payroll liabilities be reconciled at the fund level each period.



WADE R. FOWLER, JR., COMMISSIONER
D. RALPH HUFF, III, COMMISSIONER
DARSWEIL L. ROGERS, COMMISSIONER
EVELYN O. SHAW, COMMISSIONER
DAVID W. TREGO, CEO/GENERAL MANAGER

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Management's Response to Finding 2018-001

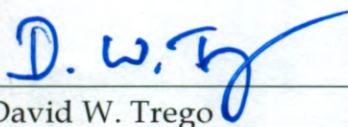
Based on the Auditor's findings last year, PWC engaged with an outside consultant to address the financial reconciliation issues between WAM and EBS. A project was initiated to look at the processes, people, data, and technology involved and then to develop a comprehensive "TO BE" Solution based on the current state analysis.

During Fiscal Year 2018 PWC had to redo its overall Oracle system architecture (OAR project) which required all other modifications/customizations to be delayed or deferred. As such, the solution was developed and has been tested in multiple iterations over a 6 month period. The full solution is anticipated to be live and in Production by November 15th, 2018.


Management's Response to Finding 2018-002

PWC's IT and Accounting staff have been working on the implementation of an automated bank reconciliation process within the Oracle System. This automated process should vastly reduce the amount of manual efforts necessary to reconcile the bank statement. The Accounting staff will work closely with the IT staff to develop appropriate reporting that will allow for a timely resolution of previously identified exceptions. The Accounting staff has started reviewing bank transactions daily to ensure that those requiring a manual journal entry are posted by the day after they appear in the bank. The Accounting staff has also began reconciling the payroll accrual entries at the fund level instead of in total to ensure that the entries generated are allocating payroll liabilities correctly each pay period.

Respectfully submitted,



David W. Trego
Chief Executive Officer



Rhonda Haskins, CPA, CGMA
Chief Finance Officer



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**Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018**

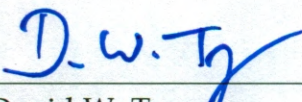
Finding: 2017-001

Status: This finding is repeated as Finding 2018-001. Management's Response is noted therein.


Finding: 2017-002

Status: Corrected.

Respectfully submitted,



David W. Trego
Chief Executive Officer



Rhonda Haskins, CPA, CGMA
Chief Finance Officer

BUILDING COMMUNITY CONNECTIONS SINCE 1905

AN EQUAL EMPLOYMENT OPPORTUNITY EMPLOYER

**Fayetteville Public Works Commission
Component Unit of the City of Fayetteville, North Carolina**

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PWC
Fayetteville's
HOME TOWN UTILITY

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