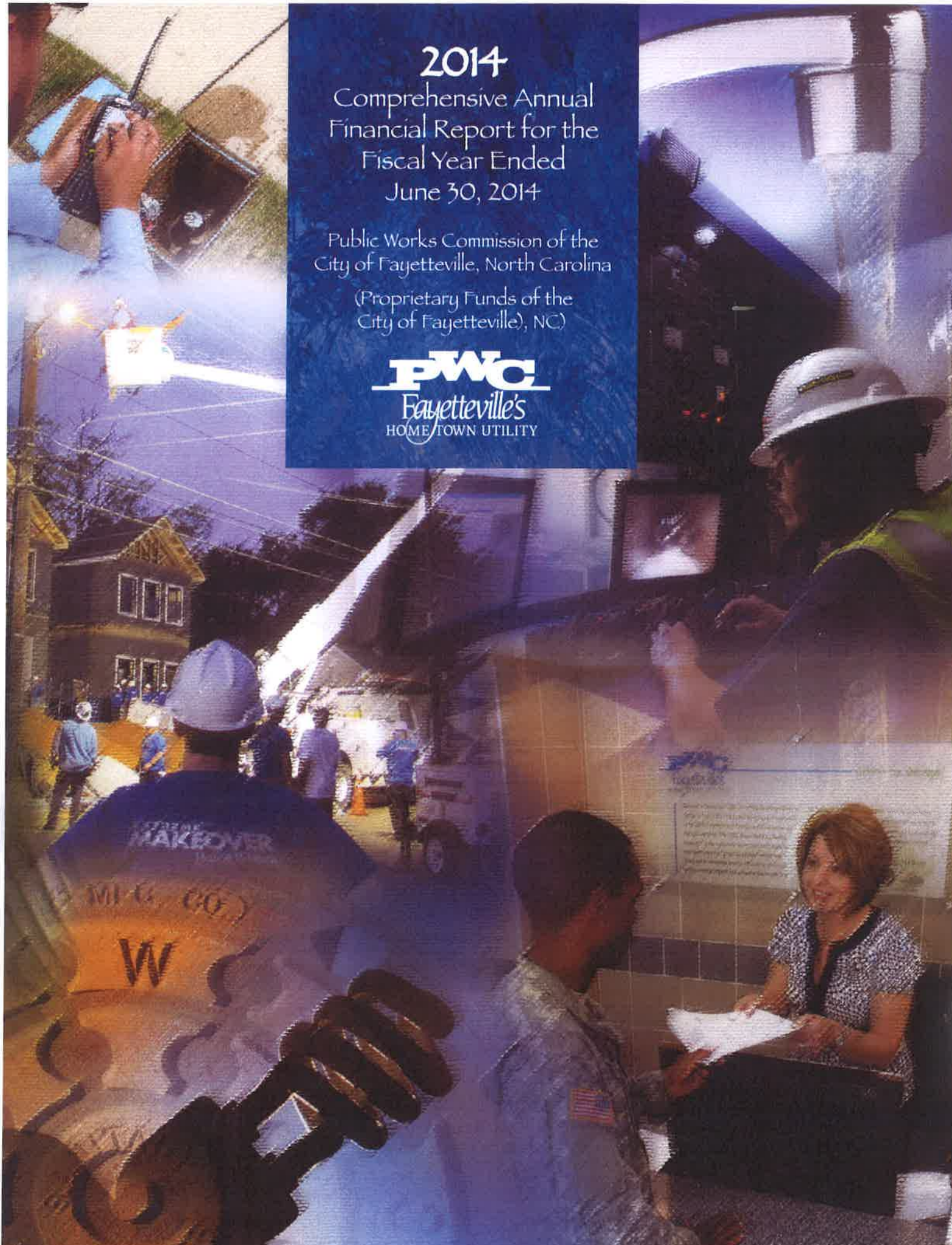


Comprehensive Annual
Financial Report for the
Fiscal Year Ended
June 30, 2014

PWC
Fayetteville's
HOME TOWN UTILITY



PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
(Proprietary Funds of the City of Fayetteville, North Carolina)

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

Commissioners

Michael G. Lallier, *Chairman*
Wick Smith, *Vice-Chairman*
Lynne B. Greene, *Secretary*
Darsweil L. Rogers, *Treasurer*

Chief Executive Officer

Steven K. Blanchard

Chief Financial Officer

J. Dwight Miller, CPA, CGMA

Prepared by the Finance Division

This Report Was Prepared By:

PWC Finance Division
955 Old Wilmington Road
Fayetteville, North Carolina 28301

Chief Financial Officer

J. Dwight Miller, CPA, CGMA

Directors

Brenda Brown, CPA, CGMA *Controller*
Rhonda Haskins, CPA, CGMA, *Director of Financial Planning*

Finance Division Staff

Karen Aippersbach, CPA, CGMA *Chief Accountant*
Sabrina King, *Chief Accountant*
Cinthia Funes, *Accounts Payable/Payroll Supervisor*
Donna Lopes, *Budget Manager*
Carla Supples, *Financial Rates Analyst*
Martin Cunningham, *Interim Revenue Accounting Supervisor*

Dee Bowles, *Accountant*
Lisa Buffaloe, *Budget Analyst*
Justin Smith, *Interim Revenue Accounting Analyst*
Marsha Krings, CPA, *Accountant*

Sandra Austin ♦ Jill Autrey ♦ Dennis Boyer ♦
Diane Coffman ♦ Lakisha Figaro ♦ Kathy Hayes ♦
Barbara Love ♦ Sylvester Loving, Jr. ♦ Patrick McKoy ♦
Jane Roach ♦ Amy Scott ♦ Karen Shotwell ♦
Sharon Smith ♦ Joyce Thrash ♦ Gwen White ♦
Deborah Williams ♦ Janet Wing ♦ Constance Woods

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
(Proprietary Funds of the City of Fayetteville, North Carolina)

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PUBLIC WORKS COMMISSION
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INTRODUCTORY SECTION
(UNAUDITED)



MICHAEL G. LALLIER, COMMISSIONER
WICK SMITH, COMMISSIONER
LYNNE B. GREENE, COMMISSIONER
DARSWEIL L. ROGERS, COMMISSIONER
STEVEN K. BLANCHARD, CEO/GENERAL MANAGER

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE

ELECTRIC & WATER UTILITIES

955 OLD WILMINGTON RD
P.O. BOX 1089
FAYETTEVILLE, NORTH CAROLINA 28302 1089
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October 3, 2014

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

The management and staff of the Public Works Commission of the City of Fayetteville (PWC) are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control 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.

Cherry Bekaert LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the PWC's financial statements for the year ended June 30, 2014. 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 organized in 1905 through an act of the Legislature and was established to provide electricity, water and wastewater services to the City and surrounding areas within the County. The City has owned its electric system since 1896, the water system since 1890 and its wastewater system since 1906. The PWC is governed by four commissioners who are appointed for four year staggered terms by the City Council. Once appointed, the Commissioners annually elect a Chairman, Vice Chairman, Secretary, and Treasurer; they meet on the second and fourth Wednesdays of each month. The Commissioners are responsible for establishing policy, setting rates, approving certain contracts,

adopting the annual budget and appointing a general manager to administer the PWC's policies and day-to-day business activities.

PWC is the largest municipal electric utility in North Carolina and the 36th largest of approximately 2,000 in the nation. It's electric, water and wastewater rates are among the lowest in North Carolina.

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. Beginning July 1, 2012, PWC entered into a 20 year agreement, with an option to terminate in 10 years and to extend for up to 30 years, to purchase all of its energy requirements from DEP as well as maintain its SEPA allocation. Also, effective July 1, 2012, PWC entered into a 5 year agreement to lease its Butler-Warner Generation Plant to DEP. The PWC's electric service area consists of the majority of the City and portions of the Eastover Sanitary District, the Town of Hope Mills and certain surrounding areas. During FY 2014, electric service was provided to approximately 80,200 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 treatment capacity of 57.5 million gallons a day (MGD). PWC's water system serves the majority of the City and the Town of Hope Mills and certain other developed areas outside the City and currently provides water service to more than 84,600 households and businesses. PWC furnishes water to Fort Bragg, the Town of Spring Lake, the Town of Stedman, Hoke County and Aqua North Carolina, Inc. under wholesale contracts.

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 capacity to treat more than 46 million gallons of wastewater per day. PWC currently services more than 82,700 wastewater customers. The system's service area includes the majority of the City and the Town of Hope Mills. Wastewater treatment and collection services are provided under contract to the Town of Stedman, Eastover Sanitary District, Hoke County and the NORCRESS system, which is comprised of the Towns of Wade, Godwin and Falcon.

The PWC's budget and accounting system is separated into three funds, Electric, Water/Wastewater and the Fleet Maintenance Internal Service Fund. Budgets are approved independently for each fund. The annual budget includes the current year's capital projects. In addition, a separate Capital Improvement Program which includes projections of capital improvements recommended over the ensuing five-year period is presented each year. The Commission approves and submits the budget for inclusion with the City's budget prior to June 1.

Local economy

The economy of Fayetteville is stabilized by the presence of Fort Bragg Army Installation and Pope Army Air Field. Approximately 58,000 military personnel are currently stationed at Fort Bragg and Pope Army Air Field, with support from more than 10,000 additional civilian employees. The direct impact of this payroll alone was over \$3.0 billion to the regional economy. The Department of Defense completed a \$240 million building that houses approximately 3,000 workers and is the Headquarters of both the US Army Forces Command and US Army Reserve Command as part of the base realignment.

Major nongovernmental employers in the area include the Goodyear Tire & Rubber Company which is one of the largest tire producing factories in the world, Eaton Corporation's industrial motor control plant, Mann+Hummel Purolator Products which produces auto filters, M.J. Soffee an active apparel manufacturer, E.I. Du Pont de Nemours & Wilmen, Inc 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.

According to the U.S. Census Bureau's Vintage 2013 Population Estimates Program, the Fayetteville Metropolitan Statistical Area is the seventh largest in the state. The City's population has grown from approximately 60,000 in 1980 to approximately 209,000 in 2013 following a comprehensive City-initiated annexation program implemented from 1984 through 2005. This growth also includes portions of Fort Bragg that were annexed into the City in 2008. The City also serves as the seat of government for Cumberland County, which had a total population of approximately 332,600.

During the past five years annual unemployment rates for Cumberland County have ranged from a low of 7.6 percent to a high of 10.1 percent, according to the United States Department of Labor.

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 2015 budget based on moderate growth. 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.

PWC accomplished or continued work on several financial, operational and economic development goals including:

- The first two phases of PWC's Comprehensive Information Technology System project (Navigate) were implemented in FY2014. The project replaced PWC's Customer Information, Financial and Work Management Systems as well as added an Asset Management system and will be complete in FY2015 with the installation of a Meter Data Management system.
- Installation of PWC's Advanced Metering Infrastructure (AMI) began in FY2014. By 2017, the multi-year \$62 million project will have replaced over 150,000 electric and water meters with advanced meters with two-way technology features.
- A \$17 million reliability upgrade at the P.O. Hoffer Water Treatment facility began in FY2014. The project is the first of three phases of work that will ultimately increase treatment capacity at the plant by 16 million gallons a day.
- Conversion of over 16,000 streetlights began with the first installation of Lighting-Emitting Diode (LED) street lights. LEDs have a longer life and use less energy than traditional street lights and will help PWC meet State mandates for Renewable Energy.
- PWC employees continued their commitment to safety; working three million consecutive hours from November 15, 2011 to March 11, 2014 with no lost time injuries. It marked the first time in PWC history employees have reached three million safe hours. At year end PWC reached almost 3.4 million safe work hours.
- Additional conservation incentive programs were introduced in FY2014 to increase customer awareness of their utility usage. The programs are a part of efforts to help customers better understand and manage their utility use with information that will be made possible by PWC's new metering technology.
- Progress continued on sanitary sewer service installation as part of the City of Fayetteville's Annexation Phase V utility retrofitting project. Over 3,000 services have been installed and the remaining 5,500 services will be installed by 2024.
- In an effort to improve the health and quality of life of employees, PWC maintained incentives to the employee insurance program that provides premium credits for employees who complete biometrics, pledge not to use tobacco products and maintain a Body Mass Index below 40.

- Work continued on rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. The electric system is rebuilding substations, and replacing aging wooden poles on the 69KV system with steel poles which have 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.

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 CAFR for the fiscal year ended June 30, 2013. This was the seventh 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 2014 annual budget. PWC has received this award for the past 19 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.

PWC also received its third Special Capital Recognition and was one of only eleven selected nationally. To receive the recognition, all reviewers must rate the capital presentation as outstanding.

PWC CEO/General Manager Steve Blanchard received the APPA's James D. Donovan Individual Achievement Award, recognizing his lifetime contributions to the electric utility industry and Public Power.

During FY 2014, PWC was recognized with a number of awards and special honors to include but not limited to the following:

- The American Public Power Association (APPA) honored PWC with the E.F. Scattergood System Achievement Award. This award recognizes APPA member systems that have enhanced the prestige of public power utilities through sustained achievement and customer service. PWC was one of only two systems honored in 2014 out of over 2,000 in the U.S.
- PWC received APPA's biannual Diamond Level Reliable Public Power Provider (RP3) award. This is the highest level award given by the RP3

Program and serves as recognition for providing consumers with the highest degree of reliable and safe electric service in the nation.

- PWC has maintained the standards of the national Director's Award from the Partnership for Safe Water Program for over 10 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.
- For the ninth time since 2003, PWC received the Spirit of North Carolina Award from the United Way of North Carolina. The award recognizes outstanding commitment and support to communities through local United Way involvement.
- PWC received five ElectriCities of NC Public Power Awards of Excellence. PWC was honored for Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement, and Service Excellence.
- PWC's long standing commitment to safety earned its 26th consecutive Certificate for Safety Achievement from the North Carolina Department of Labor.

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,



Steve Blanchard
Chief Executive Officer



J. Dwight Miller, 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**

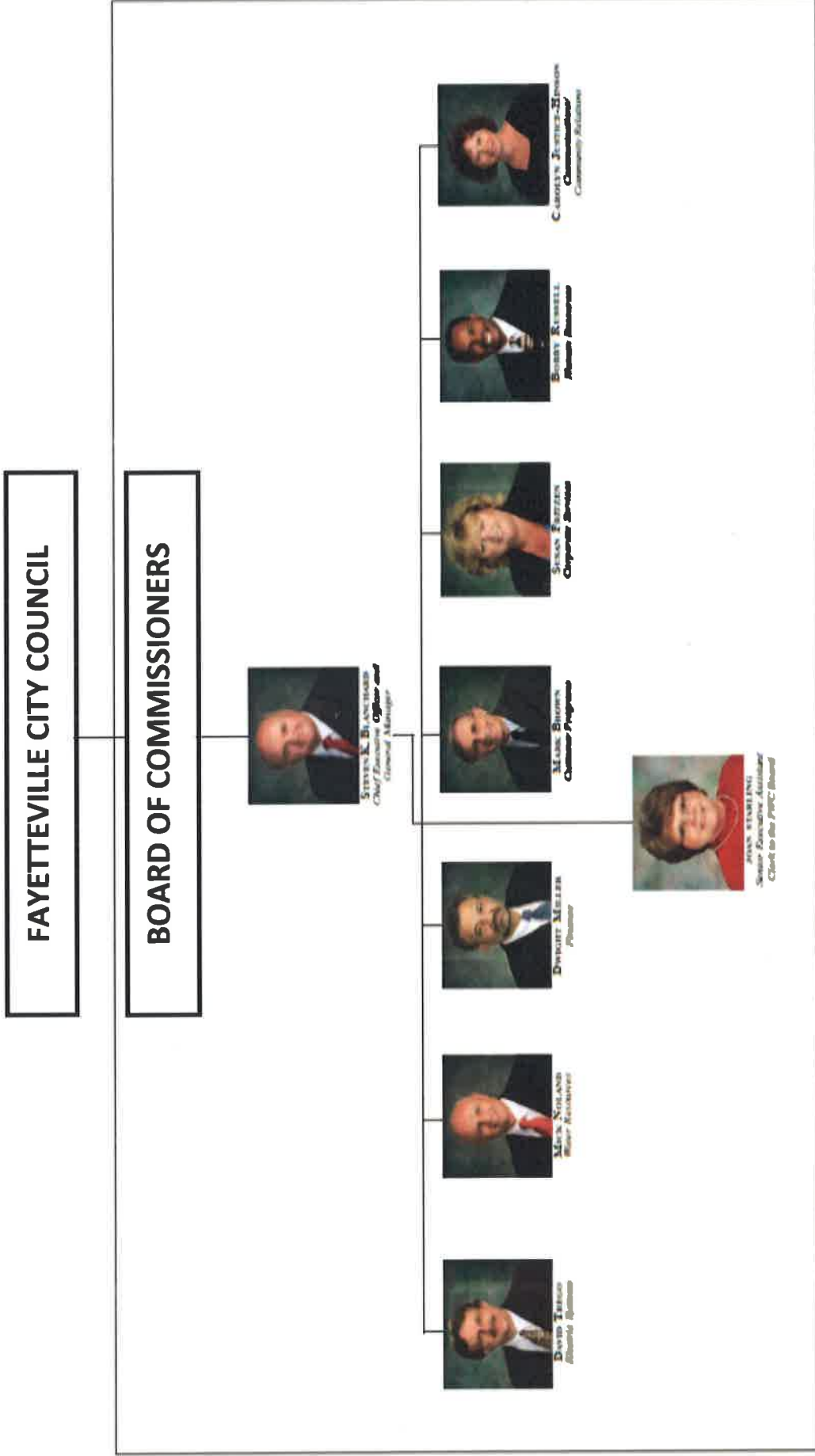
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

PUBLIC WORKS COMMISSION

OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA



FINANCIAL SECTION

Report of Independent Auditor

The Board of Commissioners
Public Works Commission
of the City of Fayetteville
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the electric, water and wastewater, and fleet maintenance internal service funds of the Public Works Commission of the City of Fayetteville, North Carolina, (the "Commission") as of and for the year ended June 30, 2014, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 electric, water and wastewater, and the fleet maintenance internal service funds of the Commission, as of June 30, 2014, 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.

OTHER MATTERS

Nature of Reporting Entity

As discussed in Note 1, the financial statements referred to above present only the Commission and are not intended to present fairly the financial position of the City of Fayetteville, North Carolina, and the changes in financial position and cash flows in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-1 through B-14 and the Other Post-Employment Benefit Schedules of Funding Progress and Employer Contributions on pages D-1 and D-2, 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.

Supplementary and 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 introductory section, combining and individual fund financial statements and schedules listed in the table of contents under "Supplementary Information" and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide 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 10, 2014, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the Commission's internal control over financial reporting and compliance.

Cherry Bekart LLP

Raleigh, North Carolina
October 10, 2014

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Public Works Commission of the City of Fayetteville, NC (PWC) offers readers this narrative overview and analysis of the financial performance for the fiscal year ended June 30, 2014. 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

- The PWC's net position was \$833.8 million, an increase of \$14.3 million, or 1.7 percent, up from \$819.5 million in fiscal year 2013.
- Total unrestricted and undesignated operating reserves were 109.36 days at June 30, 2014, down from 112.1 in the prior year.
- Income before Capital Contributions and Transfers was \$13.1 million compared to \$20.3 million in fiscal year 2013, down \$7.2 million or 35.5 percent.
- In March of 2014, electric rate adjustments were approved effective May 1, 2014 and May 1, 2015.
- In March of 2013, water/wastewater rate adjustments were approved effective May 1, 2013 and May 1, 2014.
- The Electric Rate Stabilization Fund balance was \$56.2 million at June 30, 2014.
- Capital contributions were \$9.4 million, an increase of \$5.6 million, compared to \$3.8 million in the prior year.
- Capital spending for the Electric System was \$20.4 million, a decrease of \$2.9 million, or 12.4 percent.
- Capital spending for the Water and Wastewater Systems was \$35.5 million, a decrease of \$1.7 million, or 4.6 percent.
- During fiscal year 2014, the PWC maintained its Aa2 and AA rating from Moody's and Standard and Poor's, respectively.
- PWC's senior lien ratio is 3.13, exceeding the minimum requirement of 1.10.

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 the PWC report information about the PWC using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the PWC's activities. The Statement of Net Position includes all of the PWC's assets and liabilities and provides information about the nature and amounts 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 the PWC and assessing the liquidity and financial flexibility of the 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 the PWC's operations over the past year and can be used to determine profitability, credit worthiness and whether the 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 the 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.

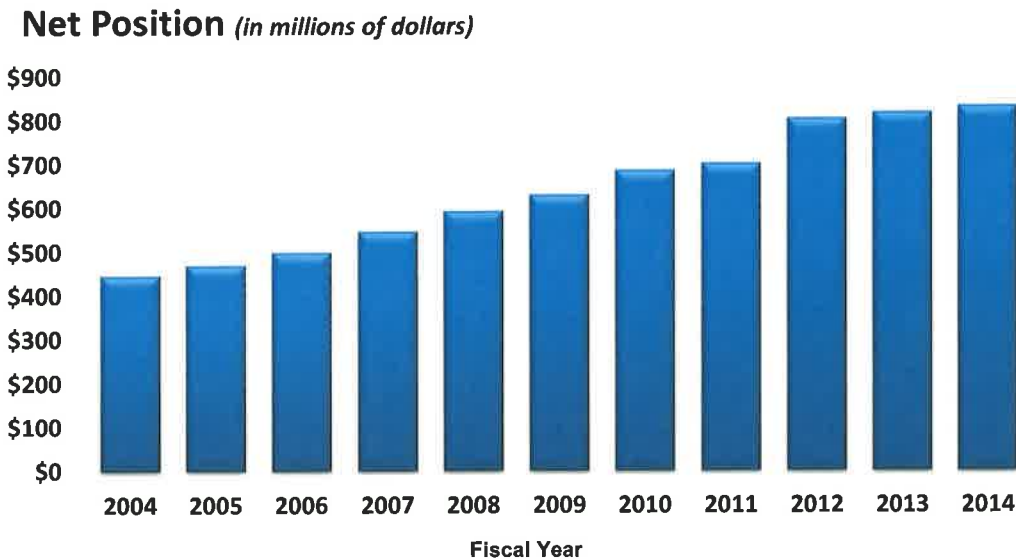
The financial statements of the PWC report information about Enterprise Funds, as well as the Fleet Maintenance Internal Service Fund. The Internal Service Fund is managed by the PWC for fleet services of the PWC and the City of Fayetteville.

Tables presented throughout this MD&A do not include the Fleet Maintenance Internal Service Fund. For further information on the Fleet Maintenance Internal Service Fund, see the audited financial statements.

FINANCIAL ANALYSIS OF THE PWC

Our analysis of the PWC begins in the Financial Statement Section. As a review is made of the PWC's finances, one should consider "Is the 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 the PWC's activities in a way that will help answer this question. These two statements report the net position of the PWC and changes in it. One can think of the PWC's 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 the 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

PWC continues to report a positive net position at the end of fiscal year 2014. A summary of the PWC's Statement of Net Position is presented in Figure A-2. Net position increased \$14.3 million to \$833.8 million in fiscal year 2014, up from \$819.5 million in fiscal year 2013. By far, the largest portion of the PWC's net position, \$628.4 million (75.4 percent) 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 billion in FY 2014. Current and Other Assets were \$278.6 million, a decrease of \$19.3 million or 6.5 percent. This is primarily the result of the liquidation of the advance receivable outstanding in FY 2013. As a result, cash and investments decreased, and the operating cash reserves collectively decreased from 112.1 days to 109.4 days. In FY 2012, PWC changed its operating cash reserves policy to 90 days, with a target of 120 days. Specifically, at June 30, 2014, the electric and water/wastewater operating cash reserves were 121.3 days and 76.9 days, respectively.

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

	FY 2013	FY 2014	Total Dollar Change	Total Percent Change
Current and Other Assets	\$ 297.9	\$ 278.6	\$ (19.3)	-6.5%
Capital Assets	750.8	777.6	26.8	3.6%
Total Assets	\$ 1,048.7	\$ 1,056.2	\$ 7.5	0.7%
Deferred Charge on Refunding	7.4	5.9	(1.5)	-20.3%
Deferred Outflows of Resources	\$ 7.4	\$ 5.9	\$ (1.5)	-20.3%
Long-term Liabilities Outstanding	170.3	162.2	(8.1)	-4.8%
Other Liabilities	66.3	66.1	(0.2)	-0.3%
Total Liabilities	\$ 236.6	\$ 228.3	\$ (8.3)	-3.5%
Net Investment in Capital Assets	591.3	628.4	37.1	6.3%
Restricted	0.1	0.1	-	0.0%
Unrestricted	228.1	205.3	(22.8)	-10.0%
Total Net Position	\$ 819.5	\$ 833.8	\$ 14.3	1.7%

Long-term Liabilities decreased by \$8.1 million or 4.8 percent due to \$14.1 million in principle payments on bonds and notes during the year and a decrease of \$1.3 million in unamortized premiums and discounts offset by \$5.2 million in proceeds received from state loans.

Restricted Net Position of \$117,800 (those established by debt covenants, enabling legislation, or other legal requirements) 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 \$205.3 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, the PWC's total revenues increased by \$10.6 million, or 3.7 percent, while total expenses increased \$17.8 million, or 6.7 percent. The increase in expenses is primarily due to \$14.7 million increase in power supply, due to the new power supply contract. This resulted in a \$13.1 million Income before Capital Contributions and Transfers, down \$7.2 million compared to last year.

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 13D to the financial statements). The Electric Rate Stabilization Fund has a balance of \$56.2 million, which will be used over the next several years to supplement the Electric Fund as rates are adjusted to meet its ongoing obligations.

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

	FY 2013	FY 2014	Total Dollar Change	Total Percent Change
Operating Revenues				
Charges for Services	\$ 283.2	\$ 292.3	\$ 9.1	3.2%
Non-operating Revenues				
Interest on Investments	1.5	3.0	1.5	100.0%
Total Revenues	\$ 284.7	\$ 295.3	\$ 10.6	3.7%
Power Supply and				
Generation Expense	148.5	163.2	14.7	9.9%
Electric Operating Expense	14.3	15.5	1.2	8.4%
Water/Wastewater Operating Expense	27.6	28.2	0.6	2.2%
General and Administrative Expense	31.1	33.0	1.9	6.1%
Depreciation Expense	36.6	34.5	(2.1)	-5.7%
Non-operating Expense				
(Gain) Loss on Sale of Assets	(2.0)	0.5	2.5	-125.0%
Interest Expense	7.3	6.6	(0.7)	-9.6%
Amortization	1.0	0.7	(0.3)	-30.0%
Total Expenses	\$ 264.4	\$ 282.2	\$ 17.8	6.7%
Income before Capital				
Contributions and Transfers	20.3	13.1	(7.2)	-35.5%
Transfers – In (Out)	(8.1)	(8.2)	(0.1)	1.2%
Capital Contributions	3.8	9.4	5.6	147.4%
Change in Net Position	16.0	14.3	(1.7)	-10.6%
Beginning Net Position	803.5	819.5	16.0	2.0%
Ending Net Position	\$ 819.5	\$ 833.8	\$ 14.3	\$ (0.1)

Looking more closely at revenues, the \$10.6 million increase is supported by an increase in charges for services of \$9.1 million and an increase of \$1.5 million in non-operating revenue. Below, each utility will be discussed individually.

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

	Customers	Average kWh/cust	kWh Sales	Sales Revenue
Residential	0.3%	2.0%	2.4%	2.6%
Non-Residential	0.6%	0.4%	1.0%	0.0%
Industrial	0.0%	5.0%	5.0%	9.3%

Electric operating revenues increased \$6.1 million, or 2.9 percent, to \$217.9 million. The majority of this increase is attributable to an increase in electric sales revenue of \$5.5 million. Of that, residential and large non-residential sales revenue carried the largest increase of \$2.4 million and \$2.2 million, respectively. Sales per customer (kWh) increased for all classes. The summer months early in FY 2014 were mild and had lower sales than previous years while extreme colder temperatures in the winter months more than made up for the earlier decline in sales ending the year with a 2.3 percent total increase in overall kWh sales. In addition to the increase in sales, a 3 percent rate increase effective May 1, 2014 impacted the last two months of the fiscal year. Figure A-4 illustrates the percentage changes by major customer classes.

Water and wastewater operating revenues collectively increased \$3.1 million which is primarily attributable to a 2.4 percent increase in water sales revenue of \$0.8 million, a 3.8 percent increase in wastewater sales revenue of \$1.4 million. Although the Water and Wastewater Systems are accounted for in the same fund, we will discuss them individually.

FIGURE A-5A
Percent Changes by Major Customer Class

	Water			
	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	0.3%	-1.4%	-1.1%	4.6%
Non-Residential	0.5%	-0.6%	-0.1%	2.4%
Industrial	-9.5%	6.1%	-4.0%	-3.7%
Wholesale	0.0%	-14.9%	-14.9%	-7.7%
Irrigation	1.7%	-6.3%	-4.8%	2.9%

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Water System: As mentioned above, water sales revenue experienced an increase of \$0.8 million. Water basic facility charges (BFC) increased in May 2013 and May 2014. These adjustments amounted to a 3.8 percent bill impact to an average residential water customer using 5,000 gallons a month. The outside City rate differential also increased 5 percent in May 2013 to 50.0 percent and again May 2014 to 55.0 percent. While the rate actions produced additional revenue in FY 2014 of approximately \$1.7 million, the decline in gallon sales per customer negatively impacted revenues by approximately \$0.8 million. Year to date rainfall in FY 2014 of 42.55 (measured in inches) was approximately 6 percent less than FY 2013, but 39 percent more the average of the prior 5 fiscal years. Figure A-5A illustrates the percentage changes by major customer classes.

FIGURE A-5B
Percent Changes by Major Customer Class

	Customers	Wastewater		
		Average gal/cust	Gallon Sales	Sales Revenue
Residential	1.6%	-1.3%	0.2%	4.1%
Non-Residential	1.4%	-3.0%	-1.6%	-0.3%
Industrial	-5.3%	13.5%	7.5%	7.6%
Wholesale	0.0%	40.6%	40.6%	45.2%

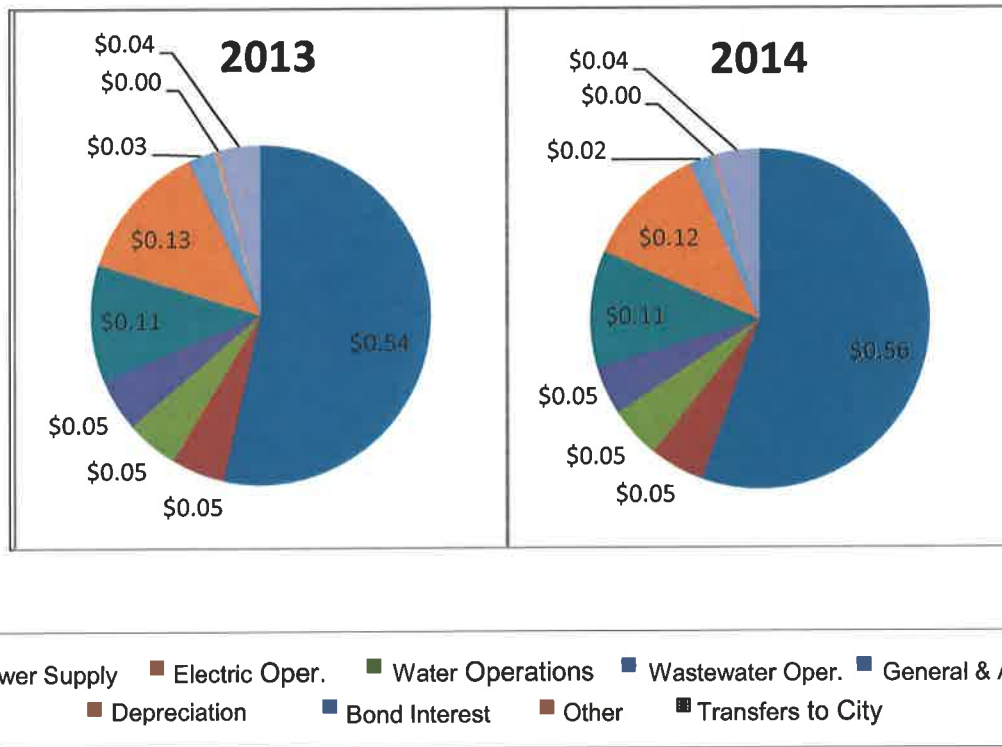
Wastewater System: As mentioned above, wastewater sales revenue increased \$1.4 million. Wastewater rates and outside City differential increased simultaneously with the water rates. Wastewater basic facility charges (BFC) increased in May 2013 and May 2014. These adjustments amounted to an approximate 2.4 percent bill impact to an average residential wastewater customer. The outside City rate differential increased 5 percent in May 2013 to 50.0 percent and again May 2014 to 55.0 percent. The rate actions produced additional revenue in FY 2014 of approximately \$1.1 million and customer growth contributed approximately \$0.4 million. Wastewater usage per customer residential and non-residential customers decreased from FY 2013 while certain large customers increased. The largest contributor in residential wastewater customers is the continued addition of newly annexed customers. Residential wastewater revenues contributed to \$0.8 million to the overall wastewater revenue increase, and half of that is inside city customers. Figure A-5B illustrates the percentage changes by major customer classes.

Electric Operating Expenses excluding Power Supply and Generation Expenses increased by \$0.2 million or 0.4 percent and Water and Wastewater Operating Expenses increased \$1.4 million, or 2.3 percent, due to increased maintenance and management consulting contracts.

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Figure A-6 provides the dollar breakdown of expenses in 2013 and 2014 to better illustrate the changes.

FIGURE A-6
Dollar Breakdown of Expenses



Power Supply and Generation Expenses increased by \$14.7 million to \$163.2 million in fiscal year 2014 up from \$148.5 million in fiscal year 2013. This increase is primarily due to power supply price increase of \$8.7 million, an average annual 208 MW demand increase of \$3.2 million, an approximate 64,000 MWH energy increase of \$2.0 million, and a contractual true up payment to the power supplier for 2012 of \$1.2 million all totaling approximately \$15.1 million excluding gross receipts tax. These increases were offset by a decrease of \$1.1 million in other generation expenses. Total power purchased and generated was 2.21 billion kWh, a 3.0 percent increase from prior year (see note 13D of the financial statements).

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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 2013	FY 2014	Total Dollar Change	Total Percent Change
Purchased Power - DEP	\$ 132.285	\$ 147.564	\$ 15.279	11.550%
Purchased Power - SEPA	0.532	0.494	(0.038)	-7.143%
Gross Receipts Tax	4.401	4.719	0.318	7.226%
Transmission	6.471	6.797	0.326	5.038%
Other Power Supply Expenses	0.06	-	(0.058)	-100.000%
Other Generation Expenses	4.777	3.603	(1.174)	-24.576%
Total Power Supply and Generation	\$ 148.524	\$ 163.177	\$ 14.653	9.866%

CAPITAL CONTRIBUTIONS

Capital contributions include cash and non-cash contributions and grants from various sources such as developers, customer assessments, 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 2013	FY 2014	Total Dollar Change	Total Percent Change
Developers	\$ 2.042	\$ 3.360	\$ 1.318	64.545%
City & County	0.581	0.045	(0.536)	-92.255%
NCDOT	0.512	1.283	0.771	150.586%
State-FEMA	0.000	0.000	-	0.000%
Federal	0.024	0.000	(0.024)	-100.000%
Private Grants	0.000	0.050	0.050	0.000%
Assessment	1.223	3.123	1.900	155.356%
Facility Investment Fees (FIF)	1.618	1.313	(0.305)	-18.850%
FIF Credits Awarded/Applied /Expired	2.197	0.256	(1.941)	0.000%
Total	\$ 8.197	\$ 9.430	\$ 1.233	15.042%

At June 30, 2014, capital contributions were \$9.4 million, up \$5.7 million from fiscal year 2013. This increase is primarily the result of a \$1.3 million increase in contributions from developers, an increase in assessments of \$1.9 million, and a \$2.2 million increase in FIF credits applied/expired of which \$2.3 million is due to the reversal of expired credits in FY 2013 caused by a five year extension of credits.

NET TRANSFERS TO THE CITY

The PWC annually transfers to the City's General Fund an amount based upon a mutually agreed upon methodology plus additional special transfers requested by the City and approved by the Commission. The City and PWC have an agreement in effect through June 30, 2033 for the City transfer which is equal to 3.1 percent of the total Net Position of the Electric Fund as reported on the Statement of Net Position of the PWC's most recent audited financial report. The net City Transfer decreased for fiscal year 2014 by \$0.1 million due to an increase of \$1.3 million in the Annexation - Phase V Reserve transfer from the City. (See Figure A-9).

FIGURE A-9
Transfers To/From the City – Enterprise Funds
(Dollars in Millions)

	FY 2013	FY 2014	Total Dollar Change	Total Percent Change
Transfers to the City				
City Transfers	\$ 10.961	\$ 12.303	\$ 1.342	12.243%
Total Transfers to the City	<u>\$ 10.961</u>	<u>\$ 12.303</u>	<u>\$ 1.342</u>	<u>12.243%</u>
Transfers from the City				
Additional -				
Annexation - G.O. Bond Debt	\$ 0.385	\$ 0.573	\$ 0.188	48.831%
Annexation - Phase V Reserve	2.528	3.786	1.258	49.763%
Black & Decker	0.021	0.021	-	0.000%
Total Transfers from the City	<u>\$ 2.934</u>	<u>\$ 4.380</u>	<u>\$ 1.446</u>	<u>49.284%</u>
Net Transfers to the City	<u>\$ 8.0</u>	<u>\$ 7.9</u>	<u>\$ (0.1)</u>	<u>-1.3%</u>

Additional transfers, if any, are budgeted based on an as needed basis while taking into consideration the PWC's operating reserves, bond covenants, and rate impacts. The additional transfers are defined as follows:

- **Annexation G.O. Bond Debt** – The City annually transfers to PWC a portion of GO Bond debt service paid by the PWC's Water and Wastewater Fund. These GO Bonds were for costs related to previous annexation utility installation projects. For fiscal years 2009-2021, the annual transfer was fixed at \$400,000 per the Annexation Phase V - Project 1 agreement between the City and PWC. Due to the savings from the Series 2009 GO Refunding Bonds, this amount was amended to \$385,200 for fiscal years 2010 – 2021.
- **Annexation Phase V Reserve** – In May 2008, the City and PWC adopted an agreement to finance the cost of extending water and wastewater utilities to the remaining areas of the Phase V Annexation Program (beginning with Area 6). Starting in FY 2010, the City and PWC make contributions to a reserve fund which is used to pay these costs. PWC is managing and accounting for the project and the City transfers its portion monthly to PWC in accordance with the funding formula provided for in the agreement.
- **Black & Decker Agreement** – The transfer from the City is based on a percentage of property tax revenues for the Black & Decker plant. This is an 8-year agreement existing through fiscal year 2014. In each of the fiscal years 2013 and 2014, the amount of the transfer from the City was \$20,847.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during fiscal year 2014:

Major capital asset expenditures include:	
\$7.2 million	Installation of water and wastewater mains and laterals in annexed areas
\$4.9 million	System-Wide Software/Hardware upgrade (Navigate)
\$4.2 million	Purchase and installation of electric and water meters
\$3.8 million	Expansion of PO Hoffer Water Treatment Facility
\$3.8 million	Water Rehabilitation of mains, laterals and transmission lines
\$3.6 million	Relocate/rebuild substations
\$3.4 million	Installation of water and wastewater mains and laterals
\$3.3 million	Wastewater Rehabilitation of mains, laterals and transmission lines
\$2.3 million	Purchase of vehicles and power operated equipment
\$2.0 million	Rehabilitation of 48" diameter outfall
\$1.3 million	New installation and system improvements to electric underground distribution

Capital spending for the Electric System was \$20.4 million, a decrease of \$2.9 million attributable to a decrease in expenditures for underground streetscape improvements and the completion of a \$2 million NCDOT project.

Capital spending for the Water and Wastewater Systems was \$35.5 million, a decrease of \$1.7 million from fiscal year 2013 which is a typical fluctuation in spending the size and timing of multiple multi-year projects underway.

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At June 30, 2014, the PWC has an investment of \$1.372 billion in a broad range of infrastructure as shown in Figure A-10.

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

	FY 2013	FY 2014	Total Dollar Change	Total Percent Change
Land	\$ 15.8	\$ 16.4	\$ 0.6	3.8%
Buildings	49.3	49.9	0.6	1.2%
Machinery, Equipment and Vehicles	41.5	43.4	1.9	4.6%
Electric System	401.4	414.3	12.9	3.2%
Water System	291.4	302.5	11.1	3.8%
Wastewater System	442.3	454.6	12.3	2.8%
Office Equipment and Intangibles	29.9	35.1	5.2	17.4%
Construction in Progress	42.3	56.0	13.7	32.4%
Subtotal	1,313.9	1,372.2	58.3	4.4%
Accumulated Depreciation	(563.1)	(594.6)	(31.5)	5.6%
Net Property, Plant and Equipment	\$ 750.8	\$ 777.6	\$ 26.8	3.6%

Additional information on the Commission's capital assets can be found in Note 7 in the financial statements.

Construction in Progress increased by \$13.7 million from the prior year. This increase can be primarily attributed to 2 open projects for DOT and a developer, the Connect project (electric and water meter multi-year installations) and an increase in open wastewater annexation projects due to a contract area delay.

LONG TERM DEBT

PWC's outstanding revenue bonds carry an Aa2 (stable outlook) and AA (stable outlook) credit rating from Moody's and Standard and Poor's, 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, the PWC had \$146.00 million in long-term debt (before loss on defeasance and reacquired debt, premiums, and discounts, see Note 9E in the financial statements). This is a decrease of \$9.0 million or 5.8 percent from \$155.0 million in fiscal year 2013. The decrease is due to principal payments of \$14.1 million offset by \$5.1 million in proceeds received from state loans.

As can be seen in Figure A-11, the PWC's total weighted average coupon rate on its outstanding debt is 4.22 percent as of June 30, 2014. 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 and low interest state loans to achieve the best possible interest rates on its outstanding debt.

FIGURE A-11
Average Coupon Rate
(Dollars in Millions)

	Principal Outstanding	Weighted Avg Coupon Rate
2012 NC State Revolving Loan - Edgewater	\$ 0.4	2.00%
2012 NC State Revolving Loan - Clearwell/Ferric Convert	5.0	0.00%
2012 NC State Revolving Loan - Outfall Rehab	3.9	2.00%
2012 NC State Revolving Loan - Hoffer Phase 1	3.7	0.00%
Revenue Bonds, Series 2008	13.4	3.94%
Revenue Refunding Bonds, Series 2009A	69.8	5.00%
Revenue Bonds, Series 2009B	33.7	4.67%
Street Improvement GO Bonds, Series 2002	1.4	4.25%
GO Refunding Bonds, Series 2009	1.8	4.41%
2000 NC State Revolving Loan	2.7	2.60%
2002 NC State Revolving Loan	10.2	2.66%
2005 SREMC Loan	0.0	0.00%
Total	\$ 146.0	4.22%

One area that demonstrates the PWC's financial strength is its ability to maintain strong debt coverage ratios, with its revenue bond coverage at 3.13, exceeding the minimum requirement of 1.10. Figure A-12 demonstrates PWC's coverage ratio.

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

	FY 2013	FY 2014	Total Percent Change
Change in Net Position (Figure A-2)	\$ 15.9	\$ 14.4	-9.4%
Adjustments			
Bond Interest Expense	6.6	6.6	0.0%
Depreciation and Amortization	37.6	35.2	-6.4%
Transfers (In)/Out	8.0	7.9	-1.3%
Capital Contributions	(3.8)	(9.4)	147.4%
(Gain)/Loss on Sale of Assets	(1.9)	0.5	-126.3%
Facility Investment Fees Collected	1.6	1.2	-25.0%
Assessments Collected	0.7	0.5	-28.6%
(Gain)/Loss on Investment Valuation	1.3	(0.8)	-161.5%
Income Available for Debt Service	<u>\$ 66.1</u>	<u>\$ 56.1</u>	<u>-15.1%</u>
<u>Senior Lien Debt Coverage</u>			
Revenue Bond Debt Service	<u>\$ 17.8</u>	<u>\$ 17.9</u>	<u>0.6%</u>
Senior Lien Debt Service Coverage	<u>3.71</u>	<u>3.13</u>	<u>-15.6%</u>
<u>Total System Debt Coverage</u>			
Total System Debt Service	<u>\$ 20.5</u>	<u>\$ 20.9</u>	<u>2.0%</u>
Total System Debt Service Coverage	<u>3.22</u>	<u>2.69</u>	<u>-16.4%</u>

In addition to long-term debt, the Commission's long-term obligations include a liability for compensated absences (the estimated amount of vacation and sick leave to ultimately be paid), which increased from \$3.3 million to \$3.4 million. Additional information on the Commission's long-term liabilities can be found in Note 9 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.

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

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Basic Financial Statements

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

June 30, 2014

	Enterprise Funds			Fleet Maintenance
	Electric	Water and Wastewater	Total	Internal Service
	Fund	Fund		Fund
ASSETS				
Current unrestricted assets				
Cash and cash equivalents	\$ 35,898,446	\$ 8,545,755	\$ 44,444,201	\$ -
Investments	40,910,203	6,974,445	47,884,648	-
Receivables	29,387,796	15,961,847	45,349,643	925,622
Internal balances	(2,471,530)	1,460,683	(1,010,847)	1,010,847
Less allowance for doubtful accounts	(246,205)	(56,923)	(303,128)	-
Net receivables	26,670,061	17,365,607	44,035,668	1,936,469
Inventories	10,808,668	1,652,429	12,461,097	-
Other current assets	426,269	606,052	1,032,321	-
Total current unrestricted assets	114,713,647	35,144,288	149,857,935	1,936,469
Current restricted assets				
Cash and cash equivalents	30,489,700	15,372,072	45,861,772	-
Investments	39,463,530	22,948,180	62,411,710	-
Collateral pledged in lieu of deposits	309,362	-	309,362	-
Receivables	167,720	3,581,423	3,749,143	-
Total current restricted assets	70,430,312	41,901,675	112,331,987	-
Total current assets	185,143,959	77,045,963	262,189,922	1,936,469
Noncurrent assets				
Other assets	13,896,447	2,527,063	16,423,510	75
Capital assets:				
Land	6,457,250	9,956,821	16,414,071	-
Construction in process	20,039,290	35,959,040	55,998,330	97,834
Electric utility system	177,970,436	-	177,970,436	-
Water system	-	182,531,331	182,531,331	-
Sewer system	-	289,097,987	289,097,987	-
Buildings	25,428,546	2,421,623	27,850,169	1,461,768
Equipment and machinery	7,982,820	3,047,285	11,030,105	165,954
Computer equipment	1,109,117	759,835	1,868,952	18,105
Intangibles	4,787,329	2,872,839	7,660,168	115,010
Vehicles	3,484,630	3,331,284	6,815,914	238,639
Office equipment	273,394	42,877	316,271	-
Capital assets, net	247,532,812	530,020,922	777,553,734	2,097,310
Total noncurrent assets	261,429,259	532,547,985	793,977,244	2,097,385
Total assets	446,573,218	609,593,948	1,056,167,166	4,033,854
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond refunding charges	451,313	5,471,384	5,922,697	-
Total deferred outflows of resources	451,313	5,471,384	5,922,697	-

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

Statement of Net Position

June 30, 2014

	Enterprise Funds			Fleet Maintenance Internal Service Fund
	Electric Fund	Water and Wastewater Fund	Total	
LIABILITIES				
Current liabilities to be paid from unrestricted current assets				
Current portion of long-term liabilities	\$ 2,636,778	\$ 14,357,509	\$ 16,994,287	\$ 153,763
Accounts payable and accrued expenses	24,166,421	9,823,882	33,990,303	700,678
Total current liabilities to be paid from unrestricted current assets	26,803,199	24,181,391	50,984,590	854,441
Current liabilities to be paid from restricted current assets				
Accounts payable and accrued expenses	7,078,661	7,992,329	15,070,990	-
Total current liabilities to be paid from restricted current assets	7,078,661	7,992,329	15,070,990	-
Total current liabilities	33,881,860	32,173,720	66,055,580	854,441
Noncurrent liabilities				
Long-term liabilities	12,751,949	135,965,675	148,717,624	447,203
Other liabilities	-	10,660,346	10,660,346	-
Unearned deposits	8,001	2,831,941	2,839,942	-
Total noncurrent liabilities	12,759,950	149,457,962	162,217,912	447,203
Total liabilities	46,641,810	181,631,682	228,273,492	1,301,644
NET POSITION				
Net investment in capital assets	236,811,704	391,543,247	628,354,951	2,097,310
Restricted for -				
Capital projects	-	9,758	9,758	-
Debt service	57	107,957	108,014	-
Unrestricted Net Position	163,570,960	41,772,688	205,343,648	634,900
Total Net Position	\$ 400,382,721	\$ 433,433,650	\$ 833,816,371	\$ 2,732,210

**PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA**
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014

	Enterprise Funds			Fleet Maintenance Internal Service Fund
	Electric Fund	Water and Wastewater Fund	Total	
Operating revenues				
Charges for services	\$ 217,853,786	\$ 74,492,496	\$ 292,346,282	\$ 8,434,767
Miscellaneous operating revenue	-	-	-	1,104
Total operating revenues	<u>217,853,786</u>	<u>74,492,496</u>	<u>292,346,282</u>	<u>8,435,871</u>
Operating expenses				
Power supply and generation	163,175,003	-	163,175,003	-
Electric operation	15,475,385	-	15,475,385	-
Water operations	-	14,575,051	14,575,051	-
Wastewater operations	-	13,615,899	13,615,899	-
General and administrative	16,634,485	16,367,538	33,002,023	-
Depreciation	15,657,252	18,830,452	34,487,704	183,765
Fleet maintenance expense	-	-	-	8,253,426
Total operating expenses	<u>210,942,125</u>	<u>63,388,940</u>	<u>274,331,065</u>	<u>8,437,191</u>
Operating income (loss)	<u>6,911,661</u>	<u>11,103,556</u>	<u>18,015,217</u>	<u>(1,320)</u>
Nonoperating revenue (expense)				
Interest earned on investments	1,680,055	1,222,054	2,902,109	-
Gain (loss) on disposal of assets	(440,957)	(23,203)	(464,160)	1,320
Interest expense	(516,684)	(6,084,769)	(6,601,453)	-
Amortization	(253,073)	(461,226)	(714,299)	-
Finance costs	(5,182)	(57,406)	(62,588)	-
Total nonoperating revenue (expense)	<u>464,159</u>	<u>(5,404,550)</u>	<u>(4,940,391)</u>	<u>1,320</u>
Income (loss) before transfers and contributions	<u>7,375,820</u>	<u>5,699,006</u>	<u>13,074,826</u>	<u>-</u>
Transfers in	16,376,757	27,931,200	44,307,957	257,374
Transfers out	(16,505,444)	(28,059,887)	(44,565,331)	-
Transfers in - City of Fayetteville	20,847	4,358,970	4,379,817	-
Transfers out - City of Fayetteville	(12,303,615)	-	(12,303,615)	-
Contributions	1,297,052	8,143,723	9,440,775	-
Change in Net Position	<u>(3,738,583)</u>	<u>18,073,012</u>	<u>14,334,429</u>	<u>257,374</u>
Total Net Position - beginning	<u>404,121,304</u>	<u>415,360,638</u>	<u>819,481,942</u>	<u>2,474,836</u>
Total Net Position - ending	<u>\$ 400,382,721</u>	<u>\$ 433,433,650</u>	<u>\$ 833,816,371</u>	<u>\$ 2,732,210</u>

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

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

Statement of Cash Flows

Year ended June 30, 2014

		Enterprise Funds		
	Electric Fund	Water and Wastewater Fund	Total	Fleet Maintenance Internal Service Fund
Cash flows from operating activities				
Cash received from customers	\$ 216,417,043	\$ 73,877,981	\$ 290,295,024	\$ 8,347,593
Cash paid for goods and services	(8,525,879)	(20,855,876)	(29,381,755)	(5,867,699)
Cash paid to or on behalf of employees for services	(18,340,399)	(19,438,178)	(37,778,577)	(2,481,214)
Cash paid for power supply and generation	(163,175,003)	-	(163,175,003)	-
Net cash provided (used) by operating activities	26,375,762	33,583,927	59,959,689	(1,320)
Cash flows from noncapital financing activities				
Transfers in - City of Fayetteville	20,847	4,358,970	4,379,817	-
Transfers out - City of Fayetteville	(12,303,615)	-	(12,303,615)	-
Transfers in	16,376,757	27,931,200	44,307,957	257,374
Transfers out	(16,505,444)	(28,059,887)	(44,565,331)	-
Net cash provided (used) by noncapital financing activities	(12,411,455)	4,230,283	(8,181,172)	257,374
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	274,047	79,112	353,159	1,320
Contributed capital received	1,297,052	3,359,875	4,656,927	-
Acquisition and construction of capital assets	(22,754,898)	(29,311,530)	(52,066,428)	(257,374)
Principal payments on long-term debt	(1,817,340)	(12,315,596)	(14,132,936)	-
Interest payments and other finance costs on long-term debt	(774,939)	(6,603,401)	(7,378,340)	-
Net cash used by capital and related financing activities	(23,776,078)	(44,791,540)	(68,567,618)	(256,054)
Cash flows from investing activities				
Interest earned on investments	1,680,055	1,222,054	2,902,109	-
Net change in investments	(4,530,563)	(10,581,685)	(15,112,248)	-
Net cash provided (used) in investing activities	(2,850,508)	(9,359,631)	(12,210,139)	-
Net increase (decrease) in cash and cash equivalents	(12,662,279)	(16,336,961)	(28,999,240)	-
Cash and cash equivalents				
Beginning of year	79,050,425	40,254,788	119,305,213	-
End of year	\$ 66,388,146	\$ 23,917,827	\$ 90,305,973	\$ -

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

Statement of Cash Flows

Year ended June 30, 2014

	Enterprise Funds			Fleet Maintenance Internal Service Fund
	Electric Fund	Water and Wastewater Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 6,911,661	\$ 11,103,556	\$ 18,015,217	\$ (1,320)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	15,657,252	18,830,452	34,487,704	183,765
Allowance for uncollectible accounts	(12,908)	(8,935)	(21,843)	-
Change in assets and liabilities				
(Increase) decrease in receivables	(1,439,802)	(605,580)	(2,045,382)	(88,278)
(Increase) decrease in internal balances	2,111,734	(1,948,925)	162,809	(162,809)
(Increase) decrease in inventories	498,201	46,100	544,301	-
(Increase) decrease in other current assets	14,738	7,069	21,807	-
(Increase) decrease in other assets	(1,557,168)	8,254,849	6,697,681	(75)
Increase (decrease) in unearned deposits	1,705	73,126	74,831	-
Increase (decrease) in accounts payable and accrued expenses	3,901,570	(1,746,289)	2,155,281	17,454
Increase (decrease) in accrued vacation	22,390	(14,480)	7,910	52,526
Increase (decrease) in accrued sick leave	266,389	(407,016)	(140,627)	(2,583)
Total adjustments	19,464,101	22,480,371	41,944,472	-
Net cash provided by (used in) operating activities	\$ 26,375,762	\$ 33,583,927	\$ 59,959,689	\$ (1,320)
Noncash investing, capital, and financing activities:				
Contributed capital assets	\$ -	\$ 4,527,425	\$ 4,527,425	\$ -
FIF Credits Applied	\$ -	\$ 256,423	\$ 256,423	\$ -
Reconciliation to cash and cash equivalents				
Unrestricted	\$ 35,898,446	\$ 8,545,755	\$ 44,444,201	\$ -
Restricted	30,489,700	15,372,072	45,861,772	-
Total	\$ 66,388,146	\$ 23,917,827	\$ 90,305,973	\$ -

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

Notes to the Financial Statements

June 30, 2014

Note 1 - Summary of significant accounting policies

The financial statements of the Public Works Commission (the "Commission" or "PWC") of the City of Fayetteville, North Carolina (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America. The more significant of the Commission's accounting policies are described below.

Reporting entity

The Commission is comprised of the Electric Fund and the Water and Wastewater Fund, enterprise funds of the City of Fayetteville, North Carolina. 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 Internal Service Fund which provides services to both the Commission and the City's other funds.

Basis of presentation

The Commission's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

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.

The Commission reports the following fund type:

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

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, which are enterprise funds of the City, 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.

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

Notes to the Financial Statements (continued)

June 30, 2014

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's Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price.

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 market using the weighted average method.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 1 – Summary of significant accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items.

Capital assets

Capital assets purchased or constructed since 1958 are recorded at cost. Contributed assets are recorded at estimated value at the date of acceptance. 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: \$2,500 for all classes of assets.

Interest expense is capitalized on assets acquired with tax-exempt debt and state revolving loan funds. The amount of interest expense to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission has one item that meets this criterion, unamortized bond refunding charges for Electric, Water and Wastewater Refunding bonds. 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 no items that meet the criterion for this category.

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.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 1 – Summary of significant accounting policies (continued)

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 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 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.

Net Position

Net position is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through State statute reduced by liabilities and deferred inflows of resources related to those assets.

At June 30, 2014, the Electric Fund had restricted assets and a resultant restricted net position of \$57 related to debt service. The Water/Wastewater Fund had restricted assets of \$1,749,692 related to debt service offset by \$1,631,977 of long-term liabilities related to those assets, resulting in restricted net position of \$117,715.

Implemented Pronouncements

GASB Statement No. 66, "Technical Corrections – 2012; an Amendment of GASB Statement No. 10 and No. 62." The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012, however there was no material impact during fiscal year 2014.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 1 – Summary of significant accounting policies (continued)

GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This statement establishes accounting and financial reporting standards for situations where state or local government, as a guarantor, agrees to indemnify a third party obligation holder under specific conditions (i.e., non-exchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a non-exchange financial guarantee. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013; however, there was no material impact during fiscal year 2014.

Upcoming Pronouncements

GASB Statement No. 68, "Accounting and Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 27." This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement establishes accounting and financial reporting standards for mergers, acquisitions and transfers of operations (i.e., government combinations). The statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This statement applies to all state and local governmental entities. The requirements of this statement should be applied prospectively and are effective for government combinations and disposal of government operations occurring in financial reporting periods beginning after December 15, 2013. However, earlier application of the statement is encouraged.

GASB Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68." This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 2 - Business of the Commission

The Public Works Commission of the City of Fayetteville provides utility services, including electric, water, and wastewater, within Cumberland County and surrounding areas.

Note 3 - Legal compliance - budgets

The Commission operates under the annual budget ordinance of the City of Fayetteville. The ordinance provides for revenues and appropriations for the electric and water and wastewater 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.

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

At June 30, 2014, the Commission had demand deposits in pooling method banks with a carrying amount of \$45,501,930 and a bank balance of \$47,582,355. Of the total bank balance, \$502,560 was covered by Federal deposit insurance and \$47,079,795 was covered by collateral under the pooling method.

At June 30, 2014, the Commission had \$15,000,000 in Certificate of Deposits.

At June 30, 2014, the Commission had \$4,800 in petty cash.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 4 - Cash and investments (continued)

B - Investments

At June 30, 2014, the Commission had the following investments and maturities.

	<u>Fair Value</u>	<u>Months</u>	<u>6 Mos - 1 Yr</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
U.S. Government agencies	\$ 64,281,119	\$ -	\$ -	\$ 36,337,467	\$ 27,493,652
Commercial paper	49,012,984	46,018,492	2,994,492	-	-
NC Capital Management Trust - Term Portfolio	6,698,398	6,698,398	-	-	-
NC Capital Management Trust - Cash Portfolio	20,103,099	20,103,099	-	-	-
Total	<u>\$ 140,095,600</u>	<u>\$ 72,819,989</u>	<u>\$ 2,994,492</u>	<u>\$ 36,337,467</u>	<u>\$ 27,493,652</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission's investment policy limits at least half of the Commission's investment portfolio to maturities of less than 12 months. Also, the Commission's internal management policy requires that only purchases of treasuries and agency securities to be laddered with staggered maturity dates limited to no more than ten years. All other investment types may not exceed a maturity date of 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 Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2014. 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.

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.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 4 - Cash and investments (continued)

B – Investments (continued)

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 Federal Home Loan Bank securities, Fannie Mae securities, Nextis and DCAT. These investments are 31%, 12%, 8% and 7%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

Total investments	\$ 140,095,600
Cash (demand deposits)	45,501,930
Plus Certificates of Deposit	15,000,000
Petty cash	<u>4,800</u>
Total cash and investments	200,602,330
Less: Investments with maturities of more than 3 months	<u>(110,296,357)</u>
Total cash and cash equivalents	<u><u>\$ 90,305,973</u></u>

Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 44,444,201
Cash and cash equivalents - restricted	<u>45,861,772</u>
Total cash and cash equivalents	<u><u>\$ 90,305,973</u></u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 5 – Accounts Receivable

At June 30, 2014, the Commission's unrestricted receivable balances were as follows:

Unrestricted:	Electric Fund	Water and Wastewater Fund	Total	Fleet Maintenance Fund
Accounts	\$ 24,471,043	\$ 10,172,691	\$ 34,643,734	\$ -
Sales taxes	1,141,610	131,079	1,272,689	87,638
Assessments	-	4,761,095	4,761,095	-
Accrued interest	186,035	236,902	422,937	-
Other	3,589,108	660,080	4,249,188	837,984
Total	<u>\$ 29,387,796</u>	<u>\$ 15,961,847</u>	<u>\$ 45,349,643</u>	<u>\$ 925,622</u>

Note 6 - 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:	Internally Restricted		Externally Restricted	
	Electric	Water	Electric	Water
Cash and Cash Equivalents				
Rate Stabilization Fund Cash	\$ 21,622,755	\$ 2,571,271	\$ -	\$ -
NC Renewable Rider	5,446,518	-	-	-
Customer Deposits	2,606,279	1,950,495	-	-
Debt Service	814,091	8,043,994	57	107,957
Annexation Phase V Reserve Fund Cash	-	2,301,148	-	-
Gross Receipts Tax - Ft Bragg	-	397,207	-	-
Total restricted cash and cash equivalents	<u>\$ 30,489,643</u>	<u>\$ 15,264,115</u>	<u>\$ 57</u>	<u>\$ 107,957</u>
Investments	<u>\$ 39,463,530</u>	<u>\$ 21,316,203</u>	<u>\$ -</u>	<u>\$ 1,631,977</u>
Collateral pledges in lieu of deposits	<u>\$ 309,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receivables				
Accounts	\$ -	\$ 3,391,694	\$ -	\$ -
Sales taxes	-	178,272	-	-
Grants	596	596	-	-
Accrued interest	167,124	1,103	-	9,758
Total restricted receivables	<u>\$ 167,720</u>	<u>\$ 3,571,665</u>	<u>\$ -</u>	<u>\$ 9,758</u>
Accounts payable and accrued expenses				
Trade	\$ -	\$ 4,675,504	\$ -	\$ -
Meter Deposits	6,788,789	2,777,544	-	-
Interest	-	16,085	-	-
Other	289,872	523,196	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 7,078,661</u>	<u>\$ 7,992,329</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 7 – Capital assets

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Electric Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 6,195,252	\$ 1,036	\$ -	\$ 260,962	\$ 6,457,250
Construction in progress	17,416,812	22,441,953	(1,711,919)	(18,107,556)	20,039,290
Capital assets being depreciated:					
Electric utility system	401,403,830	277,315	(1,629,023)	14,198,772	414,250,894
Buildings	44,078,225	36,001	-	481,051	44,595,277
Equipment and machinery	17,065,905	172,916	(208,013)	337,755	17,368,563
Intangibles	11,488,955	7,650	-	2,829,016	14,325,621
Computer equipment	4,276,957	264,097	(522,842)	(5,515)	4,012,697
Vehicles	6,657,575	834,590	(135,198)	2,550	7,359,517
Office equipment	1,237,124	95,478	(9,857)	-	1,322,745
Total Capital assets being depreciated	486,208,571	1,688,047	(2,504,933)	17,843,629	503,235,314
Less accumulated depreciation for:					
Electric utility system	(224,878,117)	(12,745,629)	1,343,288	-	(236,280,458)
Buildings	(18,051,863)	(1,114,868)	-	-	(19,166,731)
Equipment and machinery	(8,977,612)	(606,603)	198,472	-	(9,385,743)
Intangibles	(9,264,204)	(274,088)	-	-	(9,538,292)
Computer equipment	(3,070,021)	(360,907)	522,844	4,504	(2,903,580)
Vehicles	(3,468,837)	(520,721)	119,190	(4,519)	(3,874,887)
Office equipment	(1,024,566)	(34,435)	9,650	-	(1,049,351)
Total accumulated depreciation:	(268,735,220)	(15,657,251)	2,193,444	(15)	(282,199,042)
Electric fund capital assets, net	\$ 241,085,415	\$ 8,473,785	\$ (2,023,408)	\$ (2,980)	\$ 247,532,812

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 7 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 9,689,539	\$ 54,373	\$ -	\$ 212,909	\$ 9,956,821
Construction in progress	24,844,970	37,069,375	-	(25,955,305)	35,959,040
Capital assets being depreciated:					
Water system	291,418,901	232,606	-	10,843,599	302,495,106
Sewer system	442,274,412	304,218	(1,136)	12,069,782	454,647,276
Buildings	5,202,387	121,066	-	-	5,323,453
Equipment and machinery	10,824,983	570,898	(95,462)	21,967	11,322,386
Intangibles	8,685,033	16,150	-	2,829,016	11,530,199
Computer equipment	3,716,221	235,006	(524,473)	5,515	3,432,269
Vehicles	6,923,456	523,025	(119,632)	(24,518)	7,302,331
Office equipment	488,496	-	(6,805)	-	481,691
Total Capital assets being depreciated	769,533,889	2,002,969	(747,508)	25,745,361	796,534,711
Less accumulated depreciation for:					
Water system	(112,555,423)	(7,408,352)	-	-	(119,963,775)
Sewer system	(155,994,074)	(9,555,371)	156	-	(165,549,289)
Buildings	(2,778,406)	(123,424)	-	-	(2,901,830)
Equipment and machinery	(7,661,743)	(692,128)	78,770	-	(8,275,101)
Intangibles	(8,471,136)	(186,224)	-	-	(8,657,360)
Computer equipment	(2,908,935)	(283,465)	524,470	(4,504)	(2,672,434)
Vehicles	(3,524,523)	(570,677)	119,634	4,519	(3,971,047)
Office equipment	(434,809)	(10,810)	6,805	-	(438,814)
Total accumulated depreciation:	(294,329,049)	(18,830,451)	729,835	15	(312,429,650)
Water and Sewer capital assets, net	\$ 509,739,349	\$ 20,296,266	\$ (17,673)	\$ 2,980	\$ 530,020,922

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2014

Note 7 – Capital assets (continued)

<u>Description</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Fleet Maintenance Internal Service Fund:					
Capital assets not being depreciated:					
Construction in process	\$ -	\$ 97,834	\$ -	-	97,834
Capital assets being depreciated:					
Buildings	2,960,303	8,050	-	-	2,968,353
Equipment and machinery	607,889	-	(6,887)	-	601,002
Intangibles	252,381	-	-	-	252,381
Computer equipment	46,077	-	-	-	46,077
Vehicles	302,598	151,489	(45,604)	-	408,483
Office equipment	7,245	-	-	-	7,245
Total Capital assets being depreciated	4,176,493	159,539	(52,491)	-	4,283,541
Less accumulated depreciation for:					
Buildings	(1,423,416)	(83,169)	-	-	(1,506,585)
Equipment and machinery	(406,761)	(35,174)	6,887	-	(435,048)
Intangibles	(108,007)	(29,364)	-	-	(137,371)
Computer equipment	(20,131)	(7,841)	-	-	(27,972)
Vehicles	(187,232)	(28,216)	45,604	-	(169,844)
Office equipment	(7,245)	-	-	-	(7,245)
Total accumulated depreciation:	(2,152,792)	(183,764)	52,491	-	(2,284,065)
Fleet Internal Service Fund capital assets, net	\$ 2,023,701	\$ 73,609	\$ -	\$ -	\$ 2,097,310

* Depreciation includes amortization of intangible assets.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 8 – Accounts Payable and Accrued Expenses

At June 30, 2014, the Commission's unrestricted accounts payable and accrued expenses balances were as follows:

	Electric Fund	Water and Wastewater Fund	Total	Fleet Maintenance Fund
Unrestricted:				
Trade	\$ 6,690,985	\$ 3,581,252	\$ 10,272,237	\$ 265,976
Purchased power	14,539,596	-	14,539,596	-
NC Dept of Transportation	-	331,163	331,163	-
Payroll related	584,501	798,688	1,383,189	86,942
Interest	170,484	1,890,840	2,061,324	-
Incurred but not reported claims	1,060,406	1,060,406	2,120,812	-
Advance Payable	-	724,500	724,500	-
Other	1,120,449	1,437,033	2,557,482	347,760
	<u>24,166,421</u>	<u>9,823,882</u>	<u>33,990,303</u>	<u>700,678</u>

Note 9 - Long-term debt

A - 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, 2014 were as follows:

	June 30, 2014
\$3,625,000 General Obligation Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 4.00% and 4.5%.	\$1,425,000
\$4,403,885 General Obligation Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>1,813,303</u>
Total General Obligation Bonds	\$3,238,303
Add: Unamortized Premium	<u>172,951</u>
Total	<u><u>\$3,411,254</u></u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 9 - Long-term debt (continued)

B - 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, 2014 were as follows:

	<u>June 30, 2014</u>
\$17,025,000 Series 2008 Revenue Bonds due in various annual installments through March 1, 2023; interest at various rates between 3.75% and 4.5%.	\$ 13,425,000
\$114,155,000 Series 2009A Revenue Refunding Bonds due in various annual installments through March 1, 2024; interest at 5.0%.	69,785,000
\$36,710,000 Series 2009B Revenue Bonds due in various annual installments through March 1, 2035; interest at various rates between 4.0% and 5.0%.	<u>33,695,000</u>
Total Revenue Bonds	\$116,905,000
Add: Unamortized Premium	10,583,360
Less: Unamortized Discount	<u>(20,784)</u>
Total	<u><u>\$127,467,576</u></u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 9 - Long-term debt (continued)

B - 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
2015	\$ -	\$ -	\$ 1,453,191	\$ 500,626	\$ 1,453,191	\$ 500,626
2016	-	-	1,658,154	427,967	1,658,154	427,967
2017	-	-	2,090,994	345,059	2,090,994	345,059
2018	-	-	2,306,796	240,509	2,306,796	240,509
2019	-	-	903,600	125,170	903,600	125,170
2020-2024	-	-	1,599,792	162,407	1,599,792	162,407
			10,012,527	1,801,738	10,012,527	1,801,738
Add: Unamortized premium			1,159,894		1,159,894	

Total Electric	\$ -	\$ -	\$ 11,172,421	\$ 1,801,738	\$ 11,172,421	\$ 1,801,738
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Water and Wastewater Fund:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 625,145	\$ 140,510	\$ 10,691,809	\$ 5,090,499	\$ 11,316,954	\$ 5,231,009
2016	520,145	111,253	11,426,846	4,574,708	11,946,991	4,685,961
2017	575,145	87,245	12,784,006	4,027,416	13,359,151	4,114,661
2018	375,526	63,840	13,663,204	3,405,266	14,038,730	3,469,106
2019	375,526	48,319	9,816,400	2,748,005	10,191,926	2,796,324
2020-2024	766,816	49,759	30,895,208	7,965,030	31,662,024	8,014,789
2025-2029	-	-	8,000,000	3,459,750	8,000,000	3,459,750
2030-2034	-	-	8,010,000	1,603,500	8,010,000	1,603,500
2035	-	-	1,605,000	80,250	1,605,000	80,250
	3,238,303	500,926	106,892,473	32,954,424	110,130,776	33,455,350
Add: Unamortized premium	172,951		9,423,466		9,596,417	
Less: Unamortized loss			(20,784)		(20,784)	

Total Water and Wastewater	\$ 3,411,254	\$ 500,926	\$ 116,295,155	\$ 32,954,424	\$ 119,706,409	\$ 33,455,350
Total Electric and Water and Wastewater	\$ 3,411,254	\$ 500,926	\$ 127,467,576	\$ 34,756,162	\$ 130,878,830	\$ 35,257,088

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 9 - Long-term debt (continued)

B - Revenue bonds (continued)

The Commission has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$167,890,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2010. 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 2035. The total principal and interest remaining to be paid on the bonds is \$151,661,162. Principal and interest paid for the current year and total customer revenues were \$17,946,225 and \$292,346,282, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$6,562,394 for the year ended June 30, 2014 and of that amount, \$376,879 was capitalized during the year.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage, and requires that a reserve fund be established and maintained for the 2008 Bonds. The reserve fund requirements have been met by the Commission through funding a reserve fund account with an investment in the full amount of the bond requirement. The Commission is in compliance with all such significant covenants at June 30, 2014.

C – Notes payable

The Commission has entered into revolving loan agreements with the State of North Carolina for various water and wastewater capital projects. The Commission also entered into a loan agreement with South River Electric Membership Corporation (SREMC) utilizing funds made available to SREMC by USDA-Rural Development for a water capital project.

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 payable outstanding for the year ended June 30, 2014 were as follows:

	<u>June, 30 2014</u>
\$7,595,127 State Revolving Loan due in annual installments through May 1, 2021; interest at 2.6% paid semiannually on May 1 st and November 1 st .	\$ 2,658,295
\$16,969,848 State Revolving Loan due in annual installments through May 1, 2026; interest at 2.66% paid semiannually on May 1 and November 1.	10,181,910
\$382,788 State Revolving Loan due in 20 annual installments beginning May 1, 2014; interest at 2.0% paid semi-annually on May 1 and November 1; construction draws complete.	363,649
\$5,299,942 State Revolving Loan due in 20 annual installments beginning May 1, 2014; no interest; construction draws not yet complete.	5,039,138

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 9 - Long-term debt (continued)

C – Notes payable (continued)

\$3,901,648 State Revolving Loan due in 20 annual installments beginning May 1, 2015; interest at 2.0% with 1 st payment due November 1, 2014 and semi-annually thereafter; construction draws not yet complete.	\$ 3,901,648
\$14,801,858 State Revolving Loan due in 20 annual installments beginning May 1, 2017; no interest; construction draws not yet complete.	3,690,386
\$2,460,662 State Revolving Loan due in 20 annual installments beginning May 1, 2016; 2.0% interest; construction draws not yet complete.	-
\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest.	<u>39,600</u>
	<u>\$ 25,874,626</u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 9 - Long-term debt (continued)

C – Notes payable (continued)

Maturities of the \$7,595,127, \$16,969,848, \$382,788, \$5,299,942, \$3,901,648 and \$396,000 notes payable are as follows:

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2015	\$ 1,751,261	\$ 461,284
2016	1,707,468	388,532
2017	1,707,468	351,804
2018	1,707,468	315,076
2019	1,707,468	278,348
2020-2024	7,398,069	870,443
2025-2029	4,093,079	237,173
2030-2034	2,111,959	62,353
	<u>\$ 22,184,240</u>	<u>\$ 2,965,013</u>

Total interest expense related to the notes payable obligations totaled \$423,355 for the year ended June 30, 2014.

The Commission expects the estimated schedule of maturity for the \$14,801,858 and \$2,460,662 loans to be as follows:

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2015	\$ -	\$ -
2016	-	-
2017	184,519	-
2018	184,519	-
2019	184,519	-
2020-2024	922,597	-
2025-2029	922,597	-
2030-2034	922,597	-
2035-2036	369,038	-
	<u>\$ 3,690,386</u>	<u>\$ -</u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 9 - Long-term debt (continued)

D – Changes in long-term liabilities

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Electric Fund:					
Revenue bonds	\$ 11,829,867	\$ -	\$ 1,817,340	\$ 10,012,527	\$ 1,453,191
Compensated absences	1,671,079	1,664,630	1,671,079	1,664,630	901,257
Other post employment benefits	2,269,346	2,551,676	2,269,346	2,551,676	282,330
	<u>15,770,292</u>	<u>\$ 4,216,306</u>	<u>\$ 5,757,765</u>	<u>14,228,833</u>	<u>2,636,778</u>
 Add: Unamortized premium	 1,335,817			 1,159,894	 -
Total Electric long-term liabilities	<u>\$ 17,106,109</u>			<u>\$ 15,388,727</u>	<u>\$ 2,636,778</u>
 Water and Wastewater Fund:					
General obligation bonds	\$ 4,038,449	\$ -	\$ 800,146	\$ 3,238,303	\$ 625,145
Revenue bonds	116,860,133	-	9,967,660	106,892,473	10,691,809
Notes payable	22,224,936	5,197,480	1,547,790	25,874,626	1,751,261
Compensated absences	1,677,933	1,759,863	1,677,935	1,759,861	949,727
Other post employment benefits	2,642,721	2,982,288	2,642,721	2,982,288	339,567
	<u>147,444,172</u>	<u>\$ 9,939,631</u>	<u>\$ 16,636,252</u>	<u>140,747,551</u>	<u>14,357,509</u>
 Add: Unamortized premium	 10,678,925			 9,596,417	 -
Less: Unamortized discount	<u>(21,789)</u>			<u>(20,784)</u>	<u>-</u>
 Total Water and Wastewater long-term liabilities	<u>\$ 158,101,308</u>			<u>\$ 150,323,184</u>	<u>\$ 14,357,509</u>
 Fleet Maintenance Internal Service Fund:					
Compensated absences	\$ 159,709	\$ 164,522	\$ 159,708	\$ 164,523	\$ 108,635
Other post employment benefits	391,315	436,443	391,315	436,443	45,128
 Total Fleet long-term liabilities	<u>\$ 551,024</u>	<u>\$ 600,965</u>	<u>\$ 551,023</u>	<u>\$ 600,966</u>	<u>\$ 153,763</u>

E – Net investment in capital assets

	Electric	Water	Fleet
Capital Assets, Net	\$ 247,532,812	\$ 530,020,922	\$ 2,097,310
less: long-term debt related to capital assets	(11,172,421)	(143,949,059)	-
add: unamortized bond refunding charges	451,313	5,471,384	-
Total Net Investment in Capital Assets	<u>\$ 236,811,704</u>	<u>\$ 391,543,247</u>	<u>\$ 2,097,310</u>

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 10 – Retirement Plans

Local Governmental Employees' Retirement System

Plan Description. The Commission contributes to the statewide Local Governmental Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members (employees) are required to contribute six percent of their annual covered salary. The Commission is required to contribute at an actuarially determined rate. For the Commission, the current rate is 11.97% of annual covered payroll. The contribution requirements of members and of the Commission are established and may be amended by the North Carolina General Assembly. The Commission's contribution to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$4,373,049, \$4,071,374, and \$3,906,817, respectively. The contributions made by the Commission equaled the required contribution.

Note 11 – Deferred Outflows and Inflows of Resources

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds and the 2009 GO Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$7,275,565. At June 30, 2014, the unamortized value of the loss was \$5,849,046.

In fiscal year 2011, the Commission exercised its option to call for early redemption the remaining outstanding maturities of the 2001 Revenue Refunding Electric/Water and Wastewater Bonds totaling \$7,680,000 at a redemption price of 101%. The difference between the amount paid upon reacquisition and the face value, plus any unamortized premium, less any related unamortized debt expense, unamortized discount and reacquisition costs applicable to the debt redeemed is recorded as an Unamortized Loss on Reacquired Debt and is amortized equally on a monthly basis over the life of the original debt. At June 30, 2014, the unamortized value of the loss was \$73,651.

This deferred outflow of resources is included as unamortized bond refunding charges in the statement of net position.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 12 - 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, 2014 and 2013, a liability for incurred but not reported claims of \$2,120,812 and \$1,991,858 respectively, are included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims for the Commission is presented below:

	<u>2014</u>	<u>2013</u>
Liability as of beginning of the year	\$ 1,991,858	\$ 2,053,276
Current year claims and changes in estimates	8,793,377	9,224,337
Actual claim payments	<u>(8,664,423)</u>	<u>(9,285,755)</u>
Liability as of end of the year	<u>\$ 2,120,812</u>	<u>\$ 1,991,858</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 – Flood Insurance

The Commission carries flood insurance through the commercial insurance market. The current policy limit is \$50 million with a \$1 million sublimit applicable for loss in flood zones that are designated "A" zones. The Federal Emergency Management Agency (FEMA) defines Zone A as an area close to a river, lake, or stream. The Commission's standard deductible is \$100,000 with the exception of a \$250,000 deductible set for combustion steam generators.

E – 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

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

Notes to the Financial Statements (continued)

June 30, 2014

exceeded coverage in any of the last three fiscal years.

Note 13 - Commitments and contingencies

A – Arbitrage

During the year ended June 30, 2014 the following bonds were subject to arbitrage regulations:

- 2008 Water and Sewer Revenue
- 2009A Revenue Refunding Electric/Water and Sewer
- 2009B Water and Sewer 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 and therefore, no liability has been recorded. The Commission reviews its potential liability for the penalty at June 30, 2014; the estimated arbitrage rebate payable, if any, is considered immaterial and has not been accrued in the June 30, 2014 financial statements.

B – Capital Expenditures

The Commission has authorized expenditures totaling approximately \$189.7 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2014 cumulative expenditures to date totaled approximately \$54.7 million leaving an unexpended balance of \$135.0 million for projects that are expected to be completed at various dates through the year ended June 30, 2014.

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 statements and accordingly, no provision for losses has been recorded.

D – Power Supply Contracts

In June 2009 the Commission executed a 20 year full requirements Power Supply and Coordination Agreement with Duke Energy Progress (DEP) formerly named Progress Energy Carolina, Inc. effective July 1, 2012. Subsequent amendments extended the term to 30 years. Under this agreement, 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 contract. PWC may terminate this agreement effective July 1, 2022 with written notice provided by June 30, 2015. Also in June 2009, PWC and DEP executed a 5 year Butler Warner Power Sales Agreement effective July 1, 2012. 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.

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, 2014 the purchased power cost, including gross receipts tax and transmission cost, to DEP was \$159,574,227.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 13 - Commitments and contingencies (continued)

E – 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 2014 to 2019. Minimum lease provisions at June 30, 2014 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2015	\$ 538,382
2016	306,306
2017	107,934
2018	63,650
2019	<u>5,793</u>
Total	<u><u>\$ 1,022,065</u></u>

Note 14 - Related party transactions/transfers out

The Commission operates as enterprise funds of the City of Fayetteville. As such, the Commission provides electric and water and wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,754,599 in 2014. In addition, transfers are made in amounts as determined by the respective governing Boards. Net transfers to the City amounted to \$7,923,798 in 2014. Balances due to/from the Commission were as follows:

	<u>June 30, 2014</u>
Receivables (due from the City of Fayetteville)	<u><u>\$ 1,007,330</u></u>
Payables (due to the City of Fayetteville)	<u><u>\$ 341,109</u></u>

Note 15 - Other postemployment benefits

The Commission has a post retirement healthcare program. This plan provides postemployment healthcare benefits to retirees and their dependents up to the age of 65. The Commission may amend the benefit provisions.

Membership in the healthcare benefit plan consisted of the following at June 30, 2014:

Retirees	79
Active Employees	<u>565</u>
Total	<u><u>644</u></u>

Funding Policy. The Commission and the qualified retirees share in the cost of coverage. Also, the Commission's retirees can purchase coverage for their dependents at the Commission's group rates. The Commission has chosen to fund the health care benefits on a pay as you go basis.

The current Annual Required Contribution (ARC) rate is 6.0 percent of annual covered payroll. The Commission is self insured with respect to healthcare coverage.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 15 - Other postemployment benefits (continued)

The Schedule of Funding Progress for the postemployment plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the year.

Annual Required Contribution (ARC)	\$ 2,140,755
Interest on net OPEB obligation	212,135
Adjustment to annual required contribution	<u>(411,012)</u>
Annual OPEB cost (expense)	1,941,878
Contributions Made	<u>(1,274,853)</u>
Increase (decrease) in net OPEB obligation	667,025
Net OPEB obligation, beginning of the year	<u>5,303,382</u>
Net OPEB obligation, end of the year	<u><u>\$ 5,970,407</u></u>

The annual postemployment benefit cost, percentage of annual postemployment benefit cost contributed, and the net OPEB obligation for the current year and the two preceding years are as follows:

YEAR ENDED JUNE 30	ANNUAL OPEB COST	PERCENTAGE OF OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2012	\$ 1,143,510	45.59%	\$ 4,365,790
2013	2,072,623	54.76%	5,503,382
2014	1,941,878	65.65%	5,970,407

As of June 30, 2014 the plan was not funded. The most recent actuarial valuation was June 30, 2013. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$25,051,694. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Fleet Maintenance funds as a noncurrent other liability and a general and administrative expense, respectively.

The covered payroll (annual payroll of active employees covered by the plan) at June 30, 2014 was \$35,553,227 and the ratio of the UAAL to the covered payroll was 70.46 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 15 - Other postemployment benefits (continued)

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the Projected Unit Credit Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend that decreases from 8.00 to 5.00 percent annually. Both rates included a 2.50 percent inflation assumption. The UAAL is being amortized as a level dollar amortization on an open basis. The remaining amortization period was 30 years. There are no assets set aside for these benefits. The plan is funded on a pay-as-you-go basis.

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

Notes to the Financial Statements (continued)

June 30, 2014

Note 16 – Interfund Activity

Due From	Due To				
	Electric	Electric Rate Stabilization	Water	Annex Reserve	Fleet
Electric	\$ -	\$ 21,753	\$ 2,093,712	\$ -	\$ 377,818
Series 2014 Electric Conn	2,400,295	-	-	-	-
Series 2014 LED	484,277	-	-	-	-
Water	-	-	-	1	633,029
Annex Phase V 8/13	-	-	538,087	42	-
Annex Phase V 14/15	-	-	1,197,524	-	-
2012 WTF Clearwell and Chem SI	-	-	422,992	-	-
2013 Outfall Rehab	-	-	213,679	-	-
Series 2014 Water Conn	-	-	1,280,464	-	-
Series 2014 Water/Wastewater/C	-	-	6,635,139	-	-
2014 Person Street	-	-	243,667	-	-
2013 P.O. Hoffer	-	-	1,661,151	-	-
Annex Phase V 16/17	-	-	171,546	-	-
Due To total	<u>\$ 2,884,572</u>	<u>\$ 21,753</u>	<u>\$ 14,457,961</u>	<u>\$ 43</u>	<u>\$ 1,010,847</u>
					<u>\$ 18,375,176</u>

Transfers In/Transfers Out:

Transfer From	Transfer To			
	Electric	Water	Fleet	Total
Electric Fund:				
transfer to Electric Rate Stabilization Fund	\$ 250,000	\$ -	\$ -	\$ -
transfer to Fleet Maintenance Fund	-	-	128,687	128,687
transfer to Electric Fund (from 2014 LED Lighting Fund)	484,277	-	-	484,277
transfer to Electric Fund (from Electric Rate Stabilization Fund)	15,642,480	-	-	15,642,480
Water Fund:				
transfer to Water Rate Stabilization Fund	-	250,000	-	250,000
transfer to Annexation V Reserve Fund	-	3,308,859	-	3,308,859
transfer to Annexation V Ph 8/13 Fund	-	-	-	-
transfer to Fleet Maintenance Fund	-	-	128,687	128,687
transfer to Water Fund (from Annexation V Reserve Fund)	-	741,648	-	741,648
transfer to Water Fund (from Annexation V, Ph 8/13 Fund)	-	3,025,059	-	3,025,059
transfer to Water Fund (from 2012 WTF Clearwell Chem Fund)	-	5,299,942	-	5,299,942
transfer to Water Fund (from 2013 Outfall Rehab Fund)	-	3,901,648	-	3,901,648
transfer to Water Fund (from 2014 Water/Wastewater Fund)	-	6,497,051	-	6,497,051
transfer to Annexation V Ph 8/13 Fund (from Annex V Reserve Fund)	-	3,680,490	-	3,680,490
transfer to Annexation V Ph 14/15 (from Annex Ph V Reserve Fund)	-	644,342	-	644,342
transfer to Annexation V Ph 16/17 (from Annex Ph V Reserve Fund)	-	582,161	-	582,161
	<u>\$ 16,376,757</u>	<u>\$ 27,931,200</u>	<u>\$ 257,374</u>	<u>\$ 44,315,331</u>

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.

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

Notes to the Financial Statements (concluded)

June 30, 2014

Note 17 – Subsequent Events

The Commission has evaluated subsequent events through October 10, 2014, in connection with the preparation of the financial statements which is the date the financial statements were available to be issued.

On September 11, 2014, PWC issued revenue bonds in the amount of \$111,455,000 at a premium of \$8,243,947, resulting in bond proceeds of \$119,698,947. The proceeds of the bonds are to be used for capital improvements in the water/wastewater and electric systems.

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Required Supplementary Information

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 15,772,610	\$ 15,772,610	0.00%	\$ 29,452,949	53.55%
6/30/11	-	22,033,901	22,033,901	0.00%	32,487,865	67.82%
6/30/13	-	25,051,694	25,051,694	0.00%	34,013,831	73.65%

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

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Amount Contributed	Percentage of Annual Required Contribution
2009	\$ 1,464,968	\$ 573,818	39.17%
2011	2,125,256	952,939	44.84%
2013	2,140,755	1,135,031	53.02%

Notes to the Required Schedules:

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amortization on an Open Basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	8% - 5%
* Includes inflation at	2.5%

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

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Supplementary Information

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

**Combining Schedule of Net Position
Electric Fund
June 30, 2014**

	Electric Fund	Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Total
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 35,898,446	\$ -	\$ -	\$ -	\$ 35,898,446
Investments	40,910,203	-	-	-	40,910,203
Receivables	29,387,796	-	-	-	29,387,796
Internal balances	391,289	21,753	(2,400,295)	(484,277)	(2,471,530)
Less allowance for doubtful accounts	(246,205)	-	-	-	(246,205)
Inventories	10,808,668	-	-	-	10,808,668
Other current assets	426,269	-	-	-	426,269
Total current unrestricted assets	117,576,466	21,753	(2,400,295)	(484,277)	114,713,647
Current restricted assets					
Cash and cash equivalents	8,866,945	21,622,755	-	-	30,489,700
Investments	18,168,833	21,294,697	-	-	39,463,530
Collateral pledged in lieu of deposits	309,362	-	-	-	309,362
Receivables	596	167,124	-	-	167,720
Total current restricted assets	27,345,736	43,084,576	-	-	70,430,312
Total current assets	144,922,202	43,106,329	(2,400,295)	(484,277)	185,143,959
Noncurrent assets					
Other assets	803,047	13,093,400	-	-	13,896,447
Capital assets:					
Land	6,457,250	-	-	-	6,457,250
Construction in process	17,387,472	-	2,651,818	-	20,039,290
Electric utility systems	177,970,436	-	-	-	177,970,436
Buildings	25,428,546	-	-	-	25,428,546
Equipment and machinery	7,982,820	-	-	-	7,982,820
Computer programs	1,109,117	-	-	-	1,109,117
Intangibles	4,787,329	-	-	-	4,787,329
Vehicles	3,484,630	-	-	-	3,484,630
Office equipment	273,394	-	-	-	273,394
Capital assets, net	244,880,994	-	2,651,818	-	247,532,812
Total noncurrent assets	245,684,041	13,093,400	2,651,818	-	261,429,259
Total assets	390,606,243	56,199,729	251,523	(484,277)	446,573,218
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	451,313	-	-	-	451,313
Total deferred outflows of resources	451,313	-	-	-	451,313
LIABILITIES					
Current liabilities to be paid from unrestricted current assets					
Current portion of long-term liabilities	2,636,778	-	-	-	2,636,778
Accounts payable and accrued expenses	24,166,421	-	-	-	24,166,421
Total current liabilities to be paid from unrestricted current assets	26,803,199	-	-	-	26,803,199
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	6,827,138	-	251,523	-	7,078,661
Total current liabilities to be paid from restricted current assets	6,827,138	-	251,523	-	7,078,661
Total current liabilities	33,630,337	-	251,523	-	33,881,860
Noncurrent liabilities					
Long-term liabilities	12,751,949	-	-	-	12,751,949
Other liabilities	-	-	-	-	-
Unearned deposits	8,001	-	-	-	8,001
Total noncurrent liabilities	12,759,950	-	-	-	12,759,950
Total liabilities	46,390,287	-	251,523	-	46,641,810
NET POSITION					
Net investment in capital assets	234,159,886	-	2,651,818	-	236,811,704
Restricted for -					
Debt service	57	-	-	-	57
Unrestricted Net Position	110,507,326	56,199,729	(2,651,818)	(484,277)	163,570,960
Total Net Position	\$ 344,667,269	\$ 56,199,729	\$ -	(484,277)	400,382,721

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

**Combining Schedule of Revenues, Expenses and Changes in Net Position
Electric Fund
Year ended June 30, 2014**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Total
Operating revenues					
Charges for services	\$ 217,853,786	\$ -	\$ -	-	217,853,786
Total operating revenues	<u>217,853,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,853,786</u>
Operating expenses					
Power supply and generation	163,175,003	-	-	-	163,175,003
Electric operation	15,475,385	-	-	-	15,475,385
General and administrative	16,634,485	-	-	-	16,634,485
Depreciation	15,657,252	-	-	-	15,657,252
Total operating expenses	<u>210,942,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,942,125</u>
Operating income	<u>6,911,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,911,661</u>
Nonoperating revenue (expense)					
Interest earned on investments	1,142,328	537,727	-	-	1,680,055
Gain (loss) on disposal of assets	(440,957)	-	-	-	(440,957)
Interest expense	(516,684)	-	-	-	(516,684)
Amortization	(253,073)	-	-	-	(253,073)
Finance costs	(5,182)	-	-	-	(5,182)
Total nonoperating revenue (expense)	<u>(73,568)</u>	<u>537,727</u>	<u>-</u>	<u>-</u>	<u>464,159</u>
Income before transfers and contributions	<u>6,838,093</u>	<u>537,727</u>	<u>-</u>	<u>-</u>	<u>7,375,820</u>
Transfers in	16,126,757	250,000	-	-	16,376,757
Transfers out	(378,687)	(15,642,480)	-	(484,277)	(16,505,444)
Transfers in - City of Fayetteville	20,847	-	-	-	20,847
Transfers out - City of Fayetteville	(12,303,615)	-	-	-	(12,303,615)
Contributions	1,297,052	-	-	-	1,297,052
Change in Net Position	<u>11,600,447</u>	<u>(14,854,753)</u>	<u>-</u>	<u>(484,277)</u>	<u>(3,738,583)</u>
Total Net Position - beginning	<u>333,066,822</u>	<u>71,054,482</u>	<u>-</u>	<u>-</u>	<u>404,121,304</u>
Total Net Position - ending	<u>\$ 344,667,269</u>	<u>\$ 56,199,729</u>	<u>\$ -</u>	<u>(484,277)</u>	<u>400,382,721</u>

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

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

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014			2013
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Electric operations				
Sale of electricity	\$ 189,681,900	\$ 5,404,386	\$ 195,086,286	\$ 187,277,582
City Services	1,291,300	(11,729)	1,279,571	1,261,511
Non-utility charges	1,818,500	128,497	1,946,997	1,924,933
Service charges	4,060,300	429,772	4,490,072	4,070,276
Miscellaneous	18,284,400	(3,233,540)	15,050,860	17,255,489
Total operating revenues	<u>215,136,400</u>	<u>2,717,386</u>	<u>217,853,786</u>	<u>211,789,791</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(440,957)	(440,957)	2,809,566
Interest earned on investments	500,000	642,328	1,142,328	(416,683)
Total non-operating revenues	<u>500,000</u>	<u>201,371</u>	<u>701,371</u>	<u>2,392,883</u>
Contributions				
Contributions	3,400,000	(2,102,948)	1,297,052	376,903
Total contributions	<u>3,400,000</u>	<u>(2,102,948)</u>	<u>1,297,052</u>	<u>376,903</u>
Transfers in				
Transfer from City of Fayetteville	20,900	(53)	20,847	20,847
Transfer from Electric Rate Stabilization Fund	21,464,900	(5,822,420)	15,642,480	
Total transfers in	<u>21,485,800</u>	<u>(5,822,473)</u>	<u>15,663,327</u>	<u>20,847</u>
Budgetary appropriations				
Appropriated Net Position	15,383,650	(6,000,000)	9,383,650	2,791,735
Total budgetary appropriations	<u>15,383,650</u>	<u>(6,000,000)</u>	<u>9,383,650</u>	<u>2,791,735</u>
Total revenues	<u>\$ 255,905,850</u>	<u>\$ (11,006,664)</u>	<u>\$ 244,899,186</u>	<u>\$ 217,372,159</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 165,348,000	\$ 2,172,997	\$ 163,175,003	\$ 148,520,775
Administration	922,500	219,034	703,466	696,492
Apparatus repair shop	443,100	21,738	421,362	410,900
Electric meter shop	236,400	3,850	232,550	193,465
Construction and maintenance	7,176,400	(1,248,393)	8,424,793	7,686,995
Substation construction	1,852,600	(167,829)	2,020,429	1,925,800
Engineering	2,789,700	434,003	2,355,697	2,399,014
Fiber	189,600	(4,336)	193,936	79,123
SCADA	160,200	14,725	145,475	107,279
CT metering crews	445,300	98,988	346,312	489,377
Compliance	1,720,100	1,088,735	631,365	288,269
Total electric operations	<u>181,283,900</u>	<u>2,633,512</u>	<u>178,650,388</u>	<u>162,797,489</u>

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

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

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014			2013
	Budget	Variance Positive (Negative)	Actual	Actual
Expenditures (continued)				
General and administrative				
Executive	\$ 1,368,150	\$ 380,641	\$ 987,509	\$ 838,818
Internal audit	-	(3,714)	3,714	1,857
Communications and community relations	661,100	(64,690)	725,790	618,790
Financial administration	188,750	7,084	181,666	134,072
Human resources	708,700	(62,751)	771,451	727,069
Accounting	501,900	(150)	502,050	496,201
Accounts receivable	785,450	142,783	642,667	736,719
Payroll	70,250	(5,987)	76,237	71,075
Customer accounts	1,686,550	(69,864)	1,756,414	1,628,327
Utility field services	1,253,650	111,714	1,141,936	1,104,880
Corporate development	857,600	(259,367)	1,116,967	1,046,962
Risk management	668,050	(43,201)	711,251	646,839
Collections	1,055,500	68,362	987,138	1,049,315
Capital Projects	261,300	(26,574)	287,874	264,595
Rates	216,500	(15,549)	232,049	151,460
Budget	124,550	(13,005)	137,555	127,964
Purchasing	283,800	(3,743)	287,543	274,171
Warehouse	383,900	(190,325)	574,225	550,715
Fleet maintenance	1,713,650	565,833	1,147,817	983,039
Facilities maintenance	266,000	(8,415)	274,415	265,994
Customer programs and call center	235,100	4,679	230,421	260,187
Corporate services administration	191,300	(39,535)	230,835	391,382
Development and marketing	595,350	236,529	358,821	359,046
Telecommunications systems	696,150	35,993	660,157	685,157
Information systems	1,983,250	45,312	1,937,938	1,408,634
Medical insurance	4,825,300	9,351	4,815,949	4,628,689
Other	3,891,900	1,217,359	2,674,541	2,542,999
Allocated rent and fiber clearing	(1,909,800)	421,498	(2,331,298)	(2,180,923)
Overhead clearing	(4,683,450)	88,027	(4,771,477)	(4,765,390)
Total general and administrative	18,880,450	2,528,295	16,352,155	15,048,643
Total operating expenditures	200,164,350	5,161,807	195,002,543	177,846,132
Non-operating expenditures				
Interest expense	717,000	200,316	516,684	342,522
Finance costs	11,000	5,818	5,182	5,182
Total non-operating expenditures	728,000	206,134	521,866	347,704

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

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

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	Budget	2014 Variance Positive (Negative)	Actual	2013 Actual
Transfers out				
Transfers to City of Fayetteville	\$ 12,303,700	\$ (85)	\$ 12,303,615	\$ 10,961,399
Transfers to Electric Rate Stabilization Fund	250,000	-	250,000	250,000
Transfers to Fleet Maintenance Fund	128,500	187	128,687	21,229
Total transfers out	<u>12,682,200</u>	<u>102</u>	<u>12,682,302</u>	<u>11,232,628</u>
Budgetary appropriations				
Inventory increase (decrease)	-	90,215	(90,215)	(1,534,472)
Vehicle and equipment	-	51,980	(51,980)	29,081
Debt principal payments	1,817,300	(40)	1,817,340	1,704,246
Capital outlay	31,622,300	14,387,436	17,234,864	23,291,755
Appropriated Net Position	8,891,700	6,753,966	2,137,734	9,350,740
Total budgetary appropriations	<u>42,331,300</u>	<u>21,283,557</u>	<u>21,047,743</u>	<u>32,841,350</u>
Total expenditures	<u>\$ 255,905,850</u>	<u>\$ 26,651,600</u>	<u>\$ 229,254,454</u>	<u>\$ 222,267,814</u>
Reconciliation of change in Net Position				
Total revenues		\$ (11,006,664)	\$ 244,899,186	\$ 217,372,159
Total expenditures		<u>26,651,600</u>	<u>229,254,454</u>	<u>222,267,814</u>
Subtotal		<u>\$ 15,644,936</u>	<u>15,644,732</u>	<u>(4,895,655)</u>
Reconciling Items:				
Budgetary appropriations			11,664,093	30,049,615
Developer			-	512,496
Depreciation			(15,657,252)	(17,806,298)
Amortization			(253,073)	(267,205)
OPEB expense			(282,330)	(397,557)
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			484,277	-
Total reconciling Items			<u>(4,044,285)</u>	<u>12,091,051</u>
Change in Net Position			<u>\$ 11,600,447</u>	<u>\$ 7,195,396</u>

**PUBLIC WORKS COMMISSION
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, 2014**

	<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	4,100,000	3,507,557	537,727	4,045,284
Total revenues	<u>8,269,725</u>	<u>7,677,282</u>	<u>537,727</u>	<u>8,215,009</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>8,269,725</u>	<u>7,677,282</u>	<u>537,727</u>	<u>8,215,009</u>
Other financing sources (uses)				
Transfer from Electric Fund	68,627,155	68,377,200	250,000	68,627,200
Transfer to Electric Fund	(16,880,900)	(5,000,000)	(11,880,900)	(16,880,900)
Transfer to Electric Fund - Duke Energy True-up	(9,584,000)	-	(3,761,580)	(3,761,580)
Loan to Annexation Phase V Reserve Fund	(19,800,000)	(1,531,400)	-	(1,531,400)
Loan to Electric & W/WW General Fund	(24,286,150)	(10,271,250)	(1,290,750)	(11,562,000)
Appropriated Net Position	(6,345,830)	-	-	-
Total other financing sources (uses)	<u>(8,269,725)</u>	<u>51,574,550</u>	<u>(16,683,230)</u>	<u>34,891,320</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 59,251,832</u>	<u>(16,145,503)</u>	<u>\$ 43,106,329</u>
Reconciling items:				
Advance receivable from W/WW for Proposed Bond Projects			1,290,750	
Change in Net Position			<u>\$ (14,854,753)</u>	

**PUBLIC WORKS COMMISSION
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, 2014**

	<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				
Construction	-	-	2,616,300	2,616,300
Engineering	-	-	10,725	10,725
Other	-	-	24,793	24,793
Total expenditures	<u>21,000,000</u>	<u>-</u>	<u>2,651,818</u>	<u>2,651,818</u>
Revenues under expenditures	<u>(21,000,000)</u>	<u>-</u>	<u>(2,651,818)</u>	<u>(2,651,818)</u>
Other financing sources				
2014 Revenue Bond Proceeds	16,000,000			
2016 Revenue Bond Proceeds	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>21,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(2,651,818)</u>	<u>\$ (2,651,818)</u>
Reconciling items:				
Capital outlay			2,651,818	
Transfer of assets (to)/from the Electric Fund			<u>-</u>	
Change in Net Position			<u>\$ -</u>	

**PUBLIC WORKS COMMISSION
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, 2014**

	<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				
Construction	-	-	484,277	484,277
Total expenditures	<u>20,000,000</u>	<u>-</u>	<u>484,277</u>	<u>484,277</u>
Revenues under expenditures	<u>(20,000,000)</u>	<u>-</u>	<u>(484,277)</u>	<u>(484,277)</u>
Other financing sources				
Transfer from Electric REPS Reserve	3,500,000	-	-	-
2014 Revenue Bond Proceeds	7,000,000	-	-	-
2016 Revenue Bond Proceeds	9,500,000	-	-	-
Total other financing sources	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(484,277)</u>	<u>\$ (484,277)</u>
Reconciling items:				
Capital outlay			484,277	
Transfer of assets (to)/from the Electric Fund			(484,277)	
Change in Net Position			<u>\$ (484,277)</u>	

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

DEFERRED OUTFLOWS OF RESOURCES
Deferred charge on refunding
Total deferred outflows of resources

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

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2014

	Water and Wastewater Fund	Water and Wastewater Rate Surtax Fund	Annexation Phase V Rehab Fund	Annexation Phase V Areas 873 Capital Fund	Annexation Phase V Areas 1475 Capital Fund	2012 Edgewater Northview Sewer Fund	2012 WTF Clearwell Fund	2013 Outfall Rehab Fund	Series 2014 Water Connect Capital Fund	Series 2014 Water/Wastewater Connect Capital Fund	2014 Person St Sanitary Sewer Fund	2013 PO Hoffer Phase 1 Sewer Fund	Annexation Phase V Areas 1617 Capital Fund	Total
LIABILITIES														
Current liabilities to be paid from unrestricted current assets														
Current portion of long-term liabilities	\$ 14,357,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,357,509
Accounts payable and accrued expenses	9,829,862	-	-	-	-	-	-	-	-	-	-	-	-	9,829,862
Accounts receivable and other assets to be paid from unrestricted current assets	24,181,391	-	-	-	-	-	-	-	-	-	-	-	-	24,181,391
Current liabilities to be paid from restricted current assets														
Accounts payable and accrued expenses	2,865,547	-	16,084	194,785	555,547	-	-	-	231,663	2,617,510	4,098	1,188,668	318,427	7,992,329
Accounts receivable and other assets to be paid from restricted current assets	2,865,547	-	16,084	194,785	555,547	-	-	-	231,663	2,617,510	4,098	1,188,668	318,427	7,992,329
Total current liabilities	27,048,938	-	16,084	194,785	555,547	-	-	-	231,663	2,617,510	4,098	1,188,668	318,427	32,173,720
Noncurrent liabilities														
Accounts payable and accrued expenses	129,073,690	-	-	-	-	-	5,296,942	3,901,648	-	-	-	3,690,386	-	135,965,675
Other liabilities	9,129,946	-	1,531,400	-	-	-	-	-	-	-	-	-	-	10,661,346
Unearned deposits	2,831,941	-	1,531,400	-	-	-	5,296,942	3,901,648	-	-	-	3,690,386	-	2,831,941
Total noncurrent liabilities	135,035,589	-	1,531,400	-	-	-	5,296,942	3,901,648	-	-	-	3,690,386	-	148,457,962
Total liabilities	162,084,524	-	1,547,484	194,785	555,547	-	5,296,942	3,901,648	231,663	2,617,510	4,098	4,879,054	318,427	181,331,682
NET POSITION														
Net investment in capital assets	386,055,990	-	-	3,237,575	2,743,752	-	(5,296,942)	(3,901,648)	1,512,127	2,744,106	247,765	131,380	1,072,134	391,543,247
Restricted for -														
Capital Projects	9,759	-	-	-	-	-	-	-	-	-	-	-	-	9,759
Debt	107,957	-	-	-	-	-	-	-	-	-	-	-	-	107,957
Unrestricted Net Position	48,336,947	6,585,057	753,707	(619,801)	(1,862,712)	-	(5,296,942)	(3,901,648)	(1,512,127)	(9,241,159)	(247,765)	(131,380)	(489,973)	41,772,868
Total Net Position	\$ 437,512,652	\$ 6,585,057	\$ 753,707	\$ 2,617,674	\$ 1,081,040	\$ -	\$ (5,296,942)	\$ (3,901,648)	\$ (1,512,127)	\$ (6,497,051)	\$ (247,765)	\$ (131,380)	\$ (502,161)	\$ 433,433,650
Total liabilities, deferred inflows and Net Position	\$ 599,594,176	\$ 6,585,057	\$ 2,301,191	\$ 2,812,459	\$ 1,636,987	\$ -	\$ -	\$ -	\$ 231,663	\$ (3,579,541)	\$ 4,098	\$ 4,879,054	\$ 600,598	\$ 615,065,332

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

Combining Schedule of Revenues, Expenses and Changes in Net Position
Water and Wastewater Fund
Year ended June 30, 2014

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Appreciation Phase V Reserve Fund	Appreciation Areas 1413 Capital Project Fund	Appreciation Areas 1415 Capital Project Fund	2012 Edwards Northview SRLCP Fund	2012 Village Chemical Fund	2013 Orrill Rehab Project Fund	2014 Sewer Connect Capital Project Fund	2014 Water Connect Capital Project Fund	2014 Sanitary Sewer R&R Fund	2013 Phase 1 SRLCP Fund	2013 PO Areas 1417 Capital Project Fund	Total
Operating revenues														
Charges for services	\$ 74,492,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,492,490
Total operating revenues	\$ 74,492,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,492,490
Operating expenses														
Water operations	14,575,051	-	-	-	-	-	-	-	-	-	-	-	-	14,575,051
Wastewater operations	13,615,890	-	-	-	-	-	-	-	-	-	-	-	-	13,615,890
General and administrative	18,397,538	-	-	-	-	-	-	-	-	-	-	-	-	18,397,538
Depreciation	18,530,432	-	-	-	-	-	-	-	-	-	-	-	-	18,530,432
Total operating expenses	65,118,911	-	-	-	-	-	-	-	-	-	-	-	-	65,118,911
Operating income	9,373,579	-	-	-	-	-	-	-	-	-	-	-	-	9,373,579
Nonoperating revenue (expense)														
Interest income	1,191,072	30,748	234	-	-	-	-	-	-	-	-	-	-	1,222,064
Gain (loss) on disposal of assets	(23,203)	-	(32,474)	-	-	-	-	-	-	-	-	-	-	(55,677)
Interest expense	(6,052,295)	-	-	-	-	-	-	-	-	-	-	-	-	(6,052,295)
Amortization	(461,226)	-	-	-	-	-	-	-	-	-	-	-	-	(461,226)
Finance costs	(57,536)	-	-	-	-	-	-	-	-	-	-	-	-	(57,536)
Total nonoperating revenue (expense)	(6,403,984)	30,748	(32,240)	-	-	-	-	-	-	-	-	-	-	(6,425,452)
Income (loss) before transfers and contributions	2,969,595	30,748	(32,240)	-	-	-	-	-	-	-	-	-	-	2,967,093
Transfers in	19,485,348	250,000	3,308,859	3,880,480	644,342	-	-	-	-	-	-	-	582,161	27,851,290
Transfers out	(5,967,549)	-	(5,846,641)	(3,026,059)	-	-	(5,299,842)	(3,901,648)	(6,487,051)	-	-	-	-	(28,059,897)
Transfers in - City of Fayetteville	572,935	-	3,786,035	-	-	-	-	-	-	-	-	-	-	4,358,970
Capital Contributions	8,143,723	-	-	-	-	-	-	-	-	-	-	-	-	8,143,723
Changes in Net Position	30,194,858	280,748	1,414,010	655,431	644,342	-	(5,299,842)	(3,901,648)	(6,487,051)	-	-	-	582,161	18,073,012
Total Net Position - beginning	407,317,804	6,304,209	(860,308)	1,942,243	436,588	-	-	-	-	-	-	-	-	415,390,538
Total Net Position - ending	\$ 437,512,662	\$ 6,584,957	\$ 753,707	\$ 2,617,674	\$ 1,081,040	\$ -	\$ (5,299,842)	\$ (3,901,648)	\$ -	\$ (6,487,051)	\$ -	\$ -	\$ 582,161	\$ 433,453,850

**PUBLIC WORKS COMMISSION
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, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014			2013
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Water operations				
Water Sales	\$ 34,737,800	\$ (2,102,278)	\$ 32,635,522	\$ 31,188,371
Connection fees	306,000	(16,079)	289,921	372,635
City Services	253,700	(38,218)	215,482	200,163
Total water operations	35,297,500	(2,156,575)	33,140,925	31,761,169
Wastewater operations				
Sewer charges	38,838,500	(479,867)	38,358,633	36,595,536
Connection fees	220,000	(36,273)	183,727	1,219,799
City services	90,300	(4,149)	86,151	83,441
Total wastewater operations	39,148,800	(520,289)	38,628,511	37,898,776
Other operating revenues				
Non-utility charges	1,284,800	(89,307)	1,195,493	1,253,833
Service charges	1,259,400	60,519	1,319,919	223,879
Miscellaneous	279,300	(71,652)	207,648	265,623
Total other operating revenues	2,823,500	(100,440)	2,723,060	1,743,335
Total operating revenues	77,269,800	(2,777,304)	74,492,496	71,403,280
Non-operating revenues				
Gain (loss) on asset disposal	-	(23,203)	(23,203)	(849,764)
Interest earned on investments	1,260,000	(68,928)	1,191,072	767,481
Total non-operating revenues	1,260,000	(92,131)	1,167,869	(82,283)
Contributions				
Contributions	3,785,000	(425,125)	3,359,875	3,407,095
Total contributions	3,785,000	(425,125)	3,359,875	3,407,095
Transfers in				
Transfer from City of Fayetteville	385,200	187,735	572,935	385,200
Transfer from Annexation Phase V Reserve Fund	-	741,648	741,648	565,943
Total transfers in	385,200	929,383	1,314,583	951,143
Budgetary appropriations				
Department of Transportation financing	11,831,000	(11,831,000)	-	(85,027)
Cumberland county note proceeds	39,600	-	39,600	39,600
Fort Bragg note proceeds	7,068,500	226,519	7,295,019	152,189
Appropriations of Net Position	13,470,850	(3,801,776)	9,669,074	13,392,876
Total budgetary appropriations	32,409,950	(15,406,257)	17,003,693	13,499,638
Total revenues	\$ 115,109,950	\$ (17,771,434)	\$ 97,338,516	\$ 89,178,873
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,537,950	\$ 337,450	\$ 1,200,500	\$ 1,211,818
Water meter shop	145,700	(41,499)	187,199	84,844
Water maintenance and repair	4,945,900	(346,456)	5,292,356	5,222,857
Contract system maintenance	69,050	(17,585)	86,635	131,700
P. O. Hoffer water treatment plant	5,667,600	915,177	4,752,423	4,912,640
Glenville Lake water treatment plant	2,371,800	32,708	2,339,092	2,316,287
Water Resources environmental system protection	196,300	(10,625)	206,925	179,403
Laboratory	238,750	16,485	222,265	226,612
Environmental	114,250	(1,692)	115,942	109,828
Watersheds	158,300	(13,414)	171,714	166,704
Total water operations	15,445,600	870,549	14,575,051	14,562,693

**PUBLIC WORKS COMMISSION
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, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	Budget	2014 Variance Positive (Negative)	Actual	2013 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,537,950	\$ 337,450	\$ 1,200,500	\$ 1,211,819
Sewer maintenance and repair	6,364,300	(66,160)	6,430,460	5,840,957
Contract system maintenance	69,050	11,294	57,756	87,800
Cross Creek WW treatment plant	2,758,400	179,283	2,579,117	2,583,689
Rockfish Creek WW treatment plant	2,502,500	(49,728)	2,552,228	2,492,706
Residuals management	292,100	41,394	250,706	283,797
Water resource environmental system protection	196,300	(10,624)	206,924	179,402
Laboratory	238,750	16,485	222,265	226,611
Environmental	114,250	(1,693)	115,943	109,828
Total wastewater operations	14,073,600	457,701	13,615,899	13,016,609
General and administrative				
Executive	852,250	461,346	390,904	459,518
Internal audit	-	(3,737)	3,737	1,857
Communications and community relations	661,100	(11,915)	673,015	590,429
Financial administration	188,750	15,261	173,489	134,620
Human resources	708,700	(3,868)	712,568	687,736
Accounting	501,900	22,928	478,972	456,352
Accounts receivable	785,450	143,685	641,765	733,885
Payroll	70,250	(5,973)	76,223	70,779
Customer accounts	1,686,550	(69,239)	1,755,789	1,581,480
Utility field service	1,253,650	92,697	1,160,953	1,203,256
Corporate development	857,400	(248,149)	1,105,549	996,622
Risk management	668,050	77,026	591,024	584,872
Collections	428,800	68,648	360,152	443,426.00
Capital projects	261,300	(27,240)	288,540	262,853
Rates	216,500	91,727	124,773	172,516
Budget	124,550	(12,068)	136,618	127,890
Purchasing	283,800	(4,472)	288,272	271,768
Warehouse	383,900	152,967	230,933	190,903
Fleet maintenance	1,713,650	(178,167)	1,891,817	1,695,070
Facilities maintenance	266,000	(1,468)	267,468	260,699
Customer programs administration and call center	235,100	10,471	224,629	257,139
Corporate services administration	136,900	(72,078)	208,978	286,613
Development and marketing	495,350	85,245	410,105	348,264

**PUBLIC WORKS COMMISSION
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, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

		2014		
	Budget	Variance Positive (Negative)	Actual	2013 Actual
Expenditures (continued)				
Operating expenditures (continued)				
General and administrative (continued)				
Telecommunications systems	\$ 696,150	\$ 75,566	\$ 620,584	\$ 679,186
Information systems	1,946,950	(30,085)	1,977,035	1,441,352
Medical insurance	5,962,600	807,079	5,155,521	5,347,140
Other	1,146,200	(255,929)	1,402,129	866,114
Overhead clearing	(3,961,050)	1,362,520	(5,323,570)	(4,998,795)
Total general and administrative	<u>18,570,750</u>	<u>2,542,778</u>	<u>16,027,972</u>	<u>15,153,544</u>
Total operating expenditures	<u>48,089,950</u>	<u>3,871,028</u>	<u>44,218,922</u>	<u>42,732,846</u>
Non-operating expenditures				
Interest expense	6,396,000	343,705	6,052,295	6,007,693
Finance costs	85,600	28,194	57,406	94,980
Total non-operating expenditures	<u>6,481,600</u>	<u>371,899</u>	<u>6,109,701</u>	<u>6,102,673</u>
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	3,364,300	55,441	3,308,859	2,736,281
Transfer to Fleet Maintenance Fund	128,500	(187)	128,687	21,229
Total transfers out	<u>3,742,800</u>	<u>55,254</u>	<u>3,687,546</u>	<u>3,007,510</u>
Budgetary appropriations				
Inventory increase (decrease)	-	283,052	(283,052)	143,738
Vehicle and equipment increase (decrease)	-	59,256	(59,256)	213,037
Debt principal payments	13,003,900	2,236,095	10,767,805	10,325,899
Note payments	-	(39,600)	39,600	1,267,849
NC DOT project payments	2,500,000	2,500,000	-	331,163
Capital outlay	28,460,700	17,255,673	11,205,027	22,326,281
Appropriation of Net Position	12,831,000	5,239,453	7,591,547	3,772,000
Total budgetary appropriations	<u>56,795,600</u>	<u>27,533,929</u>	<u>29,261,671</u>	<u>38,379,967</u>
Total expenditures	<u>\$ 115,109,950</u>	<u>\$ 31,832,110</u>	<u>\$ 83,277,840</u>	<u>\$ 90,222,996</u>

**PUBLIC WORKS COMMISSION
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, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

		2014		2013
	Budget	Variance Positive (Negative)	Actual	Actual
Reconciliation of change in Net Position				
Total revenue		\$ (17,771,434)	\$ 97,338,516	\$ 89,178,873
Total expenditures		31,832,110	83,277,840	90,222,996
Subtotal		<u>\$ 14,060,676</u>	14,060,676	(1,044,123)
Reconciling items:				
Budgetary appropriations			12,257,978	24,880,329
Depreciation			(18,830,452)	(18,804,428)
Amortization			(461,226)	(737,219)
OPEB expense			(339,566)	(467,589)
Developer and FIF credits			4,783,848	(494,974)
Assessments			-	2,449
Transfer of assets (to) / from Annexation Phase V, Areas 8-13			3,025,059	5,330,935
Transfer of assets (to) / from Clearwell Chemical Capital Project Fund			5,299,942	-
Transfer of assets (to) / from Outfall Rehab Capital Project Fund			3,901,648	-
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund			6,497,051	-
Transfer of assets (to) / from Series 2009B Revenue Bond Capital Project Fund			-	6,794,872
Total reconciling items			<u>16,134,282</u>	<u>16,504,375</u>
Change in Net Position			<u>\$ 30,194,958</u>	<u>\$ 15,460,252</u>

**PUBLIC WORKS COMMISSION
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, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 360,000	\$ 304,309	\$ 30,748	\$ 335,057
Total revenues	<u>360,000</u>	<u>304,309</u>	<u>30,748</u>	<u>335,057</u>
Other financing sources				
Transfer from Water and Wastewater Fund	6,250,000	6,000,000	250,000	6,250,000
Appropriated Net Position	<u>(6,610,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(360,000)</u>	<u>6,000,000</u>	<u>250,000</u>	<u>6,250,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 6,304,309</u>	<u>280,748</u>	<u>\$ 6,585,057</u>
Change in Net Position			<u>\$ 280,748</u>	

**PUBLIC WORKS COMMISSION
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, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 6,500	\$ 4,778	\$ 234	\$ 5,012
Total revenues	<u>6,500</u>	<u>4,778</u>	<u>234</u>	<u>5,012</u>
Expenditures				
Interest	35,000	38,820	32,474	71,294
Total expenditures	<u>35,000</u>	<u>38,820</u>	<u>32,474</u>	<u>71,294</u>
Revenues over (under) expenditures	<u>(28,500)</u>	<u>(34,042)</u>	<u>(32,240)</u>	<u>(66,283)</u>
Other financing sources (uses)				
Advance from Electric Rate Stabilization Fund	19,800,000	1,531,400	-	1,531,400
Assessments transfer	4,676,000	3,046,028	1,620,596	4,666,624
Transfer from Water and Wastewater Fund	7,235,801	5,547,538	1,688,263	7,235,801
Transfer from the City	8,118,618	4,332,584	3,786,035	8,118,619
Transfer from Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer to Annexation Phase V, Areas 8-13 Fund	(20,768,323)	(12,582,302)	(3,680,490)	(16,262,792)
Transfer to Annexation Phase V, Areas 14-15 Fund	(6,200,000)	(436,698)	(644,342)	(1,081,040)
Transfer to Annexation Phase V, Areas 16-17 Fund	(11,000,000)	-	(582,161)	(582,161)
Transfer to Water and Wastewater Fund	(1,816,700)	(1,261,317)	(741,649)	(2,002,966)
Appropriated Net Position	<u>(744,799)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>28,500</u>	<u>905,136</u>	<u>1,446,252</u>	<u>2,351,388</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 871,094</u>	<u>1,414,013</u>	<u>\$ 2,285,106</u>
Reconciling items:				
Change in Net Position			<u>\$ 1,414,013</u>	

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

**Schedule of Changes in the Status of Annexation - Phase V-Areas 8 through 13 Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Construction	-	15,134,422	4,129,798	19,264,220
Engineering	-	2,266,444	60,756	2,327,200
Rights of way	-	534,393	4,975	539,368
Less City of Fayetteville participation	-	(1,765,037)	(600,299)	(2,365,336)
Other	-	1,117,680	231,236	1,348,916
Total expenditures	<u>25,000,000</u>	<u>17,287,902</u>	<u>3,826,466</u>	<u>21,114,368</u>
Revenues under expenditures	<u>(25,000,000)</u>	<u>(17,287,902)</u>	<u>(3,826,466)</u>	<u>(21,114,368)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	20,768,323	12,582,301	3,680,491	16,262,792
Series 2009B Bond Proceeds	4,231,677	4,231,676	-	4,231,676
Total other financing sources	<u>25,000,000</u>	<u>16,813,977</u>	<u>3,680,491</u>	<u>20,494,468</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (473,925)</u>	<u>(145,975)</u>	<u>\$ (619,900)</u>
Reconciling Items:				
Capital outlay			3,826,466	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,025,059)	
Change in Net Position			<u>\$ 655,432</u>	

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

**Schedule of Changes in the Status of Annexation - Phase V-Areas 14 through 15 Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Construction			2,145,781	2,145,781
Engineering	-	427,653	42,646	470,300
Rights of way	-	20,039	59,912	79,951
City Participation	-	-	(77,851)	(77,851)
Other	-	22,714	102,858	125,571
Total expenditures	<u>6,200,000</u>	<u>470,406</u>	<u>2,273,346</u>	<u>2,743,752</u>
Revenues under expenditures	<u>(6,200,000)</u>	<u>(470,406)</u>	<u>(2,273,346)</u>	<u>(2,743,752)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	6,200,000	436,698	644,342	1,081,040
Total other financing sources	<u>6,200,000</u>	<u>436,698</u>	<u>644,342</u>	<u>1,081,040</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (33,708)</u>	<u>(1,629,004)</u>	<u>\$ (1,662,712)</u>
Reconciling Items:				
Capital outlay			2,273,346	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			<u>\$ 644,342</u>	

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

**Schedule of Changes in the Status of 2012 Edgewater/Northview
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	426,666	-	426,666
Engineering	-	2,500	-	2,500
City Participation	-	(51,727)	-	(51,727)
Other	-	5,349	-	5,349
Total expenditures	<u>656,376</u>	<u>382,788</u>	<u>-</u>	<u>382,788</u>
Revenues under expenditures	<u>(656,376)</u>	<u>(382,788)</u>	<u>-</u>	<u>(382,788)</u>
Other financing sources				
State Revolving Loan Proceeds	656,376	382,788	-	382,788
Total other financing sources	<u>656,376</u>	<u>382,788</u>	<u>-</u>	<u>382,788</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			-	-
Loan Proceeds			-	-
Change in Net Position			<u>\$ -</u>	<u>-</u>

Capital Project Fund closed at June 30, 2014.

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

**Schedule of Changes in the Status of 2012 Water Treatment Facility Clearwell and Chemical Improvement
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	4,472,784	296,310	4,769,094
Engineering	-	415,876	-	415,876
Other	-	113,294	1,678	114,972
Total expenditures	<u>5,400,000</u>	<u>5,001,954</u>	<u>297,988</u>	<u>5,299,942</u>
Revenues under expenditures	<u>(5,400,000)</u>	<u>(5,001,954)</u>	<u>(297,988)</u>	<u>(5,299,942)</u>
Other financing sources				
State Revolving Loan Proceeds	<u>5,400,000</u>	<u>4,877,609</u>	<u>422,333</u>	<u>5,299,942</u>
Total other financing sources	<u>5,400,000</u>	<u>4,877,609</u>	<u>422,333</u>	<u>5,299,942</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (124,345)</u>	124,345	<u>\$ -</u>
Reconciling items:				
Capital outlay			297,988	
Transfer of assets (to)/from the Water and Wastewater Fund			(5,299,942)	
Loan Proceeds			(422,333)	
Change in Net Position			<u>\$ (5,299,942)</u>	

Capital Project Fund closed at June 30, 2014.

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

**Schedule of Changes in the Status of 2013 Outfall Rehabilitation
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Construction	-	1,864,731	1,882,104	3,746,835
Other	-	26,214	128,599	154,813
Total expenditures	<u>3,922,282</u>	<u>1,890,945</u>	<u>2,010,703</u>	<u>3,901,648</u>
Revenues under expenditures	<u>(3,922,282)</u>	<u>(1,890,945)</u>	<u>(2,010,703)</u>	<u>(3,901,648)</u>
Other financing sources				
State Revolving Loan Proceeds	3,922,282	1,797,501	2,104,147	3,901,648
Total other financing sources	<u>3,922,282</u>	<u>1,797,501</u>	<u>2,104,147</u>	<u>3,901,648</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (93,444)</u>	93,444	<u>\$ -</u>
Reconciling items:				
Capital outlay			2,010,703	
Loan Proceeds			(2,104,147)	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,901,648)	
Change in Net Position			<u>\$ (3,901,648)</u>	

Capital Project Fund closed at June 30, 2014.

**PUBLIC WORKS COMMISSION
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, 2014**

	<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				
Construction	-	-	1,423,905	1,423,905
Engineering	-	-	10,725	10,725
Other	-	-	77,497	77,497
Total expenditures	<u>24,000,000</u>	<u>-</u>	<u>1,512,127</u>	<u>1,512,127</u>
Revenues under expenditures	<u>(24,000,000)</u>	<u>-</u>	<u>(1,512,127)</u>	<u>(1,512,127)</u>
Other financing sources				
2014 Revenue Bond Proceeds	17,000,000	-	-	-
2016 Revenue Bond Proceeds	7,000,000	-	-	-
Total other financing sources	<u>24,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(1,512,127)</u>	<u>\$ (1,512,127)</u>
Reconciling items:				
Capital outlay			1,512,127	
Change in Net Position			<u>\$ -</u>	

**PUBLIC WORKS COMMISSION
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, 2014**

	<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				
Construction	-	-	7,584,770	7,584,770
Engineering	-	-	1,593,942	1,593,942
ROW	-	-	2,500	2,500
Other	-	-	59,944	59,944
Total expenditures	<u>50,000,000</u>	<u>-</u>	<u>9,241,156</u>	<u>9,241,156</u>
Revenues under expenditures	<u>(50,000,000)</u>	<u>-</u>	<u>(9,241,156)</u>	<u>(9,241,156)</u>
Other financing sources				
2014 Revenue Bond Proceeds	50,000,000	-	-	-
Total other financing sources	<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(9,241,156)</u>	<u>\$ (9,241,156)</u>
Reconciling items:				
Capital outlay			9,241,156	
Transfer of assets (to)/from the Water and Wastewater Fund			(6,497,051)	
Change in Net Position			<u>\$ (6,497,051)</u>	

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

**Schedule of Changes in the Status of 2014 Person Street Sanitary Sewer Replacement
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<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				
Construction	-	-	-	-
Engineering	-	-	231,448	231,448
Loan Closing Costs	-	-	-	-
Other	-	-	16,317	16,317
Total expenditures	<u>2,967,243</u>	<u>-</u>	<u>247,765</u>	<u>247,765</u>
Revenues under expenditures	<u>(2,967,243)</u>	<u>-</u>	<u>(247,765)</u>	<u>(247,765)</u>
Other financing sources				
State Revolving Loan Proceeds	2,967,243	-	-	-
Total other financing sources	<u>2,967,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(247,765)</u>	<u>\$ (247,765)</u>
Reconciling items:				
Capital outlay			247,765	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Loan Proceeds			-	
Change in Net Position			<u>\$ -</u>	

**PUBLIC WORKS COMMISSION
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, 2014**

	<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				
Construction	-	-	2,245,411	2,245,411
Engineering	-	-	1,280,327	1,280,327
Loan Closing Costs	-	-	296,037	296,037
Total expenditures	<u>19,521,552</u>	<u>-</u>	<u>3,821,775</u>	<u>3,821,775</u>
Revenues under expenditures	<u>(19,521,552)</u>	<u>-</u>	<u>(3,821,775)</u>	<u>(3,821,775)</u>
Other financing sources				
State Revolving Loan Proceeds	19,521,552	-	3,690,386	3,690,386
Total other financing sources	<u>19,521,552</u>	<u>-</u>	<u>3,690,386</u>	<u>3,690,386</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(131,389)</u>	<u>\$ (131,389)</u>
Reconciling Items:				
Capital outlay			3,821,775	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Loan Proceeds			(3,690,386)	
Change in Net Position			<u>\$ -</u>	

**PUBLIC WORKS COMMISSION
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, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Engineering	-	-	1,015,253	1,015,253
Right of Way	-	-	32,650	32,650
Other	-	-	24,230	24,230
Total expenditures	<u>11,000,000</u>	<u>-</u>	<u>1,072,133</u>	<u>1,072,133</u>
Revenues under expenditures	<u>(11,000,000)</u>	<u>-</u>	<u>(1,072,133)</u>	<u>(1,072,133)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	11,000,000	-	582,161	582,161
Total other financing sources	<u>11,000,000</u>	<u>-</u>	<u>582,161</u>	<u>582,161</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(489,972)</u>	<u>\$ (489,972)</u>
Reconciling items:				
Capital outlay			1,072,133	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			<u>\$ 582,161</u>	

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

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

**Year ended June 30, 2014
(with comparative actual amounts for the period ended June 30, 2013)**

	2014			2013
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
City services	\$ 5,545,900	\$ 778,808	\$ 6,324,708	\$ 5,707,906
PWC services	2,555,500	(513,388)	2,042,112	2,207,948
Other revenue	-	1,104	1,104	10,438
Total operating revenues	<u>8,101,400</u>	<u>266,524</u>	<u>8,367,924</u>	<u>7,926,292</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	1,320	1,320	1,412
Total non-operating revenues	<u>-</u>	<u>1,320</u>	<u>1,320</u>	<u>1,412</u>
Transfers in				
Transfers from Electric Fund	128,500	187	128,687	-
Transfers from Water and Wastewater Fund	128,500	187	128,687	-
Total transfers-in	<u>257,000</u>	<u>374</u>	<u>257,374</u>	<u>-</u>
Total revenues	<u>\$ 8,358,400</u>	<u>\$ 268,218</u>	<u>\$ 8,626,618</u>	<u>\$ 7,927,704</u>
Expenditures				
Operating expenditures				
Fleet maintenance	8,101,400	61,261	8,162,661	7,753,616
Total operating expenditures	<u>8,101,400</u>	<u>61,261</u>	<u>8,162,661</u>	<u>7,753,616</u>
Budgetary appropriations				
Capital outlay	257,000	(97,460)	159,540	-
Total budgetary appropriations	<u>257,000</u>	<u>(97,460)</u>	<u>159,540</u>	<u>-</u>
Total expenditures	<u>\$ 8,358,400</u>	<u>\$ (36,199)</u>	<u>\$ 8,322,201</u>	<u>\$ 7,753,616</u>
Reconciliation of changes in Net Position				
Total revenues		\$ 268,218	\$ 8,626,618	\$ 7,927,704
Total expenditures		(36,199)	8,322,201	7,753,616
Subtotal		<u>\$ 304,417</u>	<u>304,417</u>	<u>174,088</u>
Reconciling items:				
Budgetary appropriations			159,540	42,458
Depreciation			(183,765)	(144,101)
OPEB expense			(22,818)	(72,445)
Total reconciling items			<u>(47,043)</u>	<u>(174,088)</u>
Change in Net Position			<u>\$ 257,374</u>	<u>\$ -</u>

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

Schedule of Bonded Indebtedness

June 30, 2014

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
1/30/08	2008 Water & Wastewater	17,025,000	4.000%	2014	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -
			4.000%	2015	600,000	-	-	600,000	600,000
			4.000%	2016	600,000	-	-	600,000	-
			4.500%	2017	600,000	-	-	600,000	-
			4.000%	2018	600,000	-	-	600,000	-
			4.000%	2019	2,040,000	-	-	2,040,000	-
			4.000%	2020	2,120,000	-	-	2,120,000	-
			3.750%	2021	2,205,000	-	-	2,205,000	-
			3.750%	2022	1,825,000	-	-	1,825,000	-
			4.000%	2022	460,000	-	-	460,000	-
			4.000%	2023	2,375,000	-	-	2,375,000	-
					<u>14,025,000</u>	<u>-</u>	<u>600,000</u>	<u>13,425,000</u>	<u>600,000</u>
10/21/09	2009A Electric & Water & Wastewater	114,155,000	5.000%	2014	9,870,000	-	9,870,000	-	-
			5.000%	2015	10,265,000	-	-	10,265,000	10,265,000
			5.000%	2016	10,680,000	-	-	10,680,000	-
			5.000%	2017	12,870,000	-	-	12,870,000	-
			5.000%	2018	13,380,000	-	-	13,380,000	-
			5.000%	2019	7,080,000	-	-	7,080,000	-
			5.000%	2020	6,505,000	-	-	6,505,000	-
			5.000%	2021	3,320,000	-	-	3,320,000	-
			5.000%	2022	1,880,000	-	-	1,880,000	-
			5.000%	2023	1,950,000	-	-	1,950,000	-
			5.000%	2024	1,855,000	-	-	1,855,000	-
					<u>79,655,000</u>	<u>-</u>	<u>9,870,000</u>	<u>69,785,000</u>	<u>10,265,000</u>
10/21/09	2009B Water & Wastewater	36,710,000	4.000%	2014	1,315,000	-	1,315,000	-	-
			4.000%	2015	1,280,000	-	-	1,280,000	1,280,000
			4.000%	2016	1,805,000	-	-	1,805,000	-
			4.000%	2017	1,405,000	-	-	1,405,000	-
			4.000%	2018	1,990,000	-	-	1,990,000	-
			4.000%	2019	1,600,000	-	-	1,600,000	-
			5.000%	2020	1,600,000	-	-	1,600,000	-
			5.000%	2021	1,600,000	-	-	1,600,000	-
			5.000%	2022	1,600,000	-	-	1,600,000	-
			5.000%	2023	1,600,000	-	-	1,600,000	-
			5.000%	2024	1,600,000	-	-	1,600,000	-
			5.000%	2025	1,600,000	-	-	1,600,000	-
			5.000%	2026	1,600,000	-	-	1,600,000	-
			5.000%	2027	1,600,000	-	-	1,600,000	-
			4.000%	2028	1,600,000	-	-	1,600,000	-
			4.000%	2029	1,600,000	-	-	1,600,000	-
			5.000%	2030	1,600,000	-	-	1,600,000	-
			5.000%	2031	1,600,000	-	-	1,600,000	-
			5.000%	2032	1,600,000	-	-	1,600,000	-
			5.000%	2033	1,605,000	-	-	1,605,000	-
			5.000%	2034	1,605,000	-	-	1,605,000	-
			5.000%	2035	1,605,000	-	-	1,605,000	-
					<u>35,010,000</u>	<u>-</u>	<u>1,315,000</u>	<u>33,695,000</u>	<u>1,280,000</u>

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

Schedule of Bonded Indebtedness

June 30, 2014

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance	Additions	Retirements	Balance	Current Portion
					June 30, 2013			June 30, 2014	
12/1/02	G.O. Water & Wastewater	3,625,000	4.000%	2014	200,000	-	200,000	-	\$ -
			4.000%	2015	200,000	-	-	200,000	200,000
			4.000%	2016	200,000	-	-	200,000	-
			4.200%	2017	200,000	-	-	200,000	-
			4.250%	2018	200,000	-	-	200,000	-
			4.250%	2019	200,000	-	-	200,000	-
			4.500%	2020	200,000	-	-	200,000	-
			4.500%	2021	225,000	-	-	225,000	-
					1,625,000	-	200,000	1,425,000	200,000
10/22/09	G.O. Water & Wastewater	4,403,885	5.000%	2014	600,146	-	600,146	-	-
			5.000%	2015	425,145	-	-	425,145	425,145
			5.000%	2016	320,146	-	-	320,146	-
			4.000%	2017	375,145	-	-	375,145	-
			4.000%	2018	175,526	-	-	175,526	-
			4.000%	2019	175,527	-	-	175,527	-
			4.000%	2020	170,907	-	-	170,907	-
			4.000%	2021	170,907	-	-	170,907	-
					2,413,449	-	600,146	1,813,303	425,145
Total bond indebtedness					\$ 132,728,449	\$ -	\$ 12,585,146	\$ 120,143,303	\$ 12,770,145

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

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STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION

(Unaudited)

This part of the 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.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities										
Net investment in capital assets	\$ 400,602,861	\$ 409,817,568	\$ 434,357,704	\$ 479,566,660	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261
Restricted for:										
Capital projects	-	10,328	10,328	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758
Debt service	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014
Unrestricted	69,644,089	91,309,189	114,516,492	114,831,241	145,101,657	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548
Total primary government net positions	\$ 471,064,583	\$ 501,945,605	\$ 549,700,594	\$ 596,068,938	\$ 632,488,958	\$ 688,671,070	\$ 745,980,209	\$ 810,463,338	\$ 821,956,778	\$ 836,548,581

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government										
Net investment in capital assets	\$ 400,602,861	\$ 409,817,568	\$ 434,357,704	\$ 479,566,660	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261
Restricted for:										
Capital projects	-	10,328	10,328	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758
Debt service	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014
Unrestricted	69,644,089	91,309,189	114,516,492	114,831,241	145,101,657	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548
Total primary government net positions	\$ 471,064,583	\$ 501,945,605	\$ 549,700,594	\$ 596,068,938	\$ 632,488,958	\$ 688,671,070	\$ 745,980,209	\$ 810,463,338	\$ 821,956,778	\$ 836,548,581

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business type activities										
Operating revenue										
Charges for services	\$ 193,113,963	\$ 207,281,292	\$ 212,755,158	\$ 228,383,899	\$ 233,252,948	\$ 244,256,719	\$ 270,705,131	\$ 276,016,274	\$ 291,114,342	\$ 300,781,049
Misc operating revenue	-	4,841,109	1,412,327	1,766,573	7,422,442	11,065,254	328,726	16,400	5,021	1,104
Operating revenues	193,113,963	212,122,401	219,975,605	230,150,472	240,675,390	255,321,973	271,033,857	276,032,674	291,119,363	300,782,153
Total operating revenue										
Operating expenses										
Power supply and generation	95,399,587	99,348,276	91,583,495	99,426,511	104,981,262	103,856,516	107,702,994	103,619,819	148,520,775	163,175,003
Electric operations	10,102,663	9,246,154	10,229,775	10,730,185	11,129,955	11,249,470	11,439,256	12,501,170	14,276,714	15,475,385
Water operations	8,891,171	8,909,582	11,107,786	9,731,125	11,372,129	12,415,704	13,149,818	14,059,094	14,562,693	14,575,051
Miscellaneous operating expense-water	-	-	-	1,763,025	7,421,764	11,063,969	327,681	15,010	-	-
Sanitary sewer operations	8,477,993	8,381,290	8,923,116	9,535,221	11,027,309	11,390,966	11,602,787	12,743,659	13,016,609	13,615,899
General and administrative	18,644,821	19,710,781	19,129,562	21,256,701	24,029,963	23,357,418	24,634,211	26,259,839	31,087,333	33,002,023
Depreciation	25,313,442	25,713,139	26,698,240	28,177,675	29,074,593	29,622,994	30,841,253	31,529,852	36,754,827	34,671,469
Fleet maintenance	-	5,062,838	5,468,556	5,852,988	6,181,586	6,597,213	7,360,542	7,337,737	7,826,061	8,253,426
Total operating expenses	166,829,677	176,372,060	173,140,530	186,473,441	205,218,561	209,554,250	207,058,542	208,086,180	266,025,012	282,768,256
Operating income (loss)	26,284,286	35,750,341	46,835,075	43,677,031	35,456,829	45,767,723	63,975,315	67,966,494	25,094,351	18,013,897
Nonoperating revenue (expense)										
Interest earned on investments	1,950,546	3,040,013	4,951,471	5,153,257	4,653,327	3,050,641	2,149,498	2,984,481	1,463,337	2,902,109
Gain (loss) on disposal of assets	(206,619)	(420,050)	(484,539)	(94,878)	(147,331)	(356,749)	(1,201,165)	(142,064)	1,961,214	(462,840)
Interest expense	(7,163,273)	(9,339,725)	(9,730,573)	(7,251,358)	(8,723,331)	(7,602,623)	(8,087,136)	(7,489,731)	(7,270,893)	(6,601,453)
Amortization	(1,826,573)	(2,115,656)	(2,306,206)	(2,065,269)	(1,536,270)	(1,081,256)	(1,487,207)	(1,480,623)	(1,004,424)	(714,299)
Finance costs	(555,164)	(536,224)	(524,175)	(480,894)	(452,525)	(132,616)	(21,225)	(19,425)	(100,162)	(62,588)
Total nonoperating revenue (expense)	(7,801,083)	(9,371,642)	(8,094,022)	(4,739,142)	(6,208,142)	(6,122,603)	(8,647,235)	(6,147,362)	(4,950,928)	(4,939,071)
Income (loss) before transfers and contributions	18,483,203	26,378,699	38,741,053	38,937,889	29,250,687	39,645,120	55,328,080	61,819,132	20,143,423	13,074,826
Transfers in										
Transfers out	82,903	1,880,500	23,592,628	53,443,687	9,491,875	65,577,715	33,595,642	594,334	28,461,707	44,565,331
Transfers in -City of Fayetteville	(82,903)	(1,880,500)	(23,592,628)	(53,443,687)	(9,491,875)	(65,577,715)	(33,595,642)	(594,334)	(28,461,707)	(44,565,331)
Transfers out -City of Fayetteville	-	-	754,611	2,577,141	2,580,565	1,063,025	627,172	1,332,077	2,934,498	4,379,817
Capital contributions	(9,624,200)	(9,802,460)	(9,449,012)	(10,005,305)	(8,054,235)	(8,691,240)	(10,800,269)	(9,820,653)	(10,961,399)	(12,303,615)
Change in net position	14,851,931	17,708,389	14,858,567	14,858,567	12,643,003	24,243,346	12,154,156	11,152,573	3,803,969	9,440,775
Change in net position	\$ 23,710,934	\$ 16,576,239	\$ 47,765,041	\$ 46,388,292	\$ 36,420,020	\$ 56,260,251	\$ 57,309,139	\$ 64,483,129	\$ 15,920,491	\$ 14,591,803

PUBLIC WORKS COMMISSION
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	Total Direct Rate									
	Electric									
	Residential	Commercial	Industrial	Lighting	Other	Total				
							Base Rate ^a	Usage Rate ^b		
								first 500 kWh	ea kWh > 500	
2014	933,550,479	755,446,906	297,474,309	36,909,744	56,425,311	2,079,806,749	\$ 11.80	\$ 0.0964	\$ 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	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	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	0.0977	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	0.0825	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	0.0750	0.0815
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	9.00	0.0750	0.0750	0.0815
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	9.00	0.0719	0.0719	0.0794
2006	911,632,771	755,229,052	356,355,125	27,855,361	53,069,016	2,104,141,325	9.00	0.0719	0.0719	0.0794
2005	865,456,446	743,676,014	376,769,957	27,107,118	54,415,761	2,067,425,296	8.00	0.0710	0.0710	0.0670

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.

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

Fiscal Year	Total Direct Rate												
	Water												
	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate ^b	first 6 Mgals	ea Mgal > 6	Usage Rate ^c			
										2 Mgals	3-5Mgals	5-10Mgals	next 5-10Mgals
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	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
2008	4,008,897	1,819,701	893,065	473,142	1,156,148	8,350,953	4.87	2.20 ^e	3.23	-	-	-	-
2007	3,907,580	1,860,087	776,853	424,036	942,767	7,911,323	4.08	2.29 ^d	3.23	-	-	-	-
2006	3,807,207	1,889,923	794,542	442,894	1,040,805	7,975,371	4.08	2.29	3.23	-	-	-	-
2005	3,653,394	1,831,167	798,011	404,576	844,598	7,531,746	3.71	2.09	2.95	-	-	-	-

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 moals in 2007.

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

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

Fiscal Year	Total Direct Rate									
	Wastewater									
	Usage Rate									
	Sewer Only Flat Rate									
	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate ^a	per Mgal ^b	Inside	Outside
2014	3,252,419	1,498,619	615,777	187,458	473,640	6,027,913	\$ 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
2008	3,275,145	1,632,507	527,324	75,997	514,873	6,025,846	4.05	4.20	25.05	30.06
2007	3,181,099	1,641,518	441,983	72,190	512,537	5,849,327	2.46	4.20	27.66	28.03
2006	3,097,538	1,664,929	464,266	33,243	510,674	5,770,650	2.46	4.20	27.66	28.03
2005	2,942,633	1,638,812	497,473	18,845	500,333	5,598,096	2.24	4.11	26.90	26.90

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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential										
Basic	\$ 8.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.90	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80
Energy, first 500 kWh	0.07100	0.07190	0.0719	0.0750	0.0750	0.0825	0.0900	-	-	-
All additional kWh	0.06700	0.07940	0.0794	0.0815	0.0815	0.0896	0.0977	-	-	-
Energy, all kWh	-	-	-	-	-	-	-	0.0946	0.0946	0.0964
General service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Demand, first 10 kW	-	-	-	-	-	-	-	0.1013	0.1013	0.1013
all additional kW	6.0000	6.4800	6.4800	6.7500	6.7500	7.4000	8.1000	-	-	-
Energy, first 2,000 kWh	0.0750	0.0810	0.0810	0.0845	0.0845	0.0929	0.1013	-	-	-
all additional kW	0.0450	0.4860	0.4860	0.0505	0.0505	0.0555	0.0605	-	-	-
Lg General service										
Basic	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 220.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00
Demand, all kW	9.00	9.72	9.72	10.10	10.10	11.10	12.10	12.10	12.10	13.00
Excess Off Peak	-	-	-	-	-	-	2.00	-	-	-
Energy On Peak	0.0350	0.0380	0.0380	0.0400	0.0400	0.0462	0.0383	-	-	-
Off Peak	-	-	-	-	-	-	0.0300	-	-	-
Energy (1000kW and greater)	-	-	-	-	-	-	0.0300	0.0504	0.0504	0.0523
Small Industrial service										
Basic	\$ -	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ -	\$ -	\$ -
Demand, first 10 kW	-	-	-	-	-	-	-	-	-	-
all additional kW	-	6.4747	6.4747	6.7500	6.7500	7.4000	8.1000	-	-	-
Energy, first 2,000 kWh	-	0.0811	0.0811	0.0844	0.0844	0.0928	0.1012	-	-	-
all additional kW	-	0.0520	0.05198	0.05420	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	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 550.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00
Demand, first 5,000 kW	11.25	12.15	12.15	12.85	12.85	13.45	14.50	-	-	-
next 5,000 kW	10.25	11.07	11.07	11.75	11.75	12.50	13.45	-	-	-
All additional kW	9.25	9.99	9.99	10.60	10.60	11.90	12.80	-	-	-
Energy, all kWh	0.0350	0.0380	0.0380	0.0400	0.0400	0.0462	0.0383	0.0504	0.0504	0.0523
Traffic signal service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Energy, all kWh	0.0450	0.0511	0.05106	0.05300	0.05300	0.05820	0.06350	0.06350	0.06350	0.06790
Church service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Energy, first 500 kWh	0.0710	0.0853	0.08532	0.08800	0.08800	0.09680	0.10560	-	-	-
NEXT 2,000 kWh	0.0670	0.0788	0.07884	0.08250	0.08250	0.09070	-	-	-	-
all additional kWh	0.0630	0.0788	0.07884	0.08250	0.08250	0.09070	0.09890	0.09960	0.09960	0.10130
Sports field lighting service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00
Energy, all kWh	0.0450	0.0525	0.05249	0.05669	0.05669	0.06230	0.06790	0.06790	0.06790	0.06790
Minimum, all kW	2.0000	2.5313	2.5313	2.8477	2.8477	-	-	-	-	-

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

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

	2005		2006		2007		2008		2009	
	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"	\$ 3.71	\$ 4.27	\$ 4.08	\$ 4.69	\$ 4.08	\$ 4.69	\$ 4.87	\$ 5.84	\$ 5.24	\$ 6.81
3/4"	3.71	4.27	4.08	4.69	4.08	4.69	4.87	5.84	5.24	6.81
1"	5.42	6.23	5.99	6.89	5.99	6.89	7.33	8.80	7.96	10.35
1.5"	9.32	10.72	10.36	11.91	10.36	11.91	12.97	15.56	14.19	18.44
2"	14.20	16.33	15.82	18.19	15.82	18.19	20.01	24.01	21.97	28.56
3"	25.67	29.52	28.65	32.95	28.65	32.95	36.55	43.86	40.25	52.33
4"	42.02	48.32	46.94	53.98	46.94	53.98	60.13	72.16	66.31	86.21
6"	82.52	94.50	92.26	106.10	92.26	106.10	118.57	142.28	130.89	170.15
8"	131.32	151.02	146.86	168.89	146.86	168.89	188.97	226.76	208.69	271.29
Usage rate 1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	-	-	-	-	-	-	2.20	2.64	-	-
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	3.23	3.88	-	-
first 6,000 gallons = 6 Mgal	2.09	2.40	2.29	2.63	2.29	2.63	-	-	-	-
each additional 1,000 gallons	2.95	3.39	3.23	3.71	3.23	3.71	3.88	4.66	-	-
first 2,000 gallons=2Mgal	-	-	-	-	-	-	-	-	2.10	2.73
next 3,000 gallons (3-5Mgals)	-	-	-	-	-	-	-	-	2.52	3.28
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	3.47	4.51
each additional gallon	-	-	-	-	-	-	-	-	4.17	5.42
Water irrigation										
per 1,000 gallons = 1 Mgal	2.95	3.39	3.23	3.71	3.23	3.71	3.88	4.66	-	-
first 30,000 gallons=30Mgal	-	-	-	-	-	-	-	-	4.49	5.84
next 30,000 gallons=(31-60Mgals)	-	-	-	-	-	-	-	-	5.53	7.19
each additional gallon	-	-	-	-	-	-	-	-	8.66	11.26
Backflow Prevention Assembly Inspection Charge									-	-
Commercial water service										
per 1,000 gallons = 1 Mgal	2.08	2.39	2.18	2.51	2.18	2.51	2.23	2.68	2.40	3.12
Large water usage										
per 1,000 gallons = 1 Mgal	1.59	1.59	1.67	1.67	1.67	1.67	1.71	1.71	1.84	1.84
Fire hydrant delivery										
Basic Facilities per Meter Set	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	2.08	2.08	2.18	2.18	2.18	2.18	2.23	2.23	2.40	2.40
Bulk water delivery										
Basic Facilities per Truckload	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	-	-
per 1,000 gallons = 1 Mgal	2.08	2.08	2.18	2.18	2.18	2.18	2.23	2.23	-	-
Yearly permit fee	-	-	-	-	-	-	-	-	225.00	225.00
Temporary Permit=1 Month	-	-	-	-	-	-	-	-	50.00	50.00
each additional month <3 months	-	-	-	-	-	-	-	-	50.00	50.00

* Rate structure in this category was based on first 1mgals in 2008.

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

	2010		2011		2012		2013		2014	
	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	\$ 7.07	\$ 5.74	\$ 8.04	\$ 6.27	\$ 9.09	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00
3/4"	5.24	7.07	5.74	8.04	6.27	9.09	7.00	10.50	7.75	12.00
1"	7.96	10.75	8.62	12.07	9.52	13.80	11.00	16.50	12.00	18.60
1.5"	14.19	19.16	15.19	21.27	16.94	24.56	19.00	28.50	21.00	32.55
2"	21.97	29.66	23.41	32.77	26.22	38.02	30.00	45.00	33.00	51.15
3"	40.25	54.34	42.73	59.82	48.00	69.64	55.00	82.50	60.00	93.00
4"	66.31	89.52	70.27	98.38	79.12	114.72	90.00	135.00	100.00	155.00
6"	130.89	176.70	138.49	193.89	156.14	226.40	175.00	262.50	195.00	302.25
8"	208.69	281.73	220.69	308.97	248.94	360.96	280.00	420.00	310.00	480.50
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	2.84	2.17	3.04	2.22	3.22	2.22	3.33	2.22	3.44
next 3,000 gallons (3-5Mgals)	2.52	3.40	2.59	3.63	2.64	3.83	2.64	3.96	2.64	4.09
next 5,000 gallons=(6-10Mgals)	3.47	4.68	3.54	4.96	3.59	5.21	3.59	5.39	3.59	5.56
each additional gallon	4.17	5.63	4.24	5.94	4.29	6.22	4.29	6.44	4.29	6.65
Water Irrigation										
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
first 30,000 gallons=30Mgal	4.49	6.06	4.56	6.38	4.61	6.68	4.61	6.92	4.61	7.15
next 30,000 gallons=(31-60Mgals)	5.53	7.47	5.60	7.84	5.65	8.19	5.65	8.48	5.65	8.76
each additional gallon	8.66	11.69	8.73	12.22	8.78	12.73	8.78	13.17	8.78	13.61
Backflow Prevention Assembly Inspection Char	-	-	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Commercial water service										
per 1,000 gallons = 1 Mgal	2.40	3.24	2.56	3.58	2.67	3.87	2.67	4.01	2.67	4.14
Large water usage										
per 1,000 gallons = 1 Mgal	1.84	1.84	1.94	1.94	2.06	2.06	2.06	2.06	2.03	2.06
Fire hydrant delivery										
Basic Facilities per Meter Set	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	2.56	2.56	2.67	2.67	2.67	2.67	2.67	2.67
Bulk water delivery										
Basic Facilities per Truckload	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	225.00	225.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00
Temporary Permit=1 Month	50.00	50.00	-	-	-	-	-	-	-	-
each additional month <3 months	50.00	50.00	-	-	-	-	-	-	-	-

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

	2005		2006		2007		2008		2009	
	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"	\$ 2.24	\$ 2.58	\$ 2.46	\$ 2.83	\$ 2.46	\$ 2.83	\$ 4.05	\$ 4.86	\$ 5.41	\$ 7.03
3/4"	2.24	2.58	2.46	2.83	2.46	2.83	4.05	4.86	5.41	7.03
1"	2.84	3.26	3.20	3.68	3.20	3.68	5.27	6.33	8.22	10.68
1.5"	4.20	4.82	4.90	5.63	4.90	5.63	8.08	9.70	14.63	19.02
2"	5.90	6.78	7.02	8.07	7.02	8.07	11.59	13.91	22.65	29.45
3"	9.89	11.37	12.00	13.80	12.00	13.80	19.85	23.81	41.50	53.95
4"	15.59	17.93	19.10	21.97	19.10	21.97	31.59	37.91	68.37	88.88
6"	29.70	34.16	36.70	42.20	36.70	42.20	60.71	72.85	134.93	175.41
8"	46.70	53.71	57.90	66.58	57.90	66.58	95.80	114.96	215.13	279.67
Usage rate										
Sanitary sewer service										
Basic Facilities										
per 1,000 gallons = 1 Mgal	4.11	4.11	4.20	4.20	4.20	4.20	4.20	5.04	4.67	6.07
Commercial wastewater service										
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Sewer only										
Flat monthly	26.90	26.90	27.66	28.03	27.66	28.03	25.05	30.06	28.76	37.39
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	3.15	3.15	3.18	3.18	3.18	3.18	3.18	3.18	3.48	3.48
Bulk liquid waste service										
Basic Facilities	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	8.22	8.22
per 1,000 gallons = 1 Mgal	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	29.00	37.70

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

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

	2010		2011		2012		2013		2014	
	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	\$ 7.30	\$ 5.88	\$ 8.23	\$ 6.40	\$ 9.28	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00
3/4"	5.41	7.30	5.88	8.23	6.40	9.28	7.00	10.50	7.75	12.00
1"	8.22	11.10	8.93	12.50	9.81	14.22	11.00	16.50	12.00	18.60
1.5"	14.63	19.75	15.89	22.25	17.60	25.52	19.00	28.50	21.00	32.55
2"	22.65	30.58	24.59	34.43	27.34	39.64	30.00	45.00	33.00	51.15
3"	41.50	56.03	45.03	63.04	50.23	72.83	55.00	82.50	60.00	93.00
4"	68.37	92.30	74.18	103.85	82.86	120.15	90.00	135.00	100.00	155.00
6"	134.93	182.16	146.39	204.95	163.70	237.37	175.00	262.50	195.00	302.25
8"	215.13	290.43	233.39	326.75	261.10	378.60	280.00	420.00	310.00	480.50
Usage rate										
Sanitary sewer service										
Basic Facilities										
per 1,000 gallons = 1 Mgal	4.67	6.30	4.77	6.68	4.87	7.06	4.87	7.31	4.87	7.55
Commercial wastewater service										
per 1,000 gallons = 1 Mgal	4.67	6.30	4.77	6.68	4.87	7.06	4.87	7.31	4.87	7.55
Sewer only										
Flat monthly	28.76	38.83	29.73	41.63	30.75	44.58	31.35	47.05	32.10	49.74
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	3.48	3.48	3.50	3.50	3.52	3.52	3.52	3.52	3.52	3.52
Bulk liquid waste service										
Basic Facilities	8.22	8.22	8.93	8.93	9.81	9.81	11.00	11.00	12.00	12.00
per 1,000 gallons = 1 Mgal	29.00	39.15	30.00	42.00	31.00	44.95	31.35	47.05	32.10	49.74

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

Electric Revenue

Fiscal Year 2005	Fiscal Year 2014
Kelly Springfield Tire Company	Goodyear Tire & Rubber
Purolator Products (Filters)	Mann+Hummel Pur Filt (Purolator)
Cargill, Inc.	Cargill, Inc.
Black & Decker	Cape Fear Valley Medical Center
Cape Fear Valley Medical Center	Fayetteville State University
Walmart Totalized	Walmart & Sam's
Fayetteville State University	Momentive Specialty Chemicals (Hexion)
Borden Chemical	Fayetteville Technical Community College
CBL Associates	CBL Associates
M J Soffee	Food Lion

These customers represented kWh sales for 2005 and 2014 of 435,174,213 and 410,835,915, respectively; and revenue of \$20,517,048 and \$26,107,778, respectively. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 14.7% and 13.39% respectively. No individual customer comprised more than 6.5% and 5.1% respectively of total electric sales revenue.

Water Revenue

Fiscal Year 2005	Fiscal Year 2014
Town of Spring Lake	FT Bragg/ Harnett County
Daks Resin	Town of Spring Lake
M J Soffee	Dak Resins
Kelly Springfield	Goodyear Tire & Rubber
Hoke County	Hoke County
Borden Chemicals	Aqua Water
Cargill, Inc.	Momentive Specialty Chemicals (Hexion)
Purolator Totalized	Carolina by Products
Cape Fear Valley Medical Center	Cargill, Inc.
V A Hospital	Cape Fear Valley Medical Center

These customers represented sales for 2014 of 1,772,046,279 gallons, and revenues of \$3,935,588 respectively. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 11.79%. No individual customer comprised more than 4.52% of total water sales revenue.

Wastewater Revenue

Fiscal Year 2005	Fiscal Year 2014
M J Soffee	Carolina by Products
Carolina by Products	Cargill, Inc.
Kelly Springfield	Nitta Gelatin
Purolator Totalized	Hoke County
Cape Fear Valley Medical Center	Cape Fear Valley Medical Center
Borden Chemical	Norcross
Cargill, Inc.	Town of Stedman
V A Hospital	Mann+Hummel Pur Filt (Purolator)
Cumberland County Jail	Goodyear Tire & Rubber
Fayetteville State University	Momentive Specialty Chemicals (Hexion)

These customers represented sales for 2014 of 636,511,646 gallons, and revenues of \$2,270,322. The aggregate sum of the ten largest wastewater customers' revenue is 5.92%. No individual customer comprised more than 1.64% of total wastewater sales revenue.

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

Fiscal Year	General		Revenue Bonds	Notes	Amount	Total			
	Obligation Bonds					Per Capita ⁽¹⁾	As a Share of Personal Income		
2014	\$	3,238,303	\$	106,892,473	\$	136,005,402	\$	410.74	1.85%
2013		4,038,449		116,860,133		143,123,518		448.06	2.04%
2012		4,843,594		126,380,887		15,415,501		391.78	1.91%
2011		5,901,470		151,607,212		16,683,349		510.28	2.35%
2010		6,453,885		169,120,000		17,951,198		612.86	2.85%
2009		7,412,175		155,045,000		19,219,047		588.48	2.80%
2008		9,041,939		167,735,000		20,486,896		643.88	2.76%
2007		10,626,704		162,360,000		64,396,137		766.07	3.40%
2006		2,705,000		173,565,000		136,357,559		1,045.37	3.05%
2005		3,640,000		184,320,000		18,303,144		725.69	2.19%

Note: Details regarding PWC'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.

- (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.

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**PUBLIC WORKS COMMISSION
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
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%
2008	306,366	7,154,565,198	23,353	6.3%
2007	309,872	6,990,092,576	22,558	5.2%
2006	299,060	10,241,309,700	34,245	5.5%
2005	284,231	9,434,195,352	33,192	5.4%

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 2014 as of June 2014.

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

	2014			2005		
	Employees	Percentage of Total County Employment	Rank	Employees	Percentage of Total County Employment	Rank
U.S. Dept. of Defense (Civil Service) ⁽¹⁾	8,757	6.76%	1	4,431	3.64%	3
Cumberland County Schools	6,807	5.25%	2	6,500	5.34%	1
Cape Fear Valley Health System	4,850	3.74%	3	5,000	4.10%	2
Wal-Mart Associates Inc.	3,570	2.76%	4	1,200	0.98%	7
Goodyear Tire & Rubber Inc. (Kelly Springfield)	3,000	2.32%	5	2,650	2.18%	4
Cumberland County	2,000 +	1.54%	6	2,500	2.05%	5
City of Fayetteville	1,000 +	0.77%	7	1,982	1.63%	6
Purulator	1,000	0.77%	8	1,150	0.94%	8
Fayetteville State University	900	0.69%	9	819	0.67%	9
Food Lion	800	0.62%	10	500 +	0.41%	10
Total Employment (Ten Largest Civilian Employers)	32,684	25.23%		26,732	21.95%	

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

Source: Cumberland County Business Council, Fayetteville Observer

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Electric:										
Electric Substation	12	13	15	11	11	11	10	10	11	11
Electric Power Supply	3	2	2	1	1	1	1	1	1	1
Electric Generation	23	26	26	28	29	28	29	30	30	30
Electric Engineering	19	21	20	25	26	21	24	22	21	20
Electric Construction	72	68	67	66	73	70	68	70	71	66
Water/Wastewater:										
Water Plant Operations	14	14	14	14	14	14	14	14	14	14
Wastewater Plant Operations	17	17	17	17	18	17	19	19	19	19
Water/Wastewater Systems Maintenance	22	23	22	22	22	23	22	21	22	23
Water Resources Engineering	31	33	28	32	29	30	27	27	24	24
Water Resources Construction	97	96	96	89	89	91	81	79	80	84
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	5	6	6	6	6
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	1	3	1	3	3	1	1	1	-	1
Administration:										
Billing/Customer Service	56	54	50	57	56	57	52	54	55	52
Meter Reading	4	4	4	10	11	11	11	11	10	25
Utility Field Services	23	28	29	29	31	33	34	34	34	15
Human Resources	5	6	6	7	7	6	5	6	6	7
Finance and Accounting	31	22	52	35	36	32	31	30	31	33
Management Information Systems	13	13	19	19	19	19	12	18	18	18
Executive Administration	146	110	111	104	104	101	105	100	97	100
Total Employees:	602	566	592	581	592	578	559	560	557	556

Source: Public Works Commission Human Resource Department

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water System:										
Water main breaks	152	119	128	146	130	180	182	165	104	137
Average daily consumption (Mgals) (1)	20,635	21,850	21,675	22,879	22,450	22,423	25,446	26,724	24,648	24,815
Peaks (MGD) (2) (3)	33.4	32.6	37.0	38.4	34.9	37.2	39.4	37.9	35.6	33.7
Total sold (Mgals) (1)	7,136,082	7,561,199	7,555,333	7,894,590	7,707,256	7,749,106	8,888,870	8,960,423	9,009,524	7,836,927
Sewer System:										
Main breaks	149	208	150	156	291	342	293	342	344	294
Average daily consumption (Mgals) (1)	15,337	15,810	16,026	16,509	16,338	16,436	16,557	24,720	24,400	27,000
Peaks (MGD) (3)	28.1	26.6	27.9	27.7	31.5	27.8	26.3	35.9	27.7	45.0
Total sold (Mgals) (1)	5,583,643	5,754,784	5,837,838	6,014,627	5,953,806	5,999,105	6,043,126	5,972,764	5,933,990	6,027,916
Electric System:										
Electric outages (minutes)	3,449,900	3,450,039	2,079,483	3,016,526	2,210,508	2,296,534	2,340,931	2,807,700	3,821,940	4,677,182
Peaks (MW) (4)	439.3	474.5	462.5	476.6	459.5	462.4	459.1	459.1	446.0	454.0
Total kWh sold (5)	2,022,146,431	2,060,681,493	1,993,810,584	2,073,630,914	2,074,038,439	2,139,521,914	2,194,905,986	2,053,384,900	2,037,402,888	2,079,806,749
Average daily consumption (kWh)	5,664,179	5,764,771	5,585,720	5,811,055	5,810,633	5,878,920	6,030,630	5,917,385	5,581,926	5,698,101

(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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water System:										
Miles of water main	1,198.2	1,229.0	1,245.0	1,278.5	1,296.3	1,316.4	1,329.2	1,351.5	1,364.3	1,374.4
Number of new service connections	2,360	2,962	3,154	2,285	1,220	616	962	2,649	1,375	1,258
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	2,299	3,142	3,006	2,260	1,752	317	1,140	1,612	1,375	1,358
Miles of sanitary sewer mains	1,051.0	1,092.0	1,103.0	1,132.5	1,149.7	1,231.9	1,246.0	1,272.0	1,219.0	1,281.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	41.0	41.0	41.0	41.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	1,426	2,245	1,744	1,151	471	650	533	1,359	64	432
Distribution line circuit miles	2,750.50	2,781.86	2,962.40	2,982.10	2,986.88	1305.49 (2)	1,313.79	1,316.73	1,316.48	1,323.60

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

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

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

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COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Board of Commissioners
Public Works Commission
of the City of Fayetteville
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 accompanying financial statements of the electric, water and wastewater, and fleet maintenance internal service funds of the Public Works Commission of the City of Fayetteville, North Carolina (the "Commission"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 10, 2014.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control that we consider to be significant deficiencies as described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002.

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*.

The Commission's Response to the Finding

The Commission's responses to the findings identified in our audit are described in the accompanying "Schedule of Findings and Responses." The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 10, 2014

PUBLIC WORKS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2014

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified ☐ yes ☒ no
- Significant deficiency identified that is not considered to be material weakness ☒ yes ☐ none reported

Noncompliance material to financial statements noted

☐ yes ☒ no

PUBLIC WORKS COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2014

Section II- Financial Statement Findings

Finding Number: 2014-001

SIGNIFICANT DEFICIENCY- System Development Life Cycle Controls

Criteria:

Information technology general computer controls ("ITGC") are used to manage and control the Commission's information technology activities. ITGCs are pervasive controls that contribute indirectly to the achievement of most financial statement assertions. ITGCs serve as a foundation that supports the Commission's financial and accounting systems including the system of controls that safeguard information, process financial transactions, and maintain accounting records.

In the year of a material change to underlying financial systems, risk in financial reporting increases. The ITGCs related to System Development Life Cycle ("SDLC") controls must be evaluated to ensure that the application software being implemented adequately supports financial reporting objectives. The key components of SDLC controls that should be in place during a material system conversion include (1) Determining System Requirements, (2) Project Plan, (3) Testing System Controls, (4) System Integration Testing and (5) Data Conversion. These components represent a series of preventative and detective control objectives that are necessary to mitigate the risk of material misstatement in the financial statements.

Condition and Context:

During the Fiscal Year Ended June 30, 2014, the Commission implemented the Oracle Enterprise Business System ("eBS") to be used for the foundation of its enterprise resource planning ("ERP") system. In addition, the Commission implemented Oracle Work & Asset Management ("WAM") for time entry and job costing for work order activities to account for construction in process to final capital asset accounting. This implementation materially affects the Commission's system of internal controls over financial reporting as eBS covers the significant business cycles and related classes of transactions for the Commission.

The Commission's SDLC business requirements, system design, testing and training to ensure business activities would integrate within the new ERP system for Business and Financial Operations personnel was insufficient. Specifically, we could not find evidence that Systems Integration Testing ("SIT"), User Acceptance Testing ("UAT") and business cycle End-to-End and/or Conference Room Pilot ("CRP") testing and related training was sufficiently robust to ensure both operational and financial reporting objectives would be achieved. We were unable to find evidence that the Commission completed all UAT, SIT, CRP and related end user training for Oracle eBS and WAM prior to going live, including conducting full mock financial closes and testing of key system based reports to verify results were in line with Management's expectations.

Effect:

Had these procedures been performed at the appropriate level, it is likely they would have detected the design and operating deficiencies related to closing work orders within the WAM system and placing capital projects in service in eBS in a timely manner prior to going live on the new system. This resulted in significant inefficiency (unable to timely close financial modules and the general ledger), required workaround activities and rework for how the Commission uses WAM and eBS.

PUBLIC WORKS COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2014

Finding Number: 2014-001 (continued)

Cause:

The Commission experienced unplanned turnover with members of the Oracle Implementation firm and in several critical internal ERP project team positions including, IT Director, two (2) Project managers, and the Phase I lead trainer finance and accounting professional designated as "Train the Trainer". This impacted knowledge transfer and post go-live production support. Because of this and the reliance on the "Train the Trainer" approach, the Commission conducted limited end user training and minimal SIT, UAT and CRP testing for Oracle eBS and WAM.

Recommendation:

We recommend the Commission revisit the design requirements initiative and an internal control initiative to re-implement WAM and its interface with eBS to ensure business operations activities integrate with WAM and related financial accounting. Further we recommend the Commission formalize the monthly financial close of the WAM module and key related reports to verify results are in line with key expectations.

Management's Response:

The Commission is currently revisiting the design and internal control environment related to the WAM and eBS interface as a means to ensure that the integration's functionality is accurate. As this process is completed, the steps to close the WAM module on a monthly basis will be formalized and documented accordingly. This documentation will include procedures that will utilize system-generated reports to reconcile the WAM module activity for the month to the eBS general ledger system. This will ensure that the Commission's key expectations in this regard are met.

Finding Number: 2014-002

SIGNIFICANT DEFICIENCY- Segregation of Duties and System Based Logical Access Controls

Criteria:

ITGCs related to Access and Security controls must be evaluated every year. Risks related to these controls increase in the year of a material change to the system of internal control such as an implementation of a new system. Within Security and Access controls a key component is ensuring and maintaining an appropriate segregation of duties.

Segregation of duties ("SOD") is fundamental to fraud risk management. SOD control should operate on a continuous basis in order to be effective.

Condition and Context:

The Commission implemented eBS and WAM in November 2013. The Commission has not yet established period access review ("PAR") controls to ensure end user access is appropriate and consistent with SOD controls as part of the Commission's anti-fraud program and objective to safeguard assets.

Effect:

Without a thorough review of system based roles, responsibilities and end user access, the Commission is subject to an increased exposure to unintended consequences in the form of error and fraud.

PUBLIC WORKS COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2014

Finding Number: 2014-002 (continued)

Cause:

The Commission experienced unplanned employee turnover with members of the Oracle Implementation firm ("Consulting Firm") and in several critical internal ERP project team positions including, IT Director, two (2) Project Managers, and the Phase I lead trainer finance and accounting professional designated as "Train the Trainer".

Recommendation:

We recommend that the Commission:

- Perform a fraud risk assessment and verify functional SODs and related anti-fraud controls considered important as part of its anti-fraud program.
- Identify and verify key Oracle "Form/Functions" important to SODs and that they are limited to only the desired Oracle Responsibilities and are in line with the Commission's expectations.
- Review end users' logical access against the users' Oracle Responsibilities containing the aforementioned key Form/Functions to ensure they remain appropriate given the employee/user's job responsibilities and duties and the Commission's requirements for SODs.¹
- Design PAR controls to operate on a quarterly basis to ensure user access remains appropriate considering changes in employee status such as new hires, terminations and employee job rotation in the normal course of business.

In addition, the Commission should evaluate its IT production support center for appropriate SOD controls as follows:

- Personnel in the IT department do not have the responsibility for transaction and accounting duties normally performed by end users in the functional area.
- IT personnel administering security do not have responsibilities for programming, database management or computer operations.
- Programmers and developers do not have access to modify production software code.

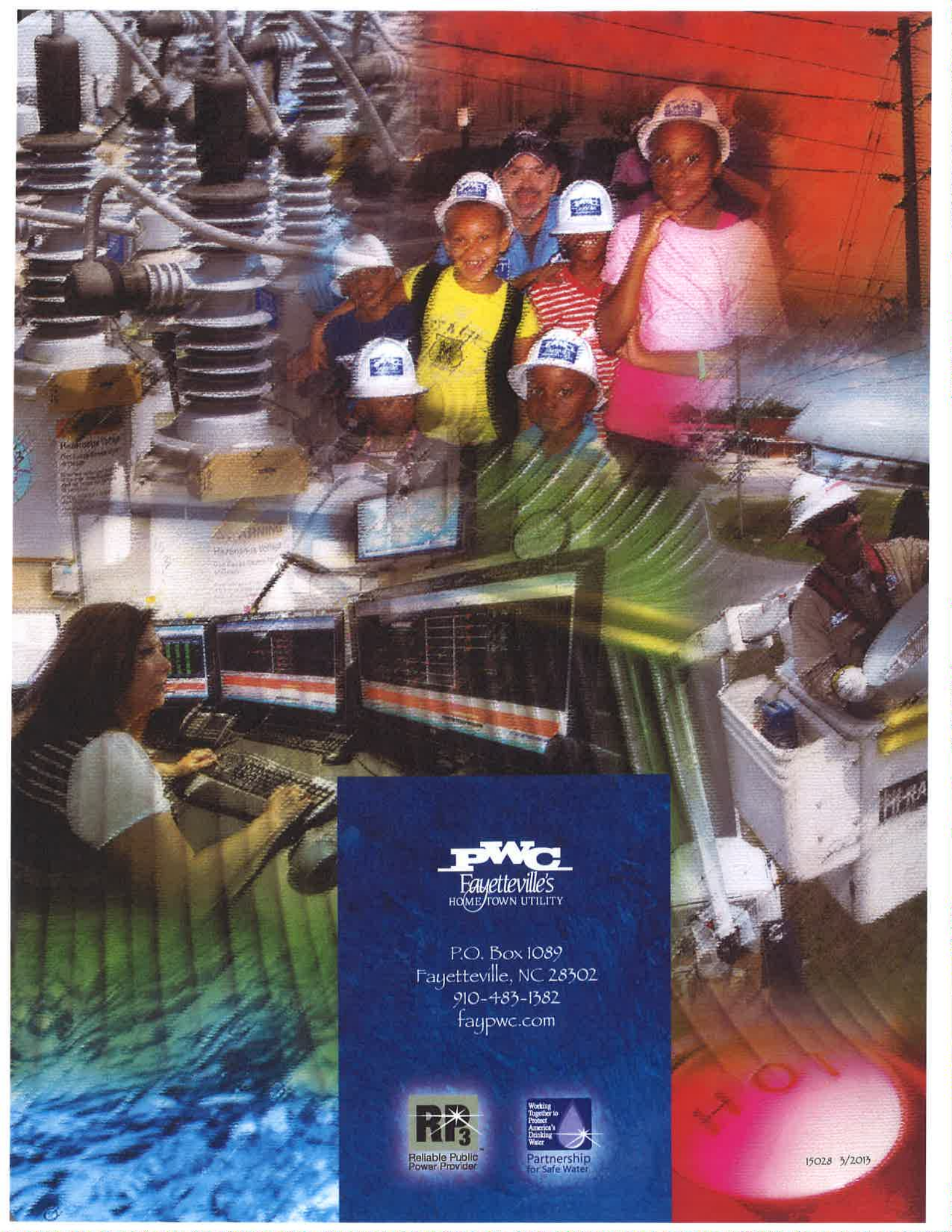
Additionally, controls should be in place to ensure that all users are uniquely identified, meaning there are no shared logins except for limited, read-only access. Access rights of any generic logins should be appropriately limited.

Management's Response:

The Commission hired additional IS Security personnel on 7/28/14 with the purpose of providing additional oversight of systems security policies, standards and processes. The Commission IS Security section is responsible for monitoring and auditing all systems access, ensuring adherence to Commission policies and separated from the other IS functions of programming, database management and computer operations.

As part of the post-implementation system stabilization, the Commission is currently reviewing and updating the segregation/separation of duties for user roles based on functional job requirements. Once updated, systems access will be audited on a regular basis to insure that defined user roles are still appropriate for functional job and SOD requirements. In addition, IS Security and the Commission Internal Auditor will coordinate to address steps for fraud risk prevention. As a part of the SOD, IS personnel are not granted access rights to perform the production transactional duties of end users in functional areas or modify production software code or configurations.

Current Commission policy prohibits the sharing of user IDs and passwords. All Commission system users are assigned a unique named user ID. System-level accounts are limited to specific application system functions and restricted to IS Security, database and systems administration personnel as required. IS systems administrators are issued separate credentials to perform critical systems maintenance functions.



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