



Our Vision

To be valued by
our customers
for improving
their quality of
life by providing
first-rate utility
services and by
being a leader
in community
sustainability.

Our Mission

To be a safe,
highly productive
utility that invests
in our team,
facilities and
infrastructure,
and provides
information
to customers,
helping them to
make informed
choices.

2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015
PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE
(PROPRIETARY FUNDS OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA)

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, 2015

Commissioners

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Lynne B. Greene, *Vice-Chairman*
Wade R. Fowler, Jr., *Secretary*
Darsweil L. Rogers, *Treasurer*

Chief Executive Officer

David W. Trego

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

Jill Autrey, *Chief Accountant*
Sabrina King, *Chief Accountant*
Cinthia Funes, *Accounts Payable/Payroll Supervisor*
Donna Lopes, *Budget Manager*
Carla Supples, *Financial Rates Analyst*
Cathy Traylor, *Revenue Accounting Supervisor*

Karen Aippersbach, CPA, CGMA, *Accountant*
Dee Bowles, *Accountant*
Lisa Buffaloe, *Budget Analyst*
Martin Cunningham, *Revenue Accounting Analyst*
Marsha Krings, CPA, *Accountant*

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

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MICHAEL G. LALLIER, COMMISSIONER
LYNNE B. GREENE, COMMISSIONER
DARSWEIL L. ROGERS, COMMISSIONER
WADE R. FOWLER, JR., COMMISSIONER
DAVID W. TREGO, CEO/GENERAL MANAGER

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE

955 OLD WILMINGTON RD
P.O. BOX 1089
FAYETTEVILLE, NORTH CAROLINA 28302 1089
TELEPHONE (910) 483-1401
WWW.FAYPWC.COM

ELECTRIC & WATER UTILITIES

October 6, 2015

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, 2015.

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, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Public Works Commission

The PWC was created on March 4, 1905, through an act of the Legislature, to manage, operate, and supervise the three utilities – electric, water and wastewater – as well as to be responsible for operating the city market stalls, test weights and measures. The act establishing the PWC specified that the Board of Alderman (now the City Council of Fayetteville) appoint three Commissioners for a period of three years each, with staggered terms.

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

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

PWC's electric system involves the transmission and distribution of electric energy, which is purchased from Duke Energy Progress (DEP) and the Southeastern Power Administration (SEPA). In June 2009, PWC and DEP entered into a 20 year full requirements agreement effective July 1, 2012. Subsequent amendments extended the term to 30 years. PWC will utilize its SEPA allocation as permitted in the agreement. PWC may elect to terminate the agreement effective June 30, 2024 with written notice provided by June 30, 2017. Also, in June 2009, PWC and DEP executed a 5 year agreement to lease its Butler-Warner Generation Plant to DEP effective July 1, 2012. Subsequent amendments extended the term until June 30, 2021. PWC provides electric service to approximately 60 percent of the Fayetteville/Cumberland County area. During FY 2015, electric service was provided to more than 82,000 customers.

PWC is committed to supplying safe water that meets or surpasses state and federal standards and achieves the highest standards of customer satisfaction. PWC's two water treatment facilities – PO Hoffer and Glenville Lake – draw water from two independent water sources, the Cape Fear River and Glenville Lake. In 2014, PWC started construction on a project to replace the Glenville Lake Dam Spillway. A detailed evaluation of the existing structure determined that the spillway is undersized and contained questionable internal stability. The structure is 100 years old and replacement was the best alternative. Not only does the replacement extend the dams' useful life, but it also serves as a safeguard to help ensure that PWC customers have adequate water supply during a catastrophic event. The water treatment facilities have a combined treatment capacity of 57.5 million gallons a day (MGD). PWC currently provides water service to more than 94,000 households and businesses. PWC also, under wholesale contracts, furnishes water to Fort Bragg, the Town of Spring Lake, the Town of Stedman, Hoke County and Aqua North Carolina, Inc.

PWC works to accommodate wastewater utility needs as a result of residential expansion, annexation and economic development. PWC's Cross Creek and Rockfish Creek Water Reclamation Facilities have the capacity to treat more than 46 million gallons of wastewater per day. PWC currently services more than 85,000 wastewater customers throughout the Fayetteville/Cumberland County area.

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 recently added a \$240

million building that will house 3,000 workers and is the Headquarters of both the US Army Forces Command and US Army Reserve Command.

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

During the past five years annual unemployment rates for Cumberland County have ranged from a low of 7.5 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 2016 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 final phase of PWC's Comprehensive Information Technology System project (Navigate) was implemented in FY2015. Installation of a Meter Data Management system was the third phase of the multi-phase project that replaced PWC's Customer Information, Financial and Work Management Systems as well as added an Asset Management system.
- Installation of PWC's Advanced Metering Communications Infrastructure was completed in FY 2015 and AMI meter installation was accelerated with nearly 40,000 meters installed. By 2017, the multi-year \$62 million project will replace over 150,000 electric and water meters with advanced meters with two-way technology features.

- The first phase to upgrade the P.O. Hoffer Treatment facility was underway in FY2015. The \$17 million reliability upgrade which will be completed in the summer of 2016 is the first of three phases of work that will ultimately increase treatment capacity at the plant by 16 million gallons a day.
- A system-wide conversion of over 16,000 streetlights to Lighting-Emitting Diode (LED) street lights started in FY2015. 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 four million consecutive hours from November 15, 2011 to December 8, 2014 with no lost time injuries. It marked the first time in PWC history employees have reached four million safe hours.
- Eight customer conservation incentive programs were offered to encourage efficiency and 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 with PWC's new metering technology. In FY15, participation in conservation programs saved over 10 million gallons of water and reduced electricity consumption by nearly 500,000 kWh.
- Progress continued on sanitary sewer service installation as part of the City of Fayetteville's Annexation Phase V utility retrofitting project. Over 3,500 services have been installed and the remaining 5,000 services will be installed by 2025.
- PWC's commitment to environment and sustainability continued with PWC being awarded North Carolina Smart Fleet honors by the North Carolina Clean Cities Coalition for reducing fleet emissions and receiving a NC Clean Energy Technology Center Grant to install four Electric Vehicle Charging Stations in the PWC Service territory.
- 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 with steel 69KV poles with a 50-year life expectancy. The water systems are replacing and re-lining existing water and sewer mains to improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems.

Awards and Acknowledgements

PWC was the recipient of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the eighth 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 2015 annual budget. PWC has received this award for the past 20 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.

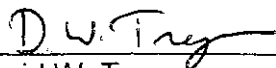
PWC also received its second Special Capital Recognition and was one of only seven selected nationally. To receive the recognition, all reviewers must rate the capital presentation as outstanding.

During FY 2015, PWC was recognized with a number of awards and special honors to include but not limited to the following:

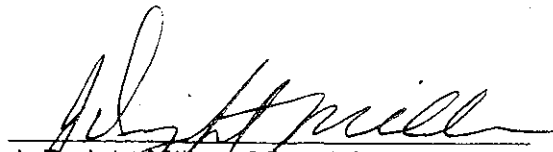
- A long standing commitment to safety earned PWC employees their four million safe hour recognition as well as the 23rd Electric Utility Safety Award from the American Public Power Association, 27th consecutive Certificate for Safety Achievement from the North Carolina Department of Labor and 19th consecutive Municipal Electric Safety Award.
- 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 has maintained the standards of the national Director's Award from the Partnership for Safe Water Program for 15 consecutive years, an accomplishment achieved by less than one percent of water utilities in the country. The award recognizes utilities that have completed the highest level of operations for providing drinking water quality that surpasses the required federal standards.
- Following the PWC's Comprehensive Information Technology System project implementation, PWC received the Customer Service Week Award of Excellence for Best Customer Information System Implementation and the American Business Awards' Bronze Stevie Award for Project Implementation Support Team of the Year.
- For the 10th 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.
- The American Heart Association recognized PWC as the first organization in our area to reach the AHA's Fit Friendly Company Award Platinum level of recognition.

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

Respectfully submitted,



David W. Trego
Chief Executive Officer



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

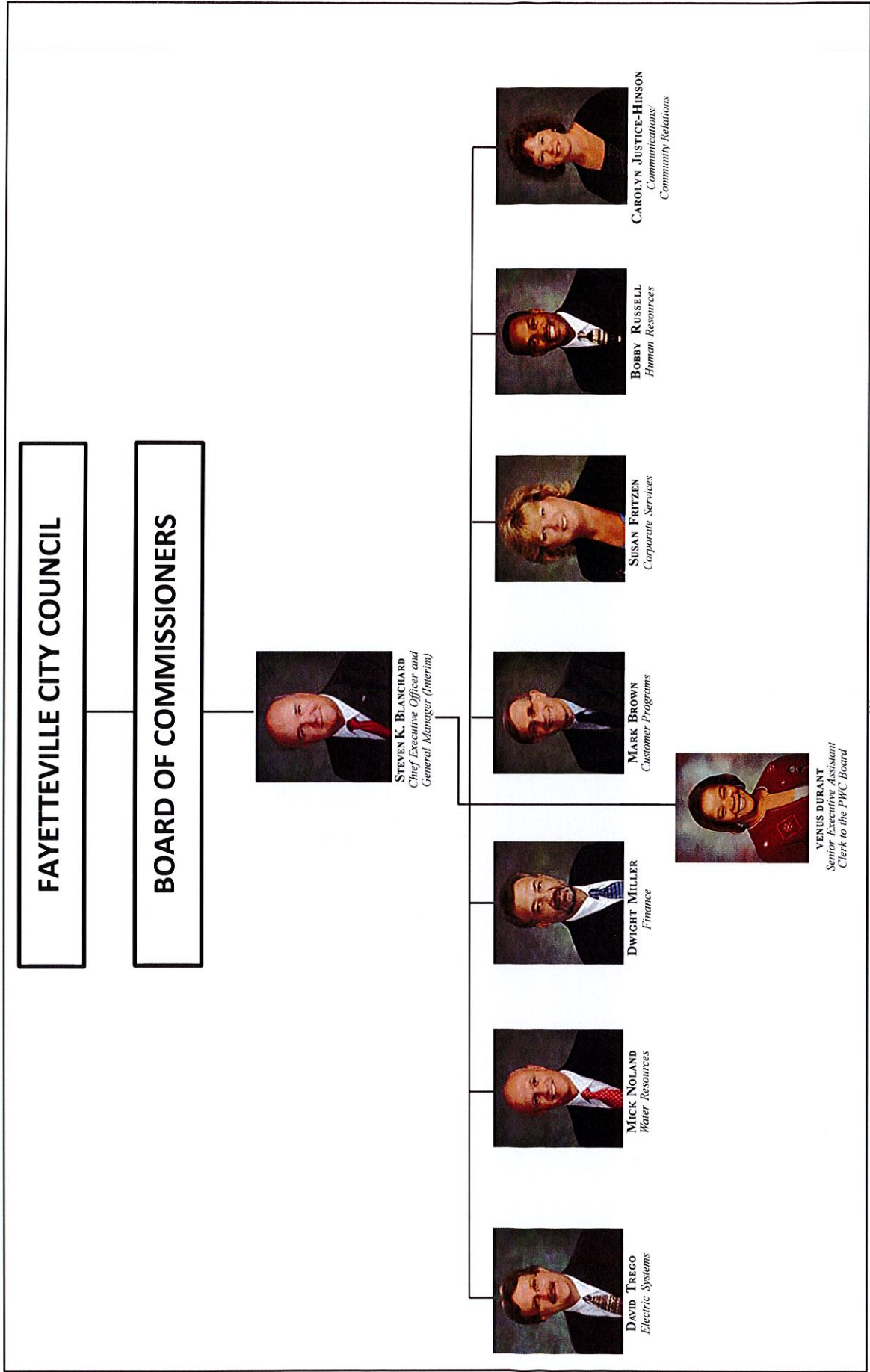
June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is written in a cursive, flowing style.

Executive Director/CEO

PUBLIC WORKS COMMISSION

OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA



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, 2015, 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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1, 10 and 17 to the financial statements, the Commission adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, net position as of June 30, 2014 of the statement of revenues, expenses and changes in net position has been restated. Our opinion is not modified with respect to this matter.

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, the Proportionate Share of Net Pension Liability (Asset) and Local Government Employees' Retirement System, and the Other Post-Employment Benefit Schedules of Funding Progress and Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 6, 2015, 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 Bekasert LLP

Raleigh, North Carolina
October 6, 2015

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

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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, 2015. 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 at year end was \$851.6 million, an increase of \$17.8 million, or 2.1 percent, up from \$833.8 million in fiscal year 2014.
- Total unrestricted and undesignated operating reserves were 108.79 days at June 30, 2015, down from 109.36 in the prior year.
- Income before Capital Contributions and Transfers was \$23.3 million compared to \$13.1 million in fiscal year 2014, up \$10.2 million or 77.9 percent.
- In March of 2014, electric rate adjustments were approved effective May 1, 2014 and May 1, 2015.
- In March of 2015, water/wastewater rate adjustments were approved effective May 1, 2015 and May 1, 2016.
- The Electric Rate Stabilization Fund net position was \$48.4 million at June 30, 2015.
- Capital contributions were \$7.8 million, a decrease of \$1.6 million, compared to \$9.4 million in the prior year.
- Capital spending for the Electric System was \$27.2 million, an increase of \$6.8 million, or 33.3 percent.
- Capital spending for the Water and Wastewater Systems was \$50.9 million, an increase of \$15.4 million, or 43.4 percent.
- During fiscal year 2015, the PWC maintained its Aa2 and AA rating from Moody's and Standard and Poor's, respectively. Fitch assigned its first rating to PWC of AA.
- PWC's senior lien ratio is 3.9, 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, deferred outflows, liabilities and deferred inflows 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.

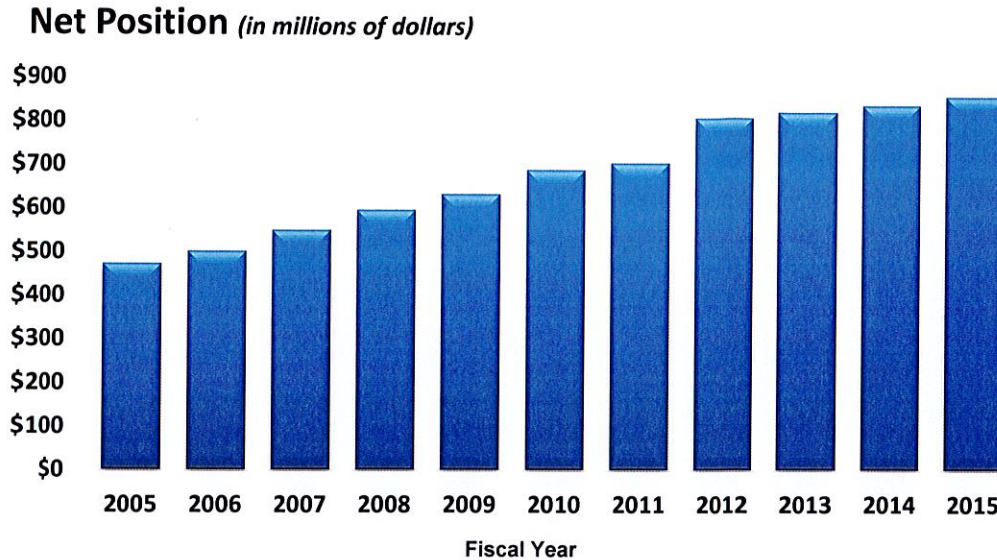
The financial statements of the PWC report information about Enterprise Funds, as well as the Fleet Maintenance Internal Service Fund. The Internal Service Fund is managed by the PWC for fleet services of the PWC and the City of Fayetteville.

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 2015. A summary of the PWC's Statement of Net Position is presented in Figure A-2. Net position increased \$17.8 million to \$851.6 million in fiscal year 2015, up from \$833.8 million in fiscal year 2014. By far, the largest portion of the PWC's net position, \$556.0 million (65.3 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 2015. Current and Other Assets were \$364.8 million, an increase of \$86.2 million or 30.9 percent, the result of bond proceeds to be used for capital improvements. Cash and investments decreased by \$327,000 which caused the operating cash reserves to decrease from 109.36 days to 108.79 days. PWC's operating cash reserves policy is to have a minimum of 90 days and no more than 120 days cash in reserve.

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

	FY	FY	Total	Total
	2014	2015	Dollar	Percent
			Change	Change
Current and Other Assets	\$ 278.6	\$ 364.8	\$ 86.2	30.9%
Capital Assets	777.6	819.5	41.9	5.4%
Total Assets	\$ 1,056.2	\$ 1,184.3	\$ 128.1	12.1%
Deferred Charge on Refunding	5.9	5.3	(0.6)	-10.2%
Resources Related to Pensions	-	4.8	4.8	100.0%
Deferred Outflows of Resources	\$ 5.9	\$ 10.1	\$ 4.2	71.2%
Long-term Liabilities Outstanding	165.7	280.3	114.6	69.2%
Other Liabilities	62.6	54.5	(8.1)	-12.9%
Total Liabilities	\$ 228.3	\$ 334.8	\$ 106.5	46.6%
Resources Related to Pensions	-	8.0	8.0	100.0%
Deferred Inflows of Resources	\$ -	\$ 8.0	\$ 8.0	100.0%
Net Investment in Capital Assets	628.4	556.3	(72.1)	-11.5%
Restricted	0.1	65.0	64.9	64900.0%
Unrestricted	205.3	230.3	25.0	12.2%
Total Net Position	\$ 833.8	\$ 851.6	\$ 17.8	2.1%

Long-term Liabilities increased by \$114.6 million or 69.2 percent. This is primarily due to a bond issuance of \$111.5 million and \$9.7 million in proceeds received from state loans, offset by \$14.5 million in principal payments on bonds and notes during the year. Additionally, there were increases of \$6.7 million in unamortized premiums and discounts and \$1.2 million on compensated absences and other post-employment benefits.

Restricted Net Position of \$65 million (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 \$230.3 million in Unrestricted Net Position may be used to meet the PWC's on-going operations including the repayment of its outstanding debt.

Also, the Commission implemented GASB Statement 68 this year. With the new reporting change, the Commission was allocated its proportionate share of the Local Government Employees' Retirement System's net position asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$4,042,470 (see Figure A-3). Decisions regarding the allocations are made by the administrators of the pension plan, not by the Commission's management.

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 \$6.6 million, or 2.2 percent, while total expenses decreased \$3.6 million, or 1.3 percent. The decrease in expenses is primarily due to \$6.0 million decrease in power supply and generation expense. This resulted in a \$23.3 million Income before Capital Contributions and Transfers, up \$10.2 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 net position of \$48.4 million, which will be used over the next several years to supplement the Electric Fund as rates are adjusted to meet its ongoing obligations. Management intends to maintain an on-going balance in this fund of at least 10% of power supply cost.

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

	FY 2014	FY 2015	Total Dollar Change	Total Percent Change
Operating Revenues				
Charges for Services	\$ 250.3	\$ 254.1	\$ 3.8	1.5%
Other charges for services	42.0	46.3	4.3	10.2%
Non-operating Revenues				
Interest on Investments	3.0	1.5	(1.5)	-50.0%
Total Revenues	\$ 295.3	\$ 301.9	\$ 6.6	2.2%
Power Supply and				
Generation Expense	163.2	157.2	(6.0)	-3.7%
Electric Operating Expense	15.5	11.1	(4.4)	-28.4%
Water/Wastewater Operating Expense	28.2	26.3	(1.9)	-6.7%
General and Administrative Expense	33.0	37.2	4.2	12.7%
Depreciation Expense	34.5	36.1	1.6	4.6%
Non-operating Expense				
(Gain) Loss on Sale of Assets	0.5	1.1	0.6	120.0%
Interest Expense	6.6	8.2	1.6	24.2%
Amortization/Finance Cost	0.7	1.4	0.7	100.0%
Total Expenses	\$ 282.2	\$ 278.6	\$ (3.6)	-1.3%
Income before Capital				
Contributions and Transfers	13.1	23.3	10.2	77.9%
Transfers – In (Out)	(8.2)	(9.3)	(1.1)	13.4%
Capital Contributions	9.4	7.8	(1.6)	-17.0%
Change in Net Position	14.3	21.8	7.5	52.4%
Beginning Net Position	819.5	833.8	14.3	1.7%
Cumulative effect of change				
in accounting principle	-	(4.0)	(4.0)	100.0%
Ending Net Position	\$ 833.8	\$ 851.6	\$ 17.8	2.1%

Looking more closely at revenues, the \$6.6 million increase arises from an increase in charges for services of \$8.1 million, offset by a decrease of \$1.5 million in non-operating revenue. Each utility will be discussed individually on the following pages.

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

	Customers	Average kWh/cust	kWh Sales	Sales Revenue
Residential	2.8%	-4.8%	-2.2%	0.8%
Non-Residential	-0.2%	-0.6%	-0.8%	3.9%
Industrial	0.0%	0.0%	0.0%	0.1%

Electric operating revenues increased \$5.8 million, or 2.7 percent, to \$223.7 million. The majority of this increase is attributable to an increase in electric sales revenue of \$2.0 million and revenue of \$3.8 million from the Wholesale Power Cost Adjustment (WPCA). The WPCA was introduced in July of 2014 to recover prior year payments to DEP over and above that recovered in rates. These payments to DEP consisted of a true-up charge of \$1.2 million and a mid-year rate increase from DEP. The large and non-residential sales revenue carried most of the net increase. Sales per customer (kWh) decreased by almost 5% for the residential class limiting the revenue increase despite a rate increase and positive customer growth. Total kWh sales and customer growth for the large and non-residential classes were almost flat. The revenue increase for these classes was mainly due to rate increases. The first half of the fiscal year fared comparably with prior year. The last six months were volatile with extreme cold and hot weather driving February and June well over prior year and contributing to the overall increase for the year. Rates were increased 3 and 4 percent effective May 1, 2014 and May 1, 2015, respectively. Figure A-4 illustrates the percentage changes by major customer classes.

Water and wastewater operating revenues collectively increased \$2.3 million which is attributable to increases in both water and wastewater sales revenue of \$1.9 million, or 2.7%. 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	2.7%	-3.3%	-0.7%	6.4%
Non-Residential	1.5%	-2.0%	-0.5%	2.4%
Industrial	5.3%	4.7%	10.3%	10.8%
Wholesale	0.0%	3.8%	3.8%	9.7%
Irrigation	1.1%	17.1%	18.4%	16.4%

Water System: Water sales revenue increased for all customer classes totaling \$1.3 million. The residential class represents over 65% of water sales in total. While the residential class actually experienced lower gallon sales than prior year, a rate increase to the facility charge (BFC) in May 2014 and customer growth more than compensated for the decrease in usage. The non-residential and large classes both increased in gallon sales attributing to their revenue increase. The outside City rate differential also increased 5 percent in May 2014 to 55.0 percent and again in May 2015 to 60.0 percent. Irrigation revenues increased over the prior year by over 16%, even though year to date rainfall in FY 2015 of 45.34 (measured in inches) was approximately 6 percent more than FY 2014, and 12.8 percent more than the average of the prior 5 fiscal years. Key typical high usage months of July/August of 2014 and April/May of 2015 had lower rainfall than other shoulder months. Figure A-5A illustrates the percentage changes by major customer classes.

FIGURE A-5B
Percent Changes by Major Customer Class

	Customers	Wastewater		
		Average	Gallon	Sales
		gal/cust	Sales	Revenue
Residential	3.5%	-3.7%	-0.3%	4.5%
Non-Residential	3.3%	-4.2%	-1.1%	0.8%
Industrial	-4.6%	-1.2%	3.4%	4.7%
Wholesale	0.0%	3.8%	3.8%	7.8%

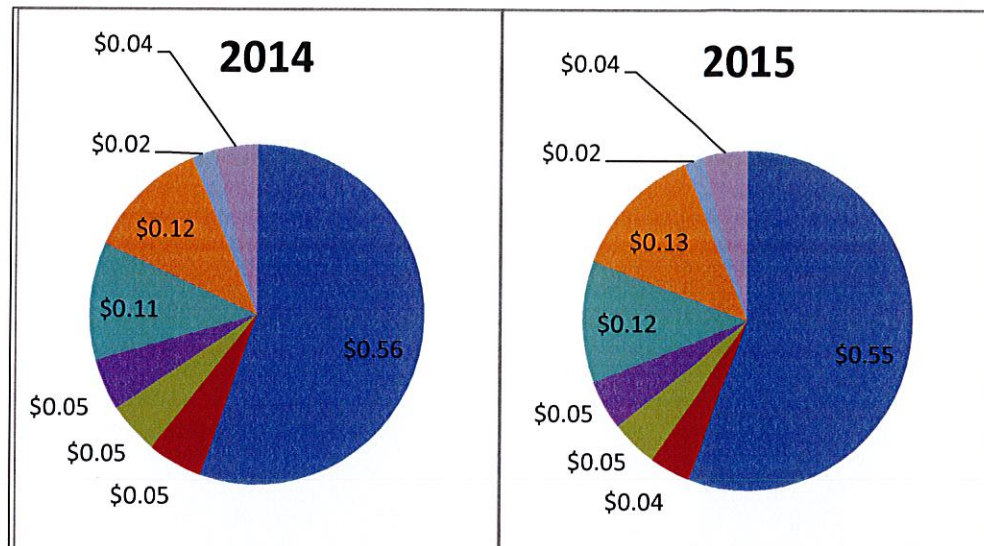
Wastewater System: Wastewater sales revenue increased \$0.46 million for all customer classes. The residential class represents over 70% of wastewater sales in total. Wastewater rates and outside City differential increased simultaneously with the water rates. Wastewater sales trend closely to water with a decrease in gallon sales for residential and increase in non-residential and large classes. Wastewater (BFC) and outside differential also increased by the same rate as water. These adjustments provided for an increase in revenue for the residential class despite the decrease in usage. Wastewater residential customer growth also continues to increase due to annual additions of newly annexed customers. Figure A-5B illustrates the percentage changes by major customer classes.

Electric Operating Expenses excluding Power Supply and Generation Expenses decreased by \$2.8 million or 6.0 percent and Water and Wastewater Operating Expenses increased \$2.4million, or 3.7 percent, due to increased maintenance and management consulting contracts.

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Figure A-6 provides the dollar breakdown of expenses in 2014 and 2015 to better illustrate the changes.

FIGURE A-6
Dollar Breakdown of Expenses



■ Power Supply ■ Electric Oper. ■ Water Operations ■ Wastewater Oper. ■ General & Admin.
■ Depreciation ■ Bond Interest ■ Transfers to City

Power Supply and Generation Expenses decreased by \$6.0 million to \$157.2 million in fiscal year 2015 down from \$163.2 million in fiscal year 2014. This net decrease is comprised of several factors reducing power supply purchases by \$5.7 million. The most significant is the State's elimination of gross receipts tax on power purchases effective July 1, 2014. The prior year amount paid totaled \$4.7 million. Also, PWC paid a contractual true-up charge of \$1.2 million in the prior year as opposed to receiving a \$0.5 million credit in the current year, netting to a decrease in cost of \$1.7 million. While the average coincident peak demand increased 73 MW (or 2.0%), total energy purchases decreased by 22,000 MWH (or 1.0%). This netted to an approximate increase in power cost of \$0.5 million. The change in pricing for demand and energy only had minimal impact of approximately \$0.2 million. Total power purchased was 2.19 billion kWh, a 1.0 percent decrease 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 2014	FY 2015	Total Dollar Change	Total Percent Change
Purchased Power - DEP	\$ 146.30	\$ 147.10	\$ 0.80	0.55%
Purchase Power - True Up	1.20	(0.50)	(1.70)	-141.67%
Purchased Power - SEPA	0.50	0.30	(0.20)	-40.00%
Gross Receipts Tax	4.70	0.00	(4.70)	-100.00%
Transmission	6.80	6.90	0.10	1.47%
Other Generation Expenses	3.70	3.40	(0.30)	-8.11%
Total Power Supply and Generation	\$ 163.20	\$ 157.20	\$ (6.00)	-3.68%

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 2014	FY 2015	Total Dollar Change	Total Percent Change
Developers	\$ 3.36	\$ 2.18	\$ (1.18)	-35.00%
City & County	0.05	0.03	(0.02)	-40.00%
NCDOT	1.28	0.05	(1.23)	-95.87%
Private Grants	0.05	-	(0.05)	-100.00%
Assessment	3.12	4.22	1.10	35.13%
Facility Investment Fees (FIF)	1.31	1.10	(0.21)	-15.99%
FIF Credits Awarded/Applied /Expired	0.26	0.23	(0.03)	-10.55%
Total	\$ 9.43	\$ 7.81	\$ (1.63)	-17%

At June 30, 2015, capital contributions were \$7.8 million, down \$1.6 million from fiscal year 2014. This decrease is primarily the result of a \$1.2 million decrease in contributions from developers, a \$1.2 million decrease in NCDOT and decreases in city and county contributions, FIF's and FIF credits. Assessments increased in FY 2015 due to 811 properties being assessed as compared to 588 in FY 2014. Most of the assessments are residential properties and are assessed at a rate of \$5,000 each. However, with this increase the capital contributions still decreased overall.

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 increased for fiscal year 2015 by \$1.0 million. (See Figure A-9).

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

	FY 2014	FY 2015	Total Dollar Change	Total Percent Change
Transfers to the City				
City Transfers	\$ 12.30	\$ 12.53	\$ 0.23	1.83%
Transfers from the City				
Additional -				
Annexation - G.O. Bond Debt	\$ 0.57	\$ 0.39	\$ (0.19)	-32.81%
Annexation - Phase V Reserve	3.79	3.21	(0.58)	-15.19%
Black & Decker	0.02	-	(0.02)	-100.00%
Total Transfers from the City	<u>\$ 4.38</u>	<u>\$ 3.60</u>	<u>\$ (0.76)</u>	<u>-17.90%</u>
Net Transfers to the City	<u>\$ 7.92</u>	<u>\$ 8.93</u>	<u>\$ 0.99</u>	<u>13%</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 was based on a percentage of property tax revenues for the Black & Decker plant. This was an 8-year agreement existing through fiscal year 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during fiscal year 2015:

Major capital asset expenditures include:	
\$12.5 million	Purchase and installation of AMI electric and water meters
\$ 8.5 million	Expansion of PO Hoffer Water Treatment Facility
\$ 7.5 million	Water and Wastewater system improvements
\$ 5.7 million	NCDOT – Electric and Water Distribution systems
\$ 4.9 million	Water and wastewater system Rehabilitation
\$ 4.1 million	Installation of water and wastewater mains and laterals in annexed area
\$ 2.0 million	Purchase of vehicles, power operated equipment (electric and water/wastewater)
\$ 1.3 million	Sanitary sewer replacement on Person Street

Capital spending for the Electric System was \$27.2 million, an increase of \$6.8 million attributable to an increase in expenditures for the installation of electric meters for the Connect Project, the rebuild of the Cape Fear Substation and the LED Conversion Project.

Capital spending for the Water and Wastewater Systems was \$50.6 million, an increase of \$15.1 million from fiscal year 2014. This change is attributed to an increase in expenditures for waste/wastewater system improvements, which are funded by the Series 2014 Water and Wastewater Revenue Bond, and the expansion of PO Hoffer Water Treatment Facility. Other reasons for expenditures during the year include the purchase and installation of water meters for the Connect Project, installation of mains and laterals in annexed areas, system improvements and vehicle and equipment purchases.

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At June 30, 2015, the PWC has an investment of \$1.443 billion in a broad range of infrastructure as shown in Figure A-10.

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

	FY 2014	FY 2015	Total Dollar Change	Total Percent Change
Land	\$ 16.4	\$ 16.3	\$ (0.1)	-0.6%
Buildings	49.9	50.3	0.4	0.8%
Machinery, Equipment and Vehicles	43.4	44.7	1.3	3.0%
Electric System	414.3	419.4	5.1	1.2%
Water System	302.5	316.5	14.0	4.6%
Wastewater System	454.6	467.3	12.7	2.8%
Office Equipment and Intangibles	35.1	47.0	11.9	33.9%
Construction in Progress	56.0	81.1	25.1	44.8%
Subtotal	1,372.2	1,442.6	70.4	5.1%
Accumulated Depreciation	(594.6)	(623.1)	(28.5)	4.8%
Net Property, Plant and Equipment	\$ 777.6	\$ 819.5	\$ 41.9	5.4%

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

Construction in Progress increased by \$25.1 million from the prior year. This increase can be primarily attributed to the expansion of the PO Hoffer Water Treatment Facility (\$8.5 million), Connect (\$3.0 million), rehab projects for water and wastewater (4.9 million) and various other multi-year projects.

LONG TERM DEBT

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

At year-end, the PWC had \$252.6 million in long-term debt (before loss on defeasance and reacquired debt, premiums, and discounts, see Note 9D in the financial statements). This is an increase of \$106.6 million or 73.0 percent from \$146.0 million in fiscal year 2014. The increase is due to bond issuance of \$111.45 million and \$9.66 million in proceeds received from state loans offset by principal payments of \$14.51 million.

As can be seen in Figure A-11, the PWC's total weighted average coupon rate on its outstanding debt is 3.94 percent as of June 30, 2015. 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 NC State Revolving Loans (NCSRL) 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
Revenue Bonds, Series 2014	\$ 111.5	3.96%
Revenue Bonds, Series 2009B	32.4	4.69%
Revenue Bonds, Series 2008	12.8	3.94%
Revenue Refunding Bonds, Series 2009A	59.5	5.00%
GO Refunding Bonds, Series 2009	1.4	4.23%
Street Improvement GO Bonds, Series 2002	1.2	4.29%
2014 NCSRL - Person Street Sanitary Sewer	1.6	2.00%
2013 NCSRL - Hoffer Construction Phase 1	11.7	0.00%
2013 NCSRL - Outfall Rehab	3.7	2.00%
2012 NCSRL - Clearwell/Ferric Conv	4.8	0.00%
2012 NCSRL - Edgewater	0.3	2.00%
2002 NCSRL	9.3	2.66%
2000 NCSRL	2.3	2.60%
Total	\$ 252.5	3.94%

One area that demonstrates the PWC's financial strength is its ability to maintain strong debt coverage ratios, with its revenue bond coverage at 3.9, 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 2014	FY 2015	Total Percent Change
Change in Net Position (Figure A-3)	\$ 14.4	\$ 21.8	51.4%
Adjustments			
Bond Interest Expense	6.6	8.2	24.2%
Depreciation and Amortization	35.2	36.8	4.5%
Transfers (In)/Out	7.9	8.9	12.7%
Capital Contributions	(9.4)	(7.8)	-17.0%
(Gain)/Loss on Sale of Assets	0.5	1.1	120.0%
Facility Investment Fees Collected	1.2	1.2	0.0%
Assessments Collected	0.5	0.5	0.0%
(Gain)/Loss on Investment Valuation	(0.8)	-	-100.0%
Income Available for Debt Service	<u>\$ 56.1</u>	<u>\$ 70.7</u>	<u>26.0%</u>
<u>Senior Lien Debt Coverage</u>			
Revenue Bond Debt Service ¹	\$ 17.9	\$ 18.1	1.1%
Senior Lien Debt Service Coverage	<u>3.13</u>	<u>3.90</u>	<u>24.6%</u>
<u>Total System Debt Coverage</u>			
Total System Debt Service ¹	\$ 20.9	\$ 21.1	1.0%
Total System Debt Service Coverage	<u>2.69</u>	<u>3.35</u>	<u>24.3%</u>

¹Net of capitalized interest from bond proceeds of \$1.7 million

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 remained the same at \$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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Basic Financial Statements

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

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OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Net Position

June 30, 2015

	Enterprise Funds			Fleet Maintenance Internal Service Fund
	Electric Fund	Water and Wastewater Fund	Total	
ASSETS				
Current unrestricted assets				
Cash and cash equivalents	\$ 53,642,086	\$ 12,796,482	\$ 66,438,568	\$ -
Investments	23,847,372	1,715,914	25,563,286	-
Receivables	30,018,359	17,652,240	47,670,599	898,682
Internal balances	(1,348,954)	(327,372)	(1,676,326)	1,676,326
Less allowance for doubtful accounts	(338,230)	(92,844)	(431,074)	-
Net receivables	28,331,175	17,232,024	45,563,199	2,575,008
Inventories	12,209,083	1,593,212	13,802,295	224
Other current assets	652,246	497,178	1,149,424	-
Total current unrestricted assets	118,681,962	33,834,810	152,516,772	2,575,232
Current restricted assets				
Cash and cash equivalents	45,673,025	89,816,003	135,489,028	-
Investments	44,947,132	20,848,233	65,795,365	-
Collateral pledged in lieu of deposits	341,688	-	341,688	-
Receivables	62,034	4,291,529	4,353,563	-
Total current restricted assets	91,023,879	114,955,765	205,979,644	-
Total current assets	209,705,841	148,790,575	358,496,416	2,575,232
Noncurrent assets				
Other assets	2,917,022	3,393,318	6,310,340	76
Capital assets:				
Land	6,459,169	9,887,265	16,346,434	-
Construction in process	30,175,345	50,911,839	81,087,184	238,570
Electric utility system	175,864,522	-	175,864,522	-
Water system	-	190,915,230	190,915,230	-
Sewer system	-	291,993,421	291,993,421	-
Buildings	24,593,035	2,397,638	26,990,673	1,579,374
Equipment and machinery	7,859,859	2,898,119	10,757,978	137,591
Computer equipment	1,175,970	904,033	2,080,003	10,699
Intangibles	8,863,187	6,886,807	15,749,994	85,646
Vehicles	3,787,118	3,661,918	7,449,036	208,318
Office equipment	240,027	35,491	275,518	-
Capital assets, net	259,018,232	560,491,761	819,509,993	2,260,198
Total noncurrent assets	261,935,254	563,885,079	825,820,333	2,260,274
Total assets	471,641,095	712,675,654	1,184,316,749	4,835,506
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond refunding charges	384,538	4,883,133	5,267,671	-
Contribution to pension plan in current fiscal year	2,412,763	2,412,763	4,825,526	-
Total deferred outflows of resources	2,797,301	7,295,896	10,093,197	-

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

Statement of Net Position

June 30, 2015

	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	\$ 3,171,369	\$ 15,932,620	\$ 19,103,989	\$ 206,127
Accounts payable and accrued expenses	21,897,308	12,691,941	34,589,249	1,049,231
Total current liabilities to be paid from unrestricted current assets	25,068,677	28,624,561	53,693,238	1,255,358
Current liabilities to be paid from restricted current assets				
Accounts payable and accrued expenses	7,969,519	9,395,180	17,364,699	4,489
Total current liabilities to be paid from restricted current assets	7,969,519	9,395,180	17,364,699	4,489
Total current liabilities	33,038,196	38,019,741	71,057,937	1,259,847
Noncurrent liabilities				
Long-term liabilities	30,563,860	230,588,689	261,152,549	492,855
Other liabilities	-	9,501	9,501	-
Unearned deposits	6,594	2,512,422	2,519,016	-
Total noncurrent liabilities	30,570,454	233,110,612	263,681,066	492,855
Total liabilities	63,608,650	271,130,353	334,739,003	1,752,702
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	4,023,015	4,023,015	8,046,030	-
Total deferred inflows of resources	4,023,015	4,023,015	8,046,030	-
NET POSITION				
Net investment in capital assets	230,477,061	325,836,212	556,313,273	2,260,198
Restricted for -				
Capital projects	9,975,469	53,112,559	63,088,028	-
Debt service	359,324	1,560,756	1,920,080	-
Unrestricted Net Position	165,994,877	64,308,655	230,303,532	822,806
Total Net Position	\$ 406,806,731	\$ 444,818,182	\$ 851,624,913	\$ 3,082,804

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

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

	Enterprise Funds				Fleet Maintenance Internal Service Fund
	Electric Fund	Water and Wastewater Fund	Total	Total	
Operating revenues					
Residential, commercial and industrial sales - electric	\$ 184,577,723	\$ 69,572,705	\$ 254,150,428		\$ -
Other charges for services	39,086,109	7,247,841	46,333,950		8,135,232
Miscellaneous operating revenue	-	-	-		334
Total operating revenues	223,663,832	76,820,546	300,484,378		8,135,566
Operating expenses					
Power supply and generation	157,248,396	-	157,248,396		-
Electric operation	11,059,845	-	11,059,845		-
Water operations	-	12,822,428	12,822,428		-
Wastewater operations	-	13,428,070	13,428,070		-
General and administrative	18,745,240	18,471,639	37,216,879		-
Depreciation	15,127,588	21,033,813	36,161,401		187,534
Fleet maintenance expense	-	-	-		7,947,859
Total operating expenses	202,181,069	65,755,950	267,937,019		8,135,393
Operating income (loss)	21,482,763	11,064,596	32,547,359		173
Nonoperating revenue (expense)					
Interest earned on investments	829,611	661,300	1,490,911		-
Gain (loss) on disposal of assets	(176,869)	(965,763)	(1,142,632)		(173)
Interest expense	(824,802)	(7,402,209)	(8,227,011)		-
Amortization	(147,337)	(514,621)	(661,958)		-
Finance costs	(111,883)	(566,858)	(678,741)		-
Total nonoperating revenue (expense)	(431,280)	(8,788,151)	(9,219,431)		(173)
Income (loss) before transfers and contributions	21,051,483	2,276,445	23,327,928		-
Transfers in	-	-	-		350,594
Transfers out	(175,297)	(175,297)	(350,594)		-
Transfers in - City of Fayetteville	-	3,596,493	3,596,493		-
Transfers out - City of Fayetteville	(12,527,760)	-	(12,527,760)		-
Contributions	96,819	7,708,126	7,804,945		-
Change in Net Position	8,445,245	13,405,767	21,851,012		350,594
Total Net Position - beginning	400,382,721	433,433,650	833,816,371		2,732,210
Prior Period Adjustment - (GASB 68)	(2,021,235)	(2,021,235)	(4,042,470)		-
Total Net Position - beginning	398,361,486	431,412,415	829,773,901		2,732,210
Total Net Position - ending	\$ 406,806,731	\$ 444,818,182	\$ 851,624,913		\$ 3,082,804

Note: The transfers within funds have been eliminated for FY 2015; \$38,202,037 for Electric & \$143,603,942 for Water/Wastewater.

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

Statement of Cash Flows

Year ended June 30, 2015

	Enterprise Funds			Fleet Maintenance Internal Service Fund
	Electric Fund	Water and Wastewater Fund	Total	
Cash flows from operating activities				
Cash received from customers	\$ 223,197,248	\$ 74,455,968	\$ 297,653,216	\$ 8,162,506
Cash paid for goods and services	(4,565,149)	(24,424,926)	(28,990,075)	(5,824,393)
Cash paid to or on behalf of employees for services	(15,376,931)	(22,758,702)	(38,135,633)	(2,338,113)
Cash paid for power supply and generation	(157,248,396)	-	(157,248,396)	-
Net cash provided (used) by operating activities	46,006,772	27,272,340	73,279,112	-
Cash flows from noncapital financing activities				
Transfers in - City of Fayetteville	-	3,596,493	3,596,493	-
Transfers out - City of Fayetteville	(12,527,760)	-	(12,527,760)	-
Transfers in	-	-	-	350,594
Transfers out	(175,297)	(175,297)	(350,594)	-
Net cash provided (used) by noncapital financing activities	(12,703,057)	3,421,196	(9,281,861)	350,594
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	349,998	231,456	581,454	-
Proceeds from debt issuance	18,085,000	103,034,737	121,119,737	-
Contributed capital received	96,819	1,096,797	1,193,616	-
Acquisition and construction of capital assets	(28,780,194)	(42,833,714)	(71,613,908)	(350,421)
Principal payments on long-term debt	(1,453,191)	(13,064,244)	(14,517,435)	-
Other capital asset transactions	-	-	-	(173)
Interest payments and other finance costs on long-term debt	(1,084,022)	(8,483,688)	(9,567,710)	-
Net cash used by capital and related financing activities	(12,785,590)	39,981,344	27,195,754	(350,594)
Cash flows from investing activities				
Interest earned on investments	829,611	661,300	1,490,911	-
Net change in investments	11,579,229	7,358,478	18,937,707	-
Net cash provided (used) in investing activities	12,408,840	8,019,778	20,428,618	-
Net increase (decrease) in cash and cash equivalents	32,926,965	78,694,658	111,621,623	-
Cash and cash equivalents				
Beginning of year	66,388,146	23,917,827	90,305,973	-
End of year	\$ 99,315,111	\$ 102,612,485	\$ 201,927,596	\$ -

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

Statement of Cash Flows

Year ended June 30, 2015

	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)	\$ 21,482,763	\$ 11,064,596	\$ 32,547,359	\$ 173
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating				
activities:				
Depreciation	15,127,588	21,033,813	36,161,401	187,534
Allowance for uncollectible accounts	92,025	35,921	127,946	-
Change in assets and liabilities				
(Increase) decrease in receivables	(524,877)	(2,400,499)	(2,925,376)	26,940
(Increase) decrease in internal balances	(1,122,576)	1,788,055	665,479	(665,479)
(Increase) decrease in inventories	(1,400,415)	59,217	(1,341,198)	(225)
(Increase) decrease in other current assets	(225,977)	108,874	(117,103)	-
(Increase) decrease in other assets	8,534,337	(3,279,018)	5,255,319	-
Increase (decrease) in unearned deposits	(1,407)	(89,661)	(91,068)	-
Increase (decrease) in accounts payable and accrued expenses	3,508,752	(429,804)	3,078,948	353,041
Increase (decrease) in accrued vacation	(47,071)	(12,438)	(59,509)	524
Increase (decrease) in accrued sick leave	583,630	(606,716)	(23,086)	97,492
Total adjustments	24,524,009	16,207,744	40,731,753	(173)
Net cash provided by (used in) operating activities	\$ 46,006,772	\$ 27,272,340	\$ 73,279,112	\$ -
Noncash investing, capital, and financing activities:				
Contributed capital assets	\$ -	\$ 6,381,471	\$ 6,381,471	\$ -
FIF Credits Applied	\$ -	\$ 229,858	\$ 229,858	\$ -
Change in fair value of investments not included in cash & cash equivalents	\$ 199,526	\$ 78,269	\$ 277,795	\$ -
Reconciliation to cash and cash equivalents				
Unrestricted	\$ 53,642,086	\$ 12,796,482	\$ 66,438,568	\$ -
Restricted	45,673,025	89,816,003	135,489,028	-
Total	\$ 99,315,111	\$ 102,612,485	\$ 201,927,596	\$ -

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

Notes to the Financial Statements

June 30, 2015

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, 2015

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, 2015

Note 1 – Summary of significant accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015 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: \$5,000 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 two items that meet this criterion, contributions made to the pension plan in the 2015 fiscal year and 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 one item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB 68.

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, 2015

Note 1 – Summary of significant accounting policies (continued)

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported to LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Commission's employer contributions are recognized when due and the Commission has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Compensated absences

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

Unearned deposits

Facility investment fee credits are given on a dollar per dollar basis for off-site water and wastewater approach mains necessary to serve Commission approved projects. The facility investment fee credit, if not utilized in the initial development, will be available to the developer for use in other Commission approved projects for a period not to exceed 5 years from the original contract date, unless otherwise stated in the contract or through extension approved by the 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, 2015, the Electric fund had restricted assets and a resultant restricted net position of \$10,334,793 related to debt service and capital projects. The Water/Wastewater Fund had restricted assets of \$56,294,177 related to debt service and capital projects offset by \$1,620,862 of long-term liabilities related to those assets, resulting in restricted net position of \$54,673,315.

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 1 – Summary of significant accounting policies (continued)

Implemented Pronouncements

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions; 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 and 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 periods beginning after June 15, 2014. See notes 1 and 10.

GASB Statement No. 69, “Government Combinations and Disposals of Government Operations.” The requirements of this statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. 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”. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The requirement 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, 2015

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. In October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts.

At June 30, 2015, the Commission had deposits in pooling method banks with a carrying amount of \$72,954,330 and a bank balance of \$70,473,043. Of the total bank balance, \$502,051 was covered by federal depository insurance and \$69,970,992 was covered by collateral under the pooling method.

At June 30, 2015, the Commission had \$10,037,537 in Certificate of Deposits.

At June 30, 2015, the Commission had \$4,550 in petty cash.

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 4 - Cash and investments (continued)

B - Investments

At June 30, 2015, 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	\$ 74,388,304	\$ -	\$ -	\$ 48,972,879	\$ 25,415,425
Commercial paper	39,465,498	29,488,015	9,997,483	-	-
NC Capital Management Trust - Term Portfolio	6,704,483	6,704,483	-	-	-
NC Capital Management Trust - Cash Portfolio	93,898,546	93,898,546	-	-	-
Total	<u>\$ 214,456,831</u>	<u>\$ 130,091,044</u>	<u>\$ 9,997,483</u>	<u>\$ 48,972,879</u>	<u>\$ 25,415,425</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 and limits all securities to a final maturity of no more than two 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, 2015. 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, 2015

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, Freddie Mac securities, Abbey National and DCAT commercial paper. These investments are 28%, 20%, 6% and 5%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

	Reported	Fair Value
Total investments	\$ 214,456,831	\$ 214,456,831
Cash	68,787,330	68,787,330
Plus Certificates of Deposit	10,037,537	10,037,537
Petty cash	4,550	4,550
Total cash and investments	293,286,248	293,286,248
Less: Investments with maturities of more than 3 months	(91,358,652)	(91,358,652)
Total cash and cash equivalents	<u>\$ 201,927,596</u>	<u>\$ 201,927,596</u>

Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 66,438,568	\$ 66,438,568
Cash and cash equivalents - restricted	135,489,028	135,489,028
Total cash and cash equivalents	<u>\$ 201,927,596</u>	<u>\$ 201,927,596</u>

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 5 – Accounts Receivable

At June 30, 2015, the Commission's unrestricted receivable balances were as follows:

Unrestricted:	Electric Fund	Water and Wastewater Fund	Total	Fleet Maintenance Fund
Accounts	\$ 25,140,770	\$ 10,160,060	\$ 35,300,830	\$ -
Sales taxes	2,046,310	31,311	2,077,621	56,428
Assessments	-	6,873,698	6,873,698	-
Accrued interest	222,704	210,019	432,723	-
Other	2,608,575	377,152	2,985,727	842,254
Total	<u>\$ 30,018,359</u>	<u>\$ 17,652,240</u>	<u>\$ 47,670,599</u>	<u>\$ 898,682</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	\$ 20,746,130	\$ 686,499	\$ -	\$ -
NC Renewable Rider	6,002,020	-	-	-
Customer Deposits	3,005,083	2,102,631	-	-
Debt Service	1,184,467	9,252,605	359,324	1,550,998
Annexation Phase V Reserve Fund Cash	-	21,610,711	-	-
Health Insurance Reserve	1,500,000	1,500,000	-	-
Fuel Reserve	2,233,069	-	-	-
BWVG Startup Costs	667,463	-	-	-
Construction Fund	-	-	9,975,469	53,112,559
Total restricted cash and cash equivalents	<u>\$ 35,338,232</u>	<u>\$ 35,152,446</u>	<u>\$ 10,334,793</u>	<u>\$ 54,663,557</u>
Investments	<u>\$ 44,947,132</u>	<u>\$ 19,227,371</u>	<u>\$ -</u>	<u>\$ 1,620,862</u>
Collateral pledges in lieu of deposits	<u>\$ 341,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receivables				
Accounts	\$ -	\$ 3,534,087	\$ -	\$ -
Sales taxes	-	743,205	-	-
Grants	596	596	-	-
Accrued interest	61,438	3,883	-	9,758
Total restricted receivables	<u>\$ 62,034</u>	<u>\$ 4,281,771</u>	<u>\$ -</u>	<u>\$ 9,758</u>
Accounts payable and accrued expenses				
Trade	\$ -	\$ 2,733,338	\$ -	\$ -
Meter Deposits	7,076,700	2,928,303	-	-
Interest	-	-	-	-
Other	892,819	3,733,539	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 7,969,519</u>	<u>\$ 9,395,180</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 7 – Capital assets

The following is a summary of changes in capital assets:

Description	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Electric Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 6,457,250	\$ 1,919	\$ -	\$ -	\$ 6,459,169
Construction in progress	20,039,290	25,106,230	(846,982)	(14,123,193)	30,175,345
Capital assets being depreciated:					
Electric utility system	414,250,894	574,099	(3,879,992)	8,447,462	419,392,463
Buildings	44,595,277	29,749	-	266,295	44,891,321
Equipment and machinery	17,368,563	447,903	(137,900)	42,930	17,721,496
Intangibles	14,325,621	41,822	-	5,292,506	19,659,949
Computer equipment	4,012,697	686,751	(45,094)	74,000	4,728,354
Vehicles	7,359,517	938,272	(601,472)	-	7,696,317
Office equipment	1,322,745	-	(1,683)	-	1,321,062
Total Capital assets being depreciated	503,235,314	2,718,596	(4,666,141)	14,123,193	515,410,962
Less accumulated depreciation for:					
Electric utility system	(236,280,458)	(10,801,358)	3,553,875	-	(243,527,941)
Buildings	(19,166,731)	(1,131,555)	-	-	(20,298,286)
Equipment and machinery	(9,385,742)	(594,010)	118,115	-	(9,861,637)
Intangibles	(9,538,292)	(1,258,470)	-	-	(10,796,762)
Computer equipment	(2,903,580)	(693,689)	44,885	-	(3,552,384)
Vehicles	(3,874,886)	(615,139)	580,826	-	(3,909,199)
Office equipment	(1,049,351)	(33,367)	1,683	-	(1,081,035)
Total accumulated depreciation:	(282,199,040)	(15,127,588)	4,299,384	-	(293,027,244)
Electric fund capital assets, net	\$ 247,532,814	\$ 12,699,157	\$ (1,213,739)	\$ -	\$ 259,018,232

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 7 – Capital assets (continued)

Description	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 9,956,821	\$ 195,153	\$ (192,510)	\$ (72,199)	\$ 9,887,265
Construction in progress	35,959,040	49,938,705	-	(34,985,906)	50,911,839
Capital assets being depreciated:					
Water system	302,495,106	211,342	(3,617,252)	17,355,398	316,444,594
Sewer system	454,647,276	226,887	-	12,451,713	467,325,876
Buildings	5,323,453	16,693	-	90,451	5,430,597
Equipment and machinery	11,322,386	576,157	(285,420)	-	11,613,123
Intangibles	11,530,199	47,317	-	5,086,543	16,664,059
Computer equipment	3,432,269	687,134	(48,431)	74,000	4,144,972
Vehicles	7,302,331	975,805	(657,255)	-	7,620,881
Office equipment	481,691	-	(588)	-	481,103
Total Capital assets being depreciated	796,534,711	2,741,335	(4,608,946)	35,058,105	829,725,205
Less accumulated depreciation for:					
Water system	(119,963,775)	(8,079,436)	2,513,847	-	(125,529,364)
Sewer system	(165,549,289)	(9,783,166)	-	-	(175,332,455)
Buildings	(2,901,830)	(131,129)	-	-	(3,032,959)
Equipment and machinery	(8,275,101)	(683,543)	243,640	-	(8,715,004)
Intangibles	(8,657,360)	(1,119,892)	-	-	(9,777,252)
Computer equipment	(2,684,800)	(616,726)	48,221	-	(3,253,305)
Vehicles	(3,971,047)	(612,535)	624,619	-	(3,958,963)
Office equipment	(426,448)	(7,386)	588	-	(433,246)
Total accumulated depreciation:	(312,429,650)	(21,033,813)	3,430,915	-	(330,032,548)
Water and Sewer capital assets, net	\$ 530,020,922	\$ 31,841,380	\$ (1,370,541)	\$ -	\$ 560,491,761

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

Notes to the Financial Statements (continued)

Note 7 – Capital assets (continued)

June 30, 2015

<u>Description</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Fleet Maintenance Internal Service Fund:					
Capital assets not being depreciated:					
Construction in process	\$ 97,834	\$ 171,478	\$ -	\$ (30,742)	238,570
Capital assets being depreciated:					
Buildings	2,968,353	171,955	-	30,742	3,171,050
Equipment and machinery	601,002	7,160	(2,484)	-	605,678
Intangibles	252,381	-	-	-	252,381
Computer equipment	46,077	-	-	-	46,077
Vehicles	408,483	-	-	-	408,483
Office equipment	7,245	-	-	-	7,245
Total Capital assets being depreciated	4,283,541	179,115	(2,484)	30,742	4,490,914
Less accumulated depreciation for:					
Buildings	(1,506,585)	(85,091)	-	-	(1,591,676)
Equipment and machinery	(435,048)	(35,351)	2,312	-	(468,087)
Intangibles	(137,371)	(29,364)	-	-	(166,735)
Computer equipment	(27,972)	(7,406)	-	-	(35,378)
Vehicles	(169,844)	(30,321)	-	-	(200,165)
Office equipment	(7,245)	-	-	-	(7,245)
Total accumulated depreciation:	(2,284,065)	(187,533)	2,312	-	(2,469,286)
Fleet Internal Service Fund capital assets, net	\$ 2,097,310	\$ 163,060	\$ (172)	\$ -	\$ 2,260,198

* Disposals in Construction in progress are shown as additions to Capital assets being depreciated.
 ** Depreciation includes amortization of intangible assets.

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 8 – Accounts Payable and Accrued Expenses

At June 30, 2015, the Commission's unrestricted accounts payable and accrued expenses balances were as follows:

Unrestricted:	<u>Electric Fund</u>	<u>Water and Wastewater Fund</u>	<u>Total</u>	<u>Fleet Maintenance Fund</u>
Trade	\$ 3,373,176	\$ 2,688,618	\$ 6,061,794	\$ 210,374
Purchased power	13,600,277	-	13,600,277	-
Power supply true up adjustment	2,600,000	-	2,600,000	-
NC Dept of Transportation	-	3,456,159	3,456,159	-
Payroll related	657,226	854,560	1,511,786	71,099
Interest	382,096	2,854,153	3,236,249	-
Incurred but not reported claims	847,255	847,255	1,694,510	-
Advance Payable	-	760,500	760,500	-
Other	437,278	1,230,696	1,667,974	767,758
	<u>21,897,308</u>	<u>12,691,941</u>	<u>34,589,249</u>	<u>1,049,231</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, 2015 were as follows:

	<u>June 30, 2015</u>
\$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%.	\$1,225,000
\$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>1,388,158</u>
Total General Obligation Bonds	\$2,613,158
Add: Unamortized Premium	<u>128,524</u>
Total	<u>\$2,741,682</u>

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

Notes to the Financial Statements (continued)

June 30, 2015

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, 2015 were as follows:

	<u>June 30, 2015</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%.	\$ 12,825,000
\$114,155,000 Series 2009A Revenue Refunding Bonds due in various annual installments through March 1, 2024; interest at 5.0%.	59,520,000
\$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%.	32,415,000
\$111,455,000 Series 2014 Revenue Bonds due in various annual installments through March 1, 2039; interest at various rates between 3.0% and 5.0%.	<u>111,455,000</u>
Total Revenue Bonds	\$216,215,000
Add: Unamortized Premium	17,356,737
Less: Unamortized Discount	<u>(19,778)</u>
Total	<u><u>\$233,551,959</u></u>

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

Notes to the Financial Statements (continued)

June 30, 2015

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
2016	\$ -	\$ -	\$ 1,658,154	\$ 1,146,286	\$ 1,658,154	\$ 1,146,286
2017	-	-	2,090,994	1,063,378	2,090,994	1,063,378
2018	-	-	2,306,796	958,829	2,306,796	958,829
2019	-	-	1,456,900	843,489	1,456,900	843,489
2020	-	-	1,450,849	770,644	1,450,849	770,644
2021-2025	-	-	4,095,481	3,070,313	4,095,481	3,070,313
2026-2030	-	-	4,088,384	2,267,906	4,088,384	2,267,906
2031-2035	-	-	4,873,064	1,481,325	4,873,064	1,481,325
2036-2039	-	-	4,623,714	459,500	4,623,714	459,500
	-	-	26,644,336	12,061,670	26,644,336	12,061,670
Add: Unamortized premium			2,281,373		2,281,373	

Total Electric	\$ -	\$ -	\$ 28,925,709	\$ 12,061,670	\$ 28,925,709	\$ 12,061,670
Water and Wastewater Fund:						
	\$ -	\$ -	\$ 11,981,846	\$ 8,266,839	\$ 12,501,991	\$ 8,378,092
Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	520,145	111,253	13,354,006	7,702,897	13,929,151	7,790,142
2017	575,145	87,245	14,253,204	7,063,646	14,828,730	7,127,486
2018	375,526	63,840	12,618,100	6,388,686	12,993,626	6,437,005
2019	375,526	48,319	12,294,151	5,794,181	12,665,058	5,826,979
2020	370,907	32,798	40,204,519	21,664,800	40,600,428	21,681,760
2021-2025	395,909	16,960	28,721,616	14,586,569	28,721,616	14,586,569
2026-2030	-	-	32,716,936	8,711,325	32,716,936	8,711,325
2031-2035	-	-	23,426,286	2,328,649	23,426,286	2,328,649
2036-2039	-	-	189,570,664	82,507,592	192,183,822	82,868,007
Add: Unamortized premium	2,613,158	360,415	15,075,364		15,203,888	
Less: Unamortized loss	128,524		(19,778)		(19,778)	

Total Water and Wastewater	\$ 2,741,682	\$ 360,415	\$ 204,626,250	\$ 82,507,592	\$ 207,367,932	\$ 82,868,007
Total Electric and Water and Wastewater	\$ 2,741,682	\$ 360,415	\$ 233,551,959	\$ 94,569,262	\$ 236,293,641	\$ 94,929,677

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

Notes to the Financial Statements (continued)

June 30, 2015

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 \$279,345,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2014. 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 2039. The total principal and interest remaining to be paid on the bonds is \$310,784,262. Principal and interest paid for the current year and total customer revenues were \$19,818,838 and \$300,484,378, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$9,080,565 for the year ended June 30, 2015 and of that amount, \$491,345 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, 2015.

C - Notes payable

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

These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the Commission and the City of Fayetteville. Notes payable outstanding for the year ended June 30, 2015 were as follows:

	<u>June, 30 2015</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 .	\$ 2,278,538
\$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.	9,333,416
\$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.	344,509
\$5,299,942 State Revolving Loan due in 20 annual installments beginning May 1, 2014; no interest; construction draws complete.	4,773,921

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

Notes to the Financial Statements (continued)

June 30, 2015

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 complete.	\$ 3,706,566
\$14,801,858 State Revolving Loan due in 20 annual installments beginning May 1, 2017; no interest; construction draws not yet complete.	11,726,356
\$2,460,662 State Revolving Loan due in 20 annual installments beginning May 1, 2016; 2.0% interest; construction draws not yet complete.	<u>1,628,767</u>
	<u>\$ 33,792,073</u>

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 9 - Long-term debt (continued)

C – Notes payable (continued)

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

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2016	\$ 1,707,688	\$ 388,532
2017	1,707,688	351,804
2018	1,707,688	315,076
2019	1,707,688	278,348
2020	1,707,688	241,620
2021-2025	7,019,416	716,424
2026-2030	3,245,690	170,611
2031-2034	1,633,404	41,313
	<u>\$ 20,436,950</u>	<u>\$ 2,503,728</u>

Total interest expense related to the notes payable obligations totaled \$424,088 for the year ended June 30, 2015 and of that amount, \$4,584 was capitalized during the year.

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
2016	\$ 81,370	\$ 30,166
2017	667,760	30,948
2018	667,760	29,319
2019	667,760	27,690
2020	667,760	26,061
2021-2025	3,338,799	105,875
2026-2030	3,338,799	65,154
2031-2035	3,338,799	24,433
2036	586,316	-
	<u>\$ 13,355,123</u>	<u>\$ 339,646</u>

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 9 - Long-term debt (continued)

D – Changes in long-term liabilities

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Electric Fund:					
Revenue bonds	\$ 10,012,527	\$ 18,085,000	\$ 1,453,191	\$ 26,644,336	\$ 1,658,154
Compensated absences	1,664,630	1,693,550	1,665,223	1,692,957	948,328
Other post employment benefits	2,551,676	3,116,563	2,551,676	3,116,563	564,887
	<u>14,228,833</u>	<u>\$ 22,895,113</u>	<u>\$ 5,670,090</u>	<u>31,453,856</u>	<u>3,171,369</u>
Add: Unamortized premium	1,159,894			2,281,373	-
Total Electric long-term liabilities	<u>\$ 15,388,727</u>			<u>\$ 33,735,229</u>	<u>\$ 3,171,369</u>
Water and Wastewater Fund:					
General obligation bonds	\$ 3,238,303	\$ -	\$ 625,145	\$ 2,613,158	\$ 520,145
Revenue bonds	106,892,473	93,370,000	10,691,809	189,570,664	11,981,846
Notes payable	25,874,626	9,664,737	1,747,290	33,792,073	1,789,058
Compensated absences	1,759,861	1,700,198	1,760,448	1,699,611	962,165
Other post employment benefits	2,982,288	3,661,693	2,982,288	3,661,693	679,406
	<u>140,747,551</u>	<u>\$ 108,396,628</u>	<u>\$ 17,806,980</u>	<u>231,337,199</u>	<u>15,932,620</u>
Add: Unamortized premium	9,596,417			15,203,888	-
Less: Unamortized discount	<u>(20,784)</u>			<u>(19,778)</u>	<u>-</u>
Total Water and Wastewater long-term liabilities	<u>\$ 150,323,184</u>			<u>\$ 246,521,309</u>	<u>\$ 15,932,620</u>
Fleet Maintenance Internal Service Fund:					
Compensated absences	\$ 164,523	\$ 172,289	\$ 164,567	\$ 172,245	\$ 115,833
Other post employment benefits	436,443	526,737	436,443	526,737	90,294
Total Fleet long-term liabilities	<u>\$ 600,966</u>	<u>\$ 699,026</u>	<u>\$ 601,010</u>	<u>\$ 698,982</u>	<u>\$ 206,127</u>

E – Net investment in capital assets

	Electric	Water	Fleet
Capital Assets, Net	\$ 259,018,232	\$ 560,491,761	\$ 2,260,198
less: long-term debt related to capital assets	(28,925,709)	(239,538,682)	-
add: unamortized bond refunding charges	384,538	4,883,133	-
Total Net Investment in Capital Assets	<u>\$ 230,477,061</u>	<u>\$ 325,836,212</u>	<u>\$ 2,260,198</u>

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 10 – Retirement Plans

Local Governmental Employees' Retirement System

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Commission's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Commission's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Commission were \$4,429,479 for the year ended June 30, 2015.

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

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 10 – Retirement Plans: Local Governmental Employees' Retirement System (continued)

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

At June 30, 2015, the Commission reported an asset of \$3,301,280 for its proportionate share of the net pension asset. The net pension asset is presented in other assets in the accompanying financial statements. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Commission's proportion of the net pension asset was based on a projection of the Commission's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers actuarially determined. At June 30, 2014, the Commission's proportion was 0.559%, which was a decrease of 0.016% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Commission recognized pension expense of \$306,233. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 360,722
Changes of assumptions	-	-
Net Difference between projected and actual earning on pension plans investments	-	7,685,309
Changes in proportion and differences between Commission contributions and proportionate share of contributions	396,047	-
Commission contributions subsequent to the measurement date	<u>4,429,479</u>	<u>-</u>
	<u>\$ 4,825,526</u>	<u>\$ 8,046,030</u>

\$4,429,479 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ (1,912,474)
2017	(1,912,474)
2018	(1,912,474)
2019	(1,912,561)
2020	
Thereafter	

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 10 – Retirement Plans: Local Governmental Employees' Retirement System (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 10 – Retirement Plans: Local Governmental Employees' Retirement System (continued)

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's proportionate share of the net pension asset to changes in the discount rate. The following presents the Commission's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Commission's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Commission's proportionate share of the net pension liability (asset)	11,205,977	(3,301,280)	(15,515,925)

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

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 11 – Deferred Outflows and Inflows of Resources – Unamortized Bond Refunding Charges

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains 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 \$5,238,211.

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, 2015, the unamortized value of the loss was \$29,460.

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, 2015

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, 2015 and 2014, a liability for incurred but not reported claims of \$1,694,510 and \$2,120,812 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>2015</u>	<u>2014</u>
Liability as of beginning of the year	\$ 2,120,812	\$ 1,991,858
Current year claims and changes in estimates	7,114,427	8,793,377
Actual claim payments	<u>(7,540,729)</u>	<u>(8,664,423)</u>
Liability as of end of the year	<u>\$ 1,694,510</u>	<u>\$ 2,120,812</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 exceeded coverage in any of the last three fiscal years.

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 13 - Commitments and contingencies

A – Arbitrage

During the year ended June 30, 2015 the following bonds were subject to arbitrage regulations:

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

The arbitrage rebate payments are due on the fifth anniversary of the bond issue date. It is management's belief that the Commission's future rebate liability, if any, will be immaterial. The Commission reviewed its potential liability for the penalty at June 30, 2015 and the estimated arbitrage rebate payable of \$9,501 has been accrued in the June 30, 2015 financial statements.

B – Capital Expenditures

The Commission has authorized expenditures totaling approximately \$197.3 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2015 cumulative expenditures to date totaled approximately \$82.1 million leaving an unexpended balance of \$115.2 million for projects that are expected to be completed at various dates through the year ending June 30, 2016.

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 (PSCA) with Duke Energy Progress (DEP) formerly named Progress Energy Carolina, Inc. effective July 1, 2012. Subsequent amendments extended the term to 30 years. Under the PSCA, DEP provides PWC's full power supply requirements at an annually determined capacity and energy price based on DEP's average system cost. PWC will continue to utilize its SEPA allocation as permitted in the SEPA contract and the PSCA. PWC may elect to terminate the PSCA effective June 30, 2024 with written notice provided by June 30, 2017. Also in June 2009, PWC and DEP executed a 5 year Butler Warner Power Sales Agreement effective July 1, 2012. Subsequent amendments provided for extension of the term until June 30, 2021. 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.

Either party may challenge the correctness of any bill pursuant to the PSCA no later than 24 months after the payment date such bill was due. DEP provides PWC estimated energy and capacity rates each calendar year and calculates a true-up charge or credit, with interest, following the completion of DEP's calendar year period once the actual costs are known. As of the date of these financial statements, calendar year periods 2013 and 2014 are open for challenges and any known adjustments not yet billed or credited have been recorded.

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

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 13 - Commitments and contingencies (continued)

D – Power Supply Contracts (continued)

During the year ended June 30, 2015 the purchased power cost, including transmission cost and contractual true up credits/charges of \$3,095,032, to DEP was \$153,541,102.

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 2015 to 2020. Minimum lease provisions at June 30, 2015 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2016	\$ 617,901
2017	1,144,295
2018	353,723
2019	228,655
2020	<u>181,536</u>
Total	<u>\$ 2,526,110</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 \$1,691,130 in 2015. In addition, transfers are made in amounts as determined by the respective governing Boards. Net transfers to the City amounted to \$8,931,267 in 2015. Balances due to/from the Commission were as follows:

	<u>June 30, 2015</u>
Receivables (due from the City of Fayetteville)	<u>\$ 200,408</u>
Payables (due to the City of Fayetteville)	<u>\$ 917,733</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, 2015:

Retirees	91
Active Employees	<u>572</u>
Total	<u>663</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.

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

Notes to the Financial Statements (continued)

June 30, 2015

Note 15 - Other postemployment benefits (continued)

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.

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)	\$ 2,832,992
Interest on net OPEB obligation	238,816
Adjustment to annual required contribution	<u>(331,990)</u>
Annual OPEB cost (expense)	2,739,818
Contributions Made	<u>(1,405,232)</u>
Increase (decrease) in net OPEB obligation	1,334,586
Net OPEB obligation, beginning of the year	<u>5,970,407</u>
Net OPEB obligation, end of the year	<u><u>\$ 7,304,993</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
2013	\$ 2,072,623	54.76%	\$ 5,503,382
2014	1,941,878	65.65%	5,970,407
2015	2,739,818	51.29%	7,304,993

As of June 30, 2015 the plan was not funded. The most recent actuarial valuation was June 30, 2015. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$31,231,755. 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, 2015 was \$36,012,022 and the ratio of the UAAL to the covered payroll was 86.73 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, 2015

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, 2015 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 7.50 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, 2015

Note 16 – Interfund Activity

Due From	Due To			
	Electric	Water	Capital Projects Funds	Total
Electric Fund:				
Water	\$ -	\$ 1,255,872	\$ -	\$ 1,255,872
Electric Rate Stabilization Fund	(21,753)	-	21,753	-
2014 Electric Connect Fund	23,256	-	(23,256)	-
2014 LED Lighting Fund	286,796	-	(286,796)	-
Clean Fuel Grant Fund	24,288	-	(24,288)	-
Fleet Maintenance Internal Service Fund	(93,082)	-	-	(93,082)
Water Fund:				
Electric	(1,255,872)	-	-	(1,255,872)
Water Rate Stabilization Fund	-	4,167,000	(4,167,000)	-
Annex V Reserve Fund	-	(68,776)	68,776	-
Annex Phase V 8/13	-	2,153	(2,153)	-
Annex Phase V 14/15	-	26,086	(26,086)	-
2014 Water Connect Fund	-	(11,271)	11,271	-
2014 Water/Wastewater Fund	-	1,063,383	(1,063,383)	-
2014 Person St Sanitary Sewer Fund	-	340,954	(340,954)	-
2013 P.O. Hoffer, Phase I Rev Loan Fund	-	3,240,778	(3,240,778)	-
Annex Phase V 16/17	-	40,972	(40,972)	-
Fleet Maintenance Internal Service Fund	-	(1,583,244)	-	(1,583,244)
Due To total	<u>\$ (1,036,367)</u>	<u>\$ 8,473,907</u>	<u>\$ (9,113,866)</u>	<u>\$ (1,676,326)</u>
Fleet Fund:				
Fleet Maintenance Internal Service Fund	93,082	1,583,244	-	1,676,326

Transfers In/Transfers Out:

Transfer From	Transfer To				
	Electric	Water	Fleet	Annex V Reserve	Capital Project Funds
Electric Fund:					
transfer to Fleet Maintenance Fund	\$ (175,297)	\$ -	\$ 175,297	\$ -	\$ -
transfer to Electric Rate Stabilization Fund	(250,000)	-	-	-	250,000
transfer to Electric Rate Stabilization Fund (WPCA)	(3,761,580)	-	-	-	3,761,580
transfer to 2014 Electric Connect Fund	(6,391,603)	-	-	-	6,391,603
transfer to Electric Fund (from 2014 LED Lighting Fund)	(13,720,488)	-	-	-	13,720,488
transfer to Electric Fund (from Electric Rate Stabilization Fund)	5,789,946	-	-	-	(5,789,946)
	12,050,000	-	-	-	(12,050,000)
Water Fund:					
transfer to Fleet Maintenance Fund	-	(175,297)	175,297	-	-
transfer to Water Rate Stabilization Fund	-	(250,000)	-	-	250,000
transfer to 2012 Cleanwell Chemical Fund	-	(5,299,942)	-	-	5,299,942
transfer to 2013 Outfall Rehab Fund	-	(3,901,648)	-	-	3,901,648
transfer to Series 2014 Annexation, 14/15 Fund	-	(5,974,879)	-	-	5,974,879
transfer to Series 2014 Annexation, 8-13 Fund	-	(17,049,988)	-	-	17,049,988
transfer to Series 2014 Water Connect Fund	-	(21,001,269)	-	-	21,001,269
transfer to Series 2014 Water & Wastewater Fund	-	(52,979,789)	-	-	52,979,789
transfer to Annexation V Reserve Fund	-	(3,409,856)	-	3,409,856	-
transfer to Water (from Water Rate Stabilization Fund)	-	2,167,000	-	-	(2,167,000)
transfer to Water Fund (from Annexation V, Ph 8/13 Fund)	-	3,544,917	-	-	(3,544,917)
transfer to Water Fund (from Annexation V, Ph 14/15 Fund)	-	5,401,036	-	-	(5,401,036)
transfer to Water Fund (from 2014 Water Connect Fund)	-	3,547,471	-	-	(3,547,471)
transfer to Water Fund (from Annex V Reserve Fund)	-	1,116,344	-	(1,116,344)	-
transfer to Annexation V Reserve (from Annex V, Ph 8-13)	-	-	-	(15,630,446)	15,630,446
transfer to Annexation V Reserve (from Annex V, Ph 14/15)	-	-	-	(1,062,354)	1,062,354
transfer to Annexation V Ph 8/13 Fund (from Annex V Reserve Fund)	-	-	-	26,412	(26,412)
transfer to Annexation V Ph 14/15 (from Annex Ph V Reserve Fund)	-	-	-	163,786	(163,786)
transfer to Annexation V Ph 16/17 (from Annex Ph V Reserve Fund)	-	-	-	1,076,805	(1,076,805)
	<u>\$ (6,459,022)</u>	<u>\$ (94,265,900)</u>	<u>\$ 350,594</u>	<u>\$ (13,132,285)</u>	<u>\$ 113,506,613</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, 2015

Note 17 – Change in Accounting Principles/Restatement

The Commission implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*, in the fiscal year ending June 30, 2015. The implementation of these statements required the Commission to record beginning net pension liability and the effects on net position of contributions made by the Commission during the measurement period (fiscal year ending June 30, 2014). As a result, beginning net position decreased by \$4,042,470.

Note 18 – Subsequent Events

The Commission has evaluated subsequent events through October 6, 2015, in connection with the preparation of the financial statements which is the date the financial statements were available to be issued.

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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)
6/30/11	\$ -	\$ 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%
6/30/15	-	31,231,755	31,231,755	0.00%	36,012,022	86.73%

**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
2011	\$ 2,125,256	\$ 952,936	44.84%
2013	2,140,755	1,135,031	53.02%
2015	2,832,992	1,405,232	49.60%

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, 2015
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*	7.5% - 5.0%
* Includes inflation at	2.5%

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

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

Last Two Fiscal Years*

	<u>2015</u>	<u>2014</u>
PWC'S proportion of the net pension liability (asset) (%)	0.5597%	0.5439%
PWC's proportion of the net pension liability (asset) (\$)	\$ (3,301,280)	\$ 6,556,084
PWC's covered-employee payroll	\$ 36,012,022	35,553,227
PWC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9.17%	18.44%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

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

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

Last Two Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,429,479	\$ 2,513,615
Contributions in relation to the contractually required contribution	<u>4,429,479</u>	<u>2,513,615</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
PWC's covered-employee payroll	\$ 36,012,022	\$ 35,553,227
Contributions as a percentage of covered-employee payroll	12.30%	7.07%

* Information is not available for years prior to 2014.

**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, 2015

	Electric Fund	Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Clean Fuel Advanced Technology Grant Fund	Total
ASSETS						
Current unrestricted assets						
Cash and cash equivalents	\$ 53,642,086	-	\$ -	-	\$ -	\$ 53,642,086.00
Investments	23,847,372	-	-	-	-	23,847,372.00
Receivables	30,018,359	-	-	-	-	30,018,359.00
Internal balances	(1,036,367)	21,753	(23,256)	(286,796)	(24,288)	(1,348,954.00)
Less allowance for doubtful accounts	(338,230)	-	-	-	-	(338,230.00)
Inventories	12,209,083	-	-	-	-	12,209,083.00
Other current assets	652,246	-	-	-	-	652,246.00
Total current unrestricted assets	118,994,549	21,753	(23,256)	(286,796)	(24,288)	118,681,962
Current restricted assets						
Cash and cash equivalents	14,951,426	20,746,130	4,569,551	5,405,918	-	45,673,025
Investments	18,130,908	26,816,224	-	-	-	44,947,132
Collateral	341,688	-	-	-	-	341,688
Receivables	596	61,438	-	-	-	62,034
Total current restricted assets	33,424,618	47,623,792	4,569,551	5,405,918	-	91,023,879
Total current assets	152,419,167	47,645,545	4,546,295	5,119,122	(24,288)	209,705,841
Noncurrent assets						
Other assets	2,156,522	760,500	-	-	-	2,917,022
Capital assets:						
Land	6,459,169	-	-	-	-	6,459,169
Construction in process	25,125,752	-	4,223,810	801,495	24,288	30,175,345
Electric utility systems	175,864,522	-	-	-	-	175,864,522
Buildings	24,593,035	-	-	-	-	24,593,035
Equipment and machinery	7,859,859	-	-	-	-	7,859,859
Computer programs	1,175,970	-	-	-	-	1,175,970
Intangibles	8,863,187	-	-	-	-	8,863,187
Vehicles	3,787,118	-	-	-	-	3,787,118
Office equipment	240,027	-	-	-	-	240,027
Capital assets, net	253,968,639	-	4,223,810	801,495	24,288	259,018,232
Total noncurrent assets	256,125,161	760,500	4,223,810	801,495	24,288	261,935,254
Total assets	408,544,328	48,406,045	8,770,105	5,920,617	-	471,641,095
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	384,538	-	-	-	-	384,538
Contributions to pension plan in current fiscal year	2,412,763	-	-	-	-	2,412,763
Total deferred outflows of resources	2,797,301	-	-	-	-	2,797,301
LIABILITIES						
Current liabilities to be paid from unrestricted current assets						
Current portion of long-term liabilities	3,171,369	-	-	-	-	3,171,369
Accounts payable and accrued expenses	21,897,308	-	-	-	-	21,897,308
Total current liabilities to be paid from unrestricted current assets	25,068,677	-	-	-	-	25,068,677
Current liabilities to be paid from restricted current assets						
Accounts payable and accrued expenses	7,116,665	-	839,563	13,291	-	7,969,519
Total current liabilities to be paid from restricted current assets	7,116,665	-	839,563	13,291	-	7,969,519
Total current liabilities	32,185,342	-	839,563	13,291	-	33,038,196
Noncurrent liabilities						
Long-term liabilities	30,563,860	-	-	-	-	30,563,860
Unearned deposits	6,594	-	-	-	-	6,594
Total noncurrent liabilities	30,570,454	-	-	-	-	30,570,454
Total liabilities	62,755,796	-	839,563	13,291	-	63,608,650
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	4,023,015	-	-	-	-	4,023,015
Total deferred inflows of resources	4,023,015	-	-	-	-	4,023,015
NET POSITION						
Net investment in capital assets	225,427,468	-	4,223,810	801,495	24,288	230,477,061
Restricted for -						
Capital Projects	-	-	4,569,551	5,405,918	-	9,975,469
Debt service	359,324	-	-	-	-	359,324
Unrestricted Net Position	118,776,026	48,406,045	(862,819)	(300,057)	(24,288)	165,994,877
Total Net Position	\$ 344,562,818	48,406,045	\$ 7,930,542	5,907,326	-	406,806,731

**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, 2015**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Clean Fuel Advanced Technology Grant Fund	Total
Operating revenues						
Residential, commercial, and industrial sales	\$ 184,577,723	\$ -	\$ -	\$ -	\$ -	\$ 184,577,723
Other charges for services	39,086,109	-	-	-	-	39,086,109
Total operating revenues	223,663,832	-	-	-	-	223,663,832
Operating expenses						
Power supply and generation	157,248,396	-	-	-	-	157,248,396
Electric operation	11,059,845	-	-	-	-	11,059,845
General and administrative	18,745,240	-	-	-	-	18,745,240
Depreciation	15,127,588	-	-	-	-	15,127,588
Total operating expenses	202,181,069	-	-	-	-	202,181,069
Operating income	21,482,763	-				21,482,763
Nonoperating revenue (expense)						
Interest earned on investments	584,875	244,736	-	-	-	829,611
Gain (loss) on disposal of assets	(176,869)	-	-	-	-	(176,869)
Interest expense	(824,802)	-	-	-	-	(824,802)
Amortization	(147,337)	-	-	-	-	(147,337)
Finance costs	(111,883)	-	-	-	-	(111,883)
Total nonoperating revenue (expense)	(676,016)	244,736	-	-	-	(431,280)
Income before transfers and contributions	20,806,747	244,736	-	-	-	21,051,483
Transfers in	17,839,946	250,000	13,720,488	6,391,603	-	38,202,037
Transfers out	(24,298,968)	(8,288,420)	(5,789,946)	-	-	(38,377,334)
Transfers out - City of Fayetteville	(12,527,760)	-	-	-	-	(12,527,760)
Contributions	96,819	-	-	-	-	96,819
Change in Net Position	1,916,784	(7,793,684)	7,930,542	6,391,603	-	8,445,245
Total Net Position - beginning	344,667,269	56,199,729	-	(484,277)	-	400,382,721
Prior Period Adjustment - GASB 68	(2,021,235)	-	-	-	-	(2,021,235)
Total Net Position - beginning	342,646,034	56,199,729	-	(484,277)	-	398,361,486
Total Net Position - ending	\$ 344,562,818	\$ 48,406,045	\$ 7,930,542	\$ 5,907,326	\$ -	\$ 406,806,731

**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, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

		2015		
	Budget	Variance Positive (Negative)	Actual	2014 Actual
Revenues				
Operating revenues				
Electric operations				
Residential, commercial, and industrial sales - electric	\$ 187,064,900	\$ (2,487,177)	\$ 184,577,723	\$ 182,456,234
Other sales of electric	10,656,700	171,676	10,828,376	10,492,549
Wholesale power cost adjustment	3,761,600	70,121	3,831,721	-
City Services	1,320,200	(23,145)	1,297,055	1,279,571
Non-utility charges	1,774,600	30,952	1,805,552	1,946,997
Service charges	6,468,599	(206,381)	6,262,218	6,627,575
Miscellaneous	15,182,201	(121,014)	15,061,187	15,050,860
Total operating revenues	<u>226,228,800</u>	<u>(2,564,968)</u>	<u>223,663,832</u>	<u>217,853,786</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(176,869)	(176,869)	(440,957)
Interest earned on investments	450,000	134,875	584,875	1,148,328
Total non-operating revenues	<u>450,000</u>	<u>(41,994)</u>	<u>408,006</u>	<u>707,371</u>
Contributions				
Contributions	4,190,000	(4,093,181)	96,819	1,297,052
Total contributions	<u>4,190,000</u>	<u>(4,093,181)</u>	<u>96,819</u>	<u>1,297,052</u>
Transfers in				
Transfer from City of Fayetteville	-	-	-	20,847
Transfer from Electric Rate Stabilization Fund	12,050,000	-	12,050,000	15,642,480
Total transfers in	<u>12,050,000</u>	<u>-</u>	<u>12,050,000</u>	<u>15,663,327</u>
Budgetary appropriations				
Reserve for REPS	2,000,000	(362,704)	1,637,296	-
Reserve for Electric capital project	3,912,500	(3,900,917)	11,583	-
Series 2014 bond proceeds	756,700	3,529	760,229	-
Appropriated net position	4,115,270	(4,115,270)	-	9,383,650
Total budgetary appropriations	<u>10,784,470</u>	<u>(8,375,362)</u>	<u>2,409,108</u>	<u>9,383,650</u>
Total revenues	<u>\$ 253,703,270</u>	<u>\$ (15,075,505)</u>	<u>\$ 238,627,765</u>	<u>\$ 244,905,186</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 158,034,320	\$ 785,924	\$ 157,248,396	\$ 163,175,003
Administration	1,093,900	640,467	453,433	703,466
Apparatus repair shop	444,310	36,412	407,898	421,362
Electric meter shop	216,900	(27,445)	244,345	232,550
Construction and maintenance	8,374,390	2,237,435	6,136,955	8,424,793
Substation construction	1,886,110	99,684	1,786,426	2,020,429
Engineering	3,456,660	530,565	2,926,095	2,355,697
Fiber	198,900	(123,764)	322,664	193,936
SCADA	259,900	71,358	188,542	145,475
CT metering crews	430,500	119,471	311,029	346,312
Compliance	787,700	290,133	497,567	631,365
Overhead clearing	(500)	2,214,609	(2,215,109)	-
Total electric operations	<u>175,183,090</u>	<u>6,874,849</u>	<u>168,308,241</u>	<u>178,650,388</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, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014
	Budget	Variance Positive (Negative)	Actual	Actual
Expenditures (continued)				
General and administrative				
Executive	\$ 1,152,350	\$ 190,826	\$ 961,524	\$ 987,509
Internal audit	53,050	47,746	5,304	3,714
Communications and community relations	724,850	82,129	642,721	725,790
Financial administration	213,210	22,279	190,931	181,666
Human resources	758,510	(113,842)	872,352	771,451
Accounting	405,160	18,168	386,992	502,050
Accounts receivable	795,310	125,718	669,592	642,667
Payroll	68,150	5,668	62,482	76,237
Customer accounts	1,725,090	(117,474)	1,842,564	1,756,414
Utility field services	1,343,660	333,973	1,009,687	1,141,936
Corporate development	2,522,810	507,900	2,014,910	1,116,967
Risk management	814,680	157,521	657,159	711,251
Collections	1,693,800	(86,117)	1,779,917	987,138
Capital Projects	267,600	(61,943)	329,543	287,874
Rates	163,750	26,570	137,180	232,049
Budget	127,610	(8,168)	135,778	137,555
Purchasing	413,700	140,450	273,250	287,543
Warehouse	385,250	(6,446)	391,696	574,225
Fleet maintenance	1,378,750	490,249	888,501	1,147,817
Facilities maintenance	278,500	2,702	275,798	274,415
Customer programs and call center	242,380	(237,887)	480,267	230,421
Corporate services administration	256,600	113,350	143,250	230,835
Development and marketing	555,310	195,480	359,830	358,821
Telecommunications systems	1,777,750	159,745	1,618,005	660,157
Information systems	3,342,450	570,922	2,771,528	1,937,938
Medical insurance	3,377,250	(556,538)	3,933,788	4,815,949
Other	4,303,050	2,206,522	2,096,528	2,674,541
Allocated rent and fiber clearing	(1,683,700)	778,825	(2,462,525)	(2,331,298)
Overhead clearing	(4,998,800)	(557,485)	(4,441,315)	(4,771,477)
Total general and administrative	22,458,080	4,430,843	18,027,237	16,352,155
Total operating expenditures	197,641,170	11,305,692	186,335,478	195,002,543
Non-operating expenditures				
Interest expense	945,900	121,098	824,802	516,684
Finance costs	66,300	(45,583)	111,883	5,182
Total non-operating expenditures	1,012,200	75,515	936,685	521,866

**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, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014
	Budget	Variance Positive (Negative)	Actual	Actual
Transfers out				
Transfers to City of Fayetteville	\$ 12,527,800	\$ (40)	\$ 12,527,760	\$ 12,303,615
Transfers to Electric Rate Stabilization Fund - WPCW	3,761,600	(20)	3,761,580	-
Transfers to Electric Rate Stabilization Fund	250,000	-	250,000	250,000
Transfers to Series 2014 LED Lighting Fund	1,490,000	-	1,490,000	-
Transfers to Fleet Maintenance Fund	207,600	(32,303)	175,297	128,667
Total transfers out	18,237,000	(32,363)	18,204,637	12,682,282
Budgetary appropriations				
Inventory increase (decrease)	100,000	116,253	(16,253)	(90,215)
Vehicle and equipment	-	645,452	(645,452)	(51,980)
Debt principal payments	1,453,200	9	1,453,191	1,817,340
Transfer to REPS Reserve	2,172,100	(20,698)	2,192,798	-
BWGP Start up Cost Reserve	634,400	(33,063)	667,463	-
Capital outlay	28,368,700	9,403,476	18,965,224	17,234,864
Transfer to WPCA Reserve	2,225,300	(7,768)	2,233,068	-
Transfer to Health Insurance Reserve	1,500,000	-	1,500,000	-
Transfer to Capital Interest Reserve	359,200	359,200	-	-
Appropriated Net Position	-	-	-	2,137,734
Total budgetary appropriations	36,812,900	10,462,861	26,350,039	21,047,743
Total expenditures	\$ 253,703,270	\$ 21,811,705	\$ 231,826,839	\$ 229,254,434
Reconciliation of change in Net Position				
Total revenues		\$ (15,075,505)	\$ 238,627,765	\$ 244,899,186
Total expenditures		21,811,705	231,826,839	229,254,454
Subtotal		\$ 6,736,200	6,800,926	15,644,732
Reconciling Items:				
Budgetary appropriations			23,940,931	11,664,093
Depreciation			(15,127,588)	(15,657,252)
Amortization			(147,337)	(253,073)
OPEB expense			(564,887)	(282,330)
LGERS expense			(153,117)	-
Series 2014 Electric Connect Bond Proceeds			(13,720,488)	-
Series 2014 LED Lighting Bond Proceeds			(4,901,602)	-
Transfer of assets (to)/from the 2014 Electric Connect Capital Project Fund			5,789,946	-
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			-	484,277
Total reconciling items			(4,884,142)	(4,044,285)
Change in Net Position			\$ 1,916,784	\$ 11,600,447

**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, 2015**

	<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	4,265,000	4,045,284	244,736	4,290,020
Total revenues	<u>8,434,725</u>	<u>8,215,009</u>	<u>244,736</u>	<u>8,459,745</u>
Expenditures				
Total expenditures	-	-	-	-
Revenues over expenditures	<u>8,434,725</u>	<u>8,215,009</u>	<u>244,736</u>	<u>8,459,745</u>
Other financing sources (uses)				
Transfer from Electric Fund	68,877,155	68,627,200	250,000	68,877,200
Transfer from Electric Fund - Duke Energy True-up	3,761,600	-	-	-
Transfer to Electric Fund	(28,930,900)	(16,880,900)	(12,050,000)	(28,930,900)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,580)	3,761,580	-
Loan to Annexation Phase V Reserve Fund	-	(1,531,400)	1,531,400	-
Loan to Electric & W/WW General Fund	-	(11,562,000)	10,801,500	(760,500)
Appropriated Net Position	(48,380,980)	-	-	-
Total other financing sources (uses)	<u>(8,434,725)</u>	<u>34,891,320</u>	<u>4,294,480</u>	<u>39,185,800</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 43,106,329</u>	<u>4,539,216</u>	<u>\$ 47,645,545</u>
Reconciling Items:				
Advance receivable from Annexation Phase V Reserve			(1,531,400)	
Advance receivable from W/WW for Proposed Bond Projects			(10,801,500)	
Change in Net Position			<u>\$ (7,793,684)</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, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 1,257	\$ 1,257
Total revenues	<u>-</u>	<u>-</u>	<u>1,257</u>	<u>1,257</u>
Expenditures				
Construction	-	2,616,300	7,172,119	9,788,419
Engineering	-	10,725	101,714	112,439
Other	-	24,793	89,361	114,154
Total expenditures	<u>24,477,300</u>	<u>2,651,818</u>	<u>7,363,194</u>	<u>10,015,012</u>
Revenues under expenditures	<u>(24,477,300)</u>	<u>(2,651,818)</u>	<u>(7,361,937)</u>	<u>(10,013,755)</u>
Other financing sources				
2014 Revenue Bond Proceeds	13,717,811	-	13,720,488	13,720,488
2016 Revenue Bond Proceeds	10,759,489	-	-	-
Total other financing sources	<u>24,477,300</u>	<u>-</u>	<u>13,720,488</u>	<u>13,720,488</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (2,651,818)</u>	<u>6,358,551</u>	<u>\$ 3,706,733</u>
Reconciling Items:				
Capital outlay			7,361,937	
Transfer of assets (to)/from the Electric Fund			(5,789,946)	
Change in Net Position			<u>\$ 7,930,542</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, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 729	\$ 729
Total revenues	<u>-</u>	<u>-</u>	<u>729</u>	<u>729</u>
Expenditures				
Construction	-	484,277	802,224	1,286,501
Total expenditures	<u>18,000,000</u>	<u>484,277</u>	<u>802,224</u>	<u>1,286,501</u>
Revenues under expenditures	<u>(18,000,000)</u>	<u>(484,277)</u>	<u>(801,495)</u>	<u>(1,285,772)</u>
Other financing sources				
Transfer from Electric REPS Reserve	3,500,000	-	1,490,000	1,490,000
2014 Revenue Bond Proceeds	4,900,647	-	4,901,603	4,901,603
2016 Revenue Bond Proceeds	9,599,353	-	-	-
Total other financing sources	<u>18,000,000</u>	<u>-</u>	<u>6,391,603</u>	<u>6,391,603</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (484,277)</u>	<u>5,590,108</u>	<u>\$ 5,105,831</u>
Reconciling items:				
Capital outlay			801,495	
Transfer of assets (to)/from the Electric Fund			-	
Change in Net Position			<u>\$ 6,391,603</u>	

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

**Schedule of Changes in the Status of Clean Fuel Advance Technology Grant Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Engineering	-	-	-	-
Right of Way	-	-	24,288	24,288
Other	-	-	-	-
Total expenditures	<u>52,356</u>	<u>-</u>	<u>24,288</u>	<u>24,288</u>
Revenues under expenditures	<u>(52,356)</u>	<u>-</u>	<u>(24,288)</u>	<u>(24,288)</u>
Other financing sources				
Federal Grant Proceeds	37,884	-	-	-
Transfer from Electric Fund	14,472	-	-	-
Total other financing sources	<u>52,356</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(24,288)</u>	<u>\$ (24,288)</u>
Reconciling items:				
Capital outlay			24,288	
Change in Net Position			<u>\$ -</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

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 WTF Clearwell Chemical Fund
ASSETS						
Current unrestricted assets						
Cash and cash equivalents	\$ 8,629,482	\$ 4,167,000	\$ -	\$ -	\$ -	\$ -
Investments	1,715,914	-	-	-	-	-
Receivables	17,652,240	-	-	-	-	-
Internal balances	8,473,907	(4,167,000)	68,776	(2,153)	(26,086)	-
Less Allowance for doubtful accounts	(92,844)	-	-	-	-	-
Inventories	1,593,212	-	-	-	-	-
Other current assets	497,178	-	-	-	-	-
Total current unrestricted assets	38,469,069	-	68,776	(2,153)	(26,086)	-
Current restricted assets						
Cash and cash equivalents	14,406,234	686,499	21,610,711	593,728	767,558	-
Investments	16,853,361	3,994,872	-	-	-	-
Receivables	10,354	3,883	-	2,153	21,102	-
Total current restricted assets	31,269,949	4,685,254	21,610,711	595,881	788,660	-
Total current assets	69,739,038	4,685,254	21,679,487	593,728	762,574	-
Noncurrent assets						
Other assets	3,393,318	-	-	-	-	-
Capital Assets:						
Land	9,887,147	-	-	-	89	-
Construction in process	16,983,025	-	-	(178)	(372)	-
Water system	190,915,230	-	-	-	-	-
Sewer system	291,993,421	-	-	-	-	-
Buildings	2,397,638	-	-	-	-	-
Equipment and machinery	2,898,119	-	-	-	-	-
Computer equipment	904,033	-	-	-	-	-
Intangibles	6,886,807	-	-	-	-	-
Vehicles	3,661,918	-	-	-	-	-
Office equipment	35,491	-	-	-	-	-
Capital assets, net	526,582,829	-	-	(178)	(283)	-
Total noncurrent assets	529,956,147	-	-	(178)	(283)	-
Total assets	599,695,185	4,685,254	21,679,487	593,550	762,291	-
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	4,883,133	-	-	-	-	-
Contributions to pension plan in current fiscal year	2,412,763	-	-	-	-	-
Total deferred outflows of resources	7,295,896	-	-	-	-	-

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

2013 Outfall Rehab Project	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,796,482
-	-	-	-	-	-	-	1,715,914
-	-	-	-	-	-	-	17,652,240
-	11,271	(1,083,383)	(340,954)	(3,240,778)	(40,972)	-	(327,372)
-	-	-	-	-	-	-	(82,844)
-	-	-	-	-	-	-	1,593,212
-	-	-	-	-	-	-	497,178
-	11,271	(1,083,383)	(340,954)	(3,240,778)	(40,972)	-	33,834,810
-	14,684,012	37,067,261	-	-	-	-	89,816,003
-	-	-	-	-	-	-	20,848,233
-	-	184,103	493,093	3,576,841	-	-	4,291,529
-	14,684,012	37,251,364	493,093	3,576,841	-	-	114,955,765
-	14,695,283	36,187,981	152,139	336,063	(40,972)	-	148,790,575
-	-	-	-	-	-	-	3,393,318
-	-	-	-	-	29	-	9,887,265
-	3,076,109	14,551,872	1,787,094	12,326,005	1,737,543	450,741	50,911,839
-	-	-	-	-	-	-	190,915,230
-	-	-	-	-	-	-	291,993,421
-	-	-	-	-	-	-	2,397,638
-	-	-	-	-	-	-	2,898,119
-	-	-	-	-	-	-	904,033
-	-	-	-	-	-	-	6,886,807
-	-	-	-	-	-	-	3,661,918
-	-	-	-	-	-	-	35,491
-	3,076,109	14,551,872	1,787,094	12,326,005	1,737,572	450,741	560,491,761
-	3,076,109	14,551,872	1,787,094	12,326,005	1,737,572	450,741	563,885,079
-	17,771,392	50,739,853	1,939,233	12,662,068	1,696,800	450,741	712,675,654
-	-	-	-	-	-	-	4,883,133
-	-	-	-	-	-	-	2,412,763
-	-	-	-	-	-	-	7,295,896

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 WTF Clearwell Chemica Fund
LIABILITIES						
Current liabilities to be paid from unrestricted current assets						
Current portion of long-term liabilities	\$ 15,932,620	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	12,691,941	-	-	-	-	-
Total current liabilities to be paid from unrestricted current assets	<u>28,624,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities to be paid from restricted current assets						
Accounts payable and accrued expenses	3,005,103	-	-	74,840	5,975	-
Total current liabilities to be paid from restricted current assets	<u>3,005,103</u>	<u>-</u>	<u>-</u>	<u>74,840</u>	<u>5,975</u>	<u>-</u>
Total current liabilities	<u>31,629,664</u>	<u>-</u>	<u>-</u>	<u>74,840</u>	<u>5,975</u>	<u>-</u>
Noncurrent liabilities						
Long-term liabilities	217,233,566	-	-	-	-	-
Other liabilities	9,501	-	-	-	-	-
Unearned deposits	2,512,422	-	-	-	-	-
Total noncurrent liabilities	<u>219,755,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>251,385,153</u>	<u>-</u>	<u>-</u>	<u>74,840</u>	<u>5,975</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferral	4,023,015	-	-	-	-	-
Total deferred inflows of resources	<u>4,023,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	305,261,942	-	-	-	-	-
Restricted for -						
Capital Projects	-	-	-	593,728	767,558	-
Debt service	1,560,756	-	-	-	-	-
Unrestricted Net Position	44,760,215	4,685,254	21,679,487	(75,018)	(11,242)	-
Total Net Position	<u>\$ 351,582,913</u>	<u>\$ 4,685,254</u>	<u>\$ 21,679,487</u>	<u>\$ 518,710</u>	<u>\$ 756,316</u>	<u>\$ -</u>

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2015

2013 Outfall Rehab Project Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,932,620
-	-	-	-	-	-	-	12,691,941
-	-	-	-	-	-	-	28,624,561
-	317,594	4,257,115	310,466	935,712	37,634	450,741	9,395,180
-	317,594	4,257,115	310,466	935,712	37,634	450,741	9,395,180
-	317,594	4,257,115	310,466	935,712	37,634	450,741	38,019,741
-	-	-	1,628,767	11,726,356	-	-	230,588,689
-	-	-	-	-	-	-	9,501
-	-	-	-	-	-	-	2,512,422
-	-	-	1,628,767	11,726,356	-	-	233,110,612
-	317,594	4,257,115	1,939,233	12,662,068	37,634	450,741	271,130,353
-	-	-	-	-	-	-	4,023,015
-	-	-	-	-	-	-	4,023,015
-	3,076,109	14,551,872	158,327	599,649	1,737,572	450,741	325,836,212
-	14,684,012	37,067,261	-	-	-	-	53,112,559
-	-	-	-	-	-	-	1,560,756
-	(306,323)	(5,136,395)	(158,327)	(599,649)	(78,606)	(450,741)	64,308,655
\$ -	\$ 17,453,798	\$ 46,482,738	\$ -	\$ -	\$ 1,658,966	\$ -	\$ 444,818,182

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, 2015

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 WTF Clearwell Chemical Fund
Operating revenues						
Residential, commercial, and industrial sales	\$ 69,572,705	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	7,247,841	-	-	-	-	-
Miscellaneous operating income-water	-	-	-	-	-	-
Total operating revenues	76,820,546	-	-	-	-	-
Operating expenses						
Water operations	12,822,428	-	-	-	-	-
Wastewater operations	13,428,070	-	-	-	-	-
General and administrative	18,471,639	-	-	-	-	-
Depreciation	21,033,813	-	-	-	-	-
Total operating expenses	65,755,950	-	-	-	-	-
Operating income	11,064,596	-	-	-	-	-
Nonoperating revenue (expense)						
Interest earned on investments	640,863	17,197	3,240	-	-	-
Gain (loss) on disposal of assets	(965,763)	-	-	-	-	-
Interest expense	(7,394,147)	-	(8,062)	-	-	-
Amortization	(514,621)	-	-	-	-	-
Finance costs	(568,658)	-	-	-	-	-
Total nonoperating revenue (expense)	(6,800,526)	17,197	(4,822)	-	-	-
Income (loss) before transfers and contributions	2,264,070	17,197	(4,822)	-	-	-
Transfers in	15,776,768	250,000	20,102,655	17,076,400	6,138,666	5,299,942
Transfers out	(110,042,668)	(2,167,000)	(2,383,346)	(19,175,364)	(6,463,390)	-
Transfers in - City of Fayetteville	385,200	-	3,211,293	-	-	-
Capital Contributions	7,708,126	-	-	-	-	-
Change in Net Position	(83,908,504)	(1,899,803)	20,925,780	(2,098,964)	(324,724)	5,299,942
Total Net Position - beginning	437,512,652	6,585,057	753,707	2,617,674	1,081,040	(5,299,942)
Prior Period Adjustment-GASB 68	(2,021,235)	-	-	-	-	-
Total Net Position - beginning	435,491,417	6,585,057	753,707	2,617,674	1,081,040	(5,299,942)
Total Net Position - ending	\$ 351,582,913	\$ 4,685,254	\$ 21,679,487	\$ 518,710	\$ 756,316	\$ -

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, 2015

2013 Outfall Rehab Project Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,572,705
-	-	-	-	-	-	-	7,247,841
-	-	-	-	-	-	-	76,820,546
-	-	-	-	-	-	-	12,822,428
-	-	-	-	-	-	-	13,428,070
-	-	-	-	-	-	-	18,471,639
-	-	-	-	-	-	-	21,033,813
-	-	-	-	-	-	-	65,755,950
-	-	-	-	-	-	-	11,064,596
-	-	-	-	-	-	-	661,300
-	-	-	-	-	-	-	(965,783)
-	-	-	-	-	-	-	(7,402,209)
-	-	-	-	-	-	-	(514,621)
-	-	-	-	-	-	-	(566,858)
-	-	-	-	-	-	-	(8,788,151)
-	-	-	-	-	-	-	2,276,445
3,901,648	21,001,269	52,979,789	-	-	1,076,805	-	143,603,942
-	(3,547,471)	-	-	-	-	-	(143,779,239)
-	-	-	-	-	-	-	3,596,493
-	-	-	-	-	-	-	7,708,126
3,901,648	17,453,798	52,979,789	-	-	1,076,805	-	13,405,767
(3,901,648)	-	(6,497,051)	-	-	582,161	-	433,433,650
(3,901,648)	-	(6,497,051)	-	-	582,161	-	(2,021,235)
-	-	-	-	-	-	-	431,412,415
\$ -	\$ 17,453,798	\$ 46,482,738	\$ -	\$ -	\$ 1,658,966	\$ -	\$ 444,818,182

**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, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Water operations				
Residential, commercial, and industrial sales	\$ 31,874,218	\$ (673,802)	\$ 31,200,416	\$ 30,061,280
Other sales of water	2,588,600	94,247	2,682,847	2,574,242
Connection fees	300,000	(134,936)	165,064	289,921
City services	239,500	10,854	250,354	215,482
Total water operations	35,002,318	(703,637)	34,298,681	33,140,925
Wastewater operations				
Residential, commercial, and industrial sales	39,592,000	(1,219,711)	38,372,289	37,793,386
Other sales of wastewater	441,600	175,516	617,116	565,247
Connection fees	190,000	(19,533)	170,467	183,727
City services	86,400	10,829	97,229	86,151
Total wastewater operations	40,310,000	(1,052,899)	39,257,101	38,628,511
Other operating revenues				
Non-utility charges	1,318,600	(102,121)	1,216,479	1,195,493
Service charges	1,262,000	603,675	1,865,675	1,319,919
Miscellaneous	297,000	(114,390)	182,610	207,648
Total other operating revenues	2,877,600	387,164	3,264,764	2,723,060
Total operating revenues	78,189,918	(1,369,372)	76,820,546	74,492,496
Non-operating revenues				
Gain (loss) on asset disposal	-	(965,763)	(965,763)	(23,203)
Interest earned on investments	554,000	86,863	640,863	1,191,072
Total non-operating revenues	554,000	(878,900)	(324,900)	1,167,869
Contributions				
Contributions	4,156,900	(3,060,103)	1,096,797	3,359,875
Total contributions	4,156,900	(3,060,103)	1,096,797	3,359,875
Transfers in				
Transfer from City of Fayetteville	385,200	-	385,200	572,935
Transfer from Annexation Phase V Reserve Fund	1,116,300	44	1,116,344	741,648
Transfer from Water Rate Stabilization Fund	2,167,000	-	2,167,000	-
Total transfers in	3,668,500	44	3,668,544	1,314,583
Budgetary appropriations				
Department of Transportation financing	10,364,900	(7,571,068)	2,793,832	-
Cumberland County note proceeds	39,600	-	39,600	39,600
Fort Bragg note proceeds	104,000	(18)	103,982	7,295,019
Reserve for NCDOT projects	4,000,000	(455,083)	3,544,917	-
Reserve for W/WW capital projects	5,289,600	(3,075,932)	2,213,668	-
W/WW Series 2014 bond proceeds	3,073,100	18,745	3,091,845	-
Appropriation of Net Position	8,785,112	(8,785,112)	-	9,669,074
Total budgetary appropriations	31,656,312	(19,868,468)	11,787,844	17,003,693
Total revenues	\$ 118,225,630	\$ (25,176,799)	\$ 93,048,831	\$ 97,338,516
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,638,055	\$ 499,981	\$ 1,138,074	\$ 1,200,500
Water meter shop	154,000	(27,783)	181,783	187,199
Water maintenance and repair	4,852,010	(53,619)	4,905,629	5,292,356
Contract system maintenance	59,700	(15,948)	75,648	88,635
P. O. Hoffer water treatment plant	5,747,940	1,050,775	4,697,165	4,752,423
Glenville Lake water treatment plant	2,661,540	419,483	2,242,057	2,339,092
Environmental system protection	197,355	4,363	192,992	206,925
Laboratory	280,045	43,434	236,611	222,265
Environmental	111,050	261	110,789	115,942
Watersheds	150,900	1,850	149,050	171,714
Overhead clearing	-	1,107,370	(1,107,370)	-
Total water operations	15,852,595	3,030,167	12,822,428	14,575,051

**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, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

		2015		
	Budget	Variance Positive (Negative)	Actual	2014 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,638,055	\$ 499,981	\$ 1,138,074	\$ 1,200,500
Sewer maintenance and repair	6,048,840	(1,102,130)	7,150,970	6,430,460
Contract system maintenance	39,800	(10,631)	50,431	57,756
Cross Creek WW treatment plant	2,890,440	223,630	2,666,810	2,579,117
Rockfish Creek WW treatment plant	2,687,740	(8,046)	2,695,786	2,552,228
Residuals management	296,490	3,514	292,976	250,706
Environmental system protection	197,355	4,362	192,993	206,924
Laboratory	280,045	43,434	236,611	222,265
Environmental	111,050	261	110,789	115,943
Overhead clearing	-	1,107,370	(1,107,370)	-
Total wastewater operations	14,189,815	761,745	13,428,070	13,615,899
General and administrative				
Executive	654,050	177,765	476,285	390,904
Internal audit	53,050	47,743	5,307	3,737
Communications and community relations	724,850	43,811	681,039	673,015
Financial administration	213,210	19,064	194,146	173,489
Human resources	758,510	(94,944)	853,454	712,568
Accounting	405,160	20,751	384,409	478,972
Accounts receivable	795,310	126,201	669,109	641,765
Payroll	68,150	5,689	62,461	76,223
Customer accounts	1,725,090	(113,061)	1,838,151	1,755,789
Utility field service	1,343,660	279,336	1,064,324	1,160,953
Corporate development	2,512,110	515,603	1,996,507	1,105,549
Risk management	803,580	213,427	590,153	591,024
Collections	615,300	(119,068)	734,368	360,152
Capital projects	267,600	(61,682)	329,282	288,540
Rates	163,750	50,693	113,057	124,773
Budget	127,610	(7,176)	134,786	136,618
Purchasing	413,700	136,370	277,330	288,272
Warehouse	385,250	17,922	367,328	230,933
Fleet maintenance	1,378,750	(31,327)	1,410,077	1,891,817
Facilities maintenance	278,500	(54,442)	332,942	267,468
Customer programs administration and call center	242,380	(222,122)	464,502	224,629
Corporate services administration	256,600	116,873	139,727	208,978
Development and marketing	475,310	208,909	266,401	410,105

**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, 2015
(with comparative actual amounts for the year ended June 30, 2014)**

	2015			2014
	Budget	Variance Positive (Negative)	Actual	Actual
General and administrative (continued)				
Telecommunications systems	\$ 1,777,750	\$ 185,358	\$ 1,592,392	\$ 620,584
Information systems	3,342,450	577,905	2,764,545	1,977,035
Medical insurance	4,477,890	298,464	4,179,426	5,155,521
Other	1,529,800	602,849	926,951	1,402,129
Overhead clearing	(4,422,150)	787,193	(5,209,343)	(5,323,570)
Total general and administrative	21,367,220	3,728,104	17,639,116	16,027,972
Total operating expenditures	51,409,630	7,520,016	43,889,614	44,218,922
Non-operating expenditures				
Interest expense	7,992,400	598,253	7,394,147	6,052,295
Finance costs	371,500	(195,358)	566,858	57,406
Total non-operating expenditures	8,363,900	402,895	7,961,005	6,109,701
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	4,518,900	1,109,044	3,409,856	3,308,859
Transfer to Fleet Maintenance Fund	207,600	32,303	175,297	128,687
Total transfers out	4,976,500	1,141,347	3,835,153	3,687,546
Budgetary appropriations				
Inventory increase (decrease)	-	142,276	(142,276)	(283,052)
Vehicle and equipment increase (decrease)	-	713,907	(713,907)	(59,256)
Debt principal payments	13,785,500	760,857	13,024,643	10,767,805
Note payments	-	(39,600)	39,600	39,600
NCDOT project payments	4,000,000	652,647	3,347,353	-
Transfer to NCDOT project reserve	3,500,000	-	3,500,000	-
Capital outlay	29,264,200	9,370,206	19,893,994	11,205,027
Transfer to Health Insurance reserve	1,500,000	-	1,500,000	-
Transfer to Capital Interest reserve	1,425,900	1,425,900	-	-
Appropriation of Net Position	-	-	-	7,591,547
Total budgetary appropriations	53,475,600	13,026,193	40,449,407	29,261,671
Total expenditures	\$ 118,225,630	\$ 22,090,451	\$ 96,135,179	\$ 83,277,840

**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, 2015
(with comparative actual amounts for the year ended June 30, 2014)

	2015		2014
	Budget	Variance Positive (Negative)	Actual
Reconciliation of change in Net Position			
Total revenue	\$ (25,176,799)	\$ 93,048,831	\$ 97,338,516
Total expenditures	22,090,451	96,135,179	83,277,840
Subtotal	<u>\$ (3,086,348)</u>	(3,086,348)	14,060,676
Reconciling items:			
Budgetary appropriations		28,661,563	12,257,978
Depreciation		(21,033,813)	(18,830,452)
Amortization		(514,621)	(461,226)
OPEB expense		(679,406)	(339,566)
LGERS expense		(153,117)	-
Developer and FIF credits		6,611,329	4,783,848
Series 2014 Annex 14 & 15 bond proceeds		(5,974,879)	-
Series 2014 Annex 8-13 bond proceeds		(17,049,988)	-
Series 2014 Water Connect bond proceeds		(21,001,269)	-
Series 2014 Water & Wastewater bond proceeds		(52,926,251)	-
Transfer of assets (to) / from Annexation Phase V, Areas 8-13		3,544,917	3,025,059
Transfer of assets (to) / from Annexation Phase V, Areas 14-15		5,401,036	-
Transfer of assets (to) / from Clearwell Chemical Capital Project Fund		(5,299,942)	5,299,942
Transfer of assets (to) / from Outfall Rehab Capital Project Fund		(3,901,648)	3,901,648
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund		3,547,471	6,497,051
Transfer of assets (to) / from Series 2014 Water/WW Capital Project Fund		(53,538)	-
Transfer of assets (to) / from the Fleet Maintenance Fund		-	-
Total reconciling items		<u>(80,822,156)</u>	<u>16,134,282</u>
Change in Net Position		<u>\$ (83,908,504)</u>	<u>\$ 30,194,958</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, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 360,000	\$ 335,057	\$ 17,197	\$ 352,254
Total revenues	<u>360,000</u>	<u>335,057</u>	<u>17,197</u>	<u>352,254</u>
Other financing sources				
Transfer from Water and Wastewater Fund	6,500,000	6,250,000	250,000	6,500,000
Transfer to Water and Wastewater Fund	(2,167,000)	-	(2,167,000)	(2,167,000)
Appropriated Net Position	(4,693,000)	-	-	-
Total other financing sources	<u>(360,000)</u>	<u>6,250,000</u>	<u>(1,917,000)</u>	<u>4,333,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 6,585,057</u>	<u>(1,899,803)</u>	<u>\$ 4,685,254</u>
Change in Net Position			<u>\$ (1,899,803)</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, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 6,500	\$ 5,012	\$ 3,240	\$ 8,252
Total revenues	<u>6,500</u>	<u>5,012</u>	<u>3,240</u>	<u>8,252</u>
Expenditures				
Interest	80,000	71,294	8,062	79,356
Total expenditures	<u>80,000</u>	<u>71,294</u>	<u>8,062</u>	<u>79,356</u>
Revenues over (under) expenditures	<u>(73,500)</u>	<u>(66,282)</u>	<u>(4,822)</u>	<u>(71,105)</u>
Other financing sources (uses)				
Advance from Electric Rate Stabilization Fund	-	1,531,400	(1,531,400)	-
Assessments transfer	7,500,000	4,666,624	1,670,944	6,337,568
Transfer from (to) Water and Wastewater Fund	5,847,701	5,232,835	622,568	5,855,403
Transfer from the City	11,261,179	8,118,619	3,211,293	11,329,912
Transfer from (to) Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer from (to) Annexation Phase V, Areas 8-13 Fund	(721,633)	(16,262,792)	15,804,034	(658,758)
Transfer from (to) Annexation Phase V, Areas 14-15 Fund	(226,276)	(1,081,040)	898,568	(182,472)
Transfer from (to) Annexation Phase V, Areas 16-17 Fund	(11,000,000)	(582,161)	(1,076,805)	(1,658,966)
Transfer from (to) Annexation Phase V, Areas 18-19 Fund	(11,500,000)	-	-	-
Appropriated Net Position	(1,815,374)	-	-	-
Total other financing sources (uses)	<u>73,500</u>	<u>2,351,388</u>	<u>19,399,202</u>	<u>21,750,590</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,285,106</u>	<u>19,394,380</u>	<u>\$ 21,679,486</u>
Reconciling items:				
Advance Payable to Electric Rate Stabilization Fund			1,531,400	
Change in Net Position			<u>\$ 20,925,780</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, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on other investments	\$ -	\$ -	\$ 178	\$ 178
Total revenues	<u>-</u>	<u>-</u>	<u>178</u>	<u>178</u>
Expenditures				
Construction	-	19,264,220	293,353	19,557,573
Engineering	-	2,327,200	7,936	2,335,136
Rights of way	-	539,368	(796)	538,572
Less City of Fayetteville participation	-	(2,365,336)	(40,103)	(2,405,439)
Other	-	1,348,916	46,953	1,395,869
Total expenditures	<u>22,000,000</u>	<u>21,114,368</u>	<u>307,343</u>	<u>21,421,711</u>
Revenues under expenditures	<u>(22,000,000)</u>	<u>(21,114,368)</u>	<u>(307,165)</u>	<u>(21,421,533)</u>
Other financing sources				
Transfer from (to) Annexation Phase V Reserve Fund	721,633	16,262,792	(15,604,035)	658,757
Series 2009B Bond Proceeds	4,231,677	4,231,676	-	4,231,676
Series 2014 Bond Proceeds	17,046,690	-	17,049,988	17,049,988
Total other financing sources	<u>22,000,000</u>	<u>20,494,468</u>	<u>1,445,953</u>	<u>21,940,421</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (619,900)</u>	<u>1,138,788</u>	<u>\$ 518,888</u>
Reconciling items:				
Capital outlay			307,165	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,544,917)	
Change in Net Position			<u>(2,098,964)</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, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on other investments	\$ -	\$ -	\$ 283	\$ 283
Total revenues	<u>-</u>	<u>-</u>	<u>283</u>	<u>283</u>
Expenditures				
Construction		2,145,781	2,603,321	4,749,102
Engineering	-	470,300	45,138	515,438
Rights of way	-	79,951	(1,517)	78,434
City Participation	-	(77,851)	(222,263)	(300,114)
Other	-	125,571	232,605	358,176
Total expenditures	<u>6,200,000</u>	<u>2,743,752</u>	<u>2,657,284</u>	<u>5,401,036</u>
Revenues under expenditures	<u>(6,200,000)</u>	<u>(2,743,752)</u>	<u>(2,657,001)</u>	<u>(5,400,753)</u>
Other financing sources				
Bond proceeds	5,973,724	-	5,974,880	5,974,880
Transfer from Annexation Phase V Reserve Fund	226,276	1,081,040	(898,568)	182,472
Total other financing sources	<u>6,200,000</u>	<u>1,081,040</u>	<u>5,076,312</u>	<u>6,157,352</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,662,712)</u>	<u>2,419,311</u>	<u>\$ 756,599</u>
Reconciling items:				
Capital outlay			2,657,001	
Transfer of assets (to)/from the Water and Wastewater Fund			(5,401,036)	
Change in Net Position			<u>\$ (324,724)</u>	

**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, 2015**

	<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	-	4,769,094	-	4,769,094
Engineering	-	415,876	-	415,876
Other	-	114,972	-	114,972
Total expenditures	<u>5,400,000</u>	<u>5,299,942</u>	<u>-</u>	<u>5,299,942</u>
Revenues under expenditures	<u>(5,400,000)</u>	<u>(5,299,942)</u>	<u>-</u>	<u>(5,299,942)</u>
Other financing sources				
State Revolving Loan Proceeds	5,400,000	5,299,942	-	5,299,942
Total other financing sources	<u>5,400,000</u>	<u>5,299,942</u>	<u>-</u>	<u>5,299,942</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
Transfer of assets (to)/from the Water and Wastewater Fund			5,299,942	
Change in Net Position			<u>\$ 5,299,942</u>	

Capital Project Fund closed at June 30, 2015.

**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, 2015**

	<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	-	3,746,835	-	3,746,835
Other	-	154,813	-	154,813
Total expenditures	<u>3,922,282</u>	<u>3,901,648</u>	<u>-</u>	<u>3,901,648</u>
Revenues under expenditures	<u>(3,922,282)</u>	<u>(3,901,648)</u>	<u>-</u>	<u>(3,901,648)</u>
Other financing sources				
State Revolving Loan Proceeds	3,922,282	3,901,648	-	3,901,648
Total other financing sources	<u>3,922,282</u>	<u>3,901,648</u>	<u>-</u>	<u>3,901,648</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
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, 2015.

**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, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 2,706	\$ 2,706
Total revenues	<u>-</u>	<u>-</u>	<u>2,706</u>	<u>2,706</u>
Expenditures				
Construction	-	1,423,905	4,992,907	6,416,812
Engineering	-	10,725	(10,725)	-
Other	-	77,497	131,977	209,474
Total expenditures	<u>28,606,500</u>	<u>1,512,127</u>	<u>5,114,159</u>	<u>6,626,286</u>
Revenues under expenditures	<u>(28,606,500)</u>	<u>(1,512,127)</u>	<u>(5,111,453)</u>	<u>(6,623,580)</u>
Other financing sources (uses)				
2014 Revenue Bond Proceeds	20,997,207	-	21,001,269	21,001,269
2016 Revenue Bond Proceeds	7,609,293	-	-	-
Total other financing sources	<u>28,606,500</u>	<u>-</u>	<u>21,001,269</u>	<u>21,001,269</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,512,127)</u>	<u>15,889,816</u>	<u>\$ 14,377,689</u>
Reconciling Items:				
Capital outlay			5,111,453	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,547,471)	
Change in Net Position			<u>\$ 17,453,798</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, 2015**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 6,865	\$ 6,865
Total revenues	<u>-</u>	<u>-</u>	<u>6,865</u>	<u>6,865</u>
Expenditures				
Construction	-	7,584,770	10,407,579	17,992,349
Engineering	-	1,593,942	1,131,681	2,725,623
ROW	-	2,500	47,582	50,082
Other	-	59,944	174,252	234,196
Total expenditures	<u>53,020,000</u>	<u>9,241,156</u>	<u>11,761,094</u>	<u>21,002,250</u>
Revenues under expenditures	<u>(53,020,000)</u>	<u>(9,241,156)</u>	<u>(11,754,229)</u>	<u>(20,995,385)</u>
Other financing sources				
Transfer from Water/Wastewater Fund	103,987	-	-	-
2014 Revenue Bond Proceeds Proceeds	<u>52,916,013</u>	<u>-</u>	<u>52,926,251</u>	<u>52,926,251</u>
Total other financing sources	<u>53,020,000</u>	<u>-</u>	<u>52,926,251</u>	<u>52,926,251</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (9,241,156)</u>	<u>41,172,022</u>	<u>\$ 31,930,866</u>
Reconciling Items:				
Capital outlay			11,754,229	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>53,538</u>	
Change in Net Position			<u>\$ 52,979,789</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, 2015**

	<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	-	-	1,483,781	1,483,781
Engineering	-	231,448	52,876	284,324
Other	-	16,317	2,672	18,989
Total expenditures	<u>2,967,243</u>	<u>247,765</u>	<u>1,539,329</u>	<u>1,787,094</u>
Revenues under expenditures	<u>(2,967,243)</u>	<u>(247,765)</u>	<u>(1,539,329)</u>	<u>(1,787,094)</u>
Other financing sources				
State Revolving Loan Proceeds	2,967,243	-	1,628,767	1,628,767
Total other financing sources	<u>2,967,243</u>	<u>-</u>	<u>1,628,767</u>	<u>1,628,767</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (247,765)</u>	89,438	<u>\$ (158,327)</u>
Reconciling items:				
Capital outlay			1,539,329	
Loan Proceeds			(1,628,767)	
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, 2015**

	<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	-	2,245,411	8,174,103	10,419,514
Engineering	-	1,280,327	320,682	1,601,009
Loan Closing Costs	-	296,037	9,445	305,482
Total expenditures	<u>19,521,552</u>	<u>3,821,775</u>	<u>8,504,230</u>	<u>12,326,005</u>
Revenues under expenditures	<u>(19,521,552)</u>	<u>(3,821,775)</u>	<u>(8,504,230)</u>	<u>(12,326,005)</u>
Other financing sources				
State Revolving Loan Proceeds	14,801,858	3,690,386	8,035,970	11,726,356
Transfer from W/S and /or Other Debt Financing	4,719,694	-	-	-
Total other financing sources	<u>19,521,552</u>	<u>3,690,386</u>	<u>8,035,970</u>	<u>11,726,356</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (131,389)</u>	<u>(468,260)</u>	<u>\$ (599,649)</u>
Reconciling items:				
Capital outlay			8,504,230	
Loan Proceeds			(8,035,970)	
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, 2015**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Engineering	-	1,015,253	271,524	1,286,777
Right of Way	-	32,650	321,548	354,198
Other	-	24,230	72,367	96,597
Total expenditures	<u>11,000,000</u>	<u>1,072,133</u>	<u>665,439</u>	<u>1,737,572</u>
Revenues under expenditures	<u>(11,000,000)</u>	<u>(1,072,133)</u>	<u>(665,439)</u>	<u>(1,737,572)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	11,000,000	582,161	1,076,805	1,658,966
Total other financing sources	<u>11,000,000</u>	<u>582,161</u>	<u>1,076,805</u>	<u>1,658,966</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (489,972)</u>	<u>411,366</u>	<u>\$ (78,606)</u>
Reconciling items:				
Capital outlay			665,439	
Change in Net Position			<u>\$ 1,076,805</u>	

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

**Schedule of Changes in the Status of Annexation Phase V - Areas 18 through 19 Capital Project Fund
From Inception and for the Period Ended June 30, 2015**

	<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	<u>-</u>	<u>-</u>	<u>450,741</u>	<u>450,741</u>
Total expenditures	<u>11,500,000</u>	<u>-</u>	<u>450,741</u>	<u>450,741</u>
Revenues under expenditures	<u>(11,500,000)</u>	<u>-</u>	<u>(450,741)</u>	<u>(450,741)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	<u>11,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>11,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(450,741)</u>	<u>\$ (450,741)</u>
Reconciling items:				
Capital outlay			<u>450,741</u>	
Change in Net Position			<u>\$ -</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, 2015
(with comparative actual amounts for the period ended June 30, 2014)

	2015			
	Budget	Variance Positive (Negative)	Actual	2014 Actual
Revenues				
Operating revenues				
City services	\$ 7,300,825	\$ (1,112,451)	\$ 6,188,374	\$ 6,324,708
PWC services	2,100,275	(153,417)	1,946,858	2,042,112
Other revenue	-	334	334	1,104
Total operating revenues	<u>9,401,100</u>	<u>(1,265,534)</u>	<u>8,135,566</u>	<u>8,367,924</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(173)	(173)	1,320
Total non-operating revenues	<u>-</u>	<u>(173)</u>	<u>(173)</u>	<u>1,320</u>
Transfers in				
Transfers from Electric Fund	207,600	(32,303)	175,297	128,687
Transfers from Water and Wastewater Fund	207,600	(32,303)	175,297	128,687
Total transfers-in	<u>415,200</u>	<u>(64,606)</u>	<u>350,594</u>	<u>257,374</u>
Total revenues	<u>\$ 9,816,300</u>	<u>\$ (1,330,313)</u>	<u>\$ 8,485,987</u>	<u>\$ 8,626,618</u>
Expenditures				
Operating expenditures				
Fleet maintenance	9,264,510	(1,406,944)	7,857,566	8,162,661
Total operating expenditures	<u>9,264,510</u>	<u>(1,406,944)</u>	<u>7,857,566</u>	<u>8,162,661</u>
Budgetary appropriations				
Capital outlay	415,200	(64,778)	350,422	159,540
Appropriated Net Position	136,590	(136,590)	-	-
Total budgetary appropriations	<u>551,790</u>	<u>(201,368)</u>	<u>350,422</u>	<u>159,540</u>
Total expenditures	<u>\$ 9,816,300</u>	<u>\$ (1,608,312)</u>	<u>\$ 8,207,988</u>	<u>\$ 8,322,201</u>
Reconciliation of changes in Net Position				
Total revenues		\$ (1,330,313)	\$ 8,485,987	\$ 8,626,618
Total expenditures		(1,608,312)	8,207,988	8,322,201
Subtotal		<u>\$ 277,999</u>	<u>277,999</u>	<u>304,417</u>
Reconciling Items:				
Budgetary appropriations			350,422	159,540
Depreciation			(187,534)	(183,765)
OPEB expense			(90,293)	(22,818)
Total reconciling items			<u>72,595</u>	<u>(47,043)</u>
Change in Net Position			<u>\$ 350,594</u>	<u>\$ 257,374</u>

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

Schedule of Bonded Indebtedness

June 30, 2015

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
1/30/08	2008 Water & Wastewater	17,025,000	4.00%	2015	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -
			4.00%	2016	600,000	-	-	600,000	600,000
			4.50%	2017	600,000	-	-	600,000	-
			4.00%	2018	600,000	-	-	600,000	-
			4.00%	2019	2,040,000	-	-	2,040,000	-
			4.00%	2020	2,120,000	-	-	2,120,000	-
			3.75%	2021	2,205,000	-	-	2,205,000	-
			3.75%	2022	1,825,000	-	-	1,825,000	-
			4.00%	2022	460,000	-	-	460,000	-
			4.00%	2023	2,375,000	-	-	2,375,000	-
					<u>13,425,000</u>	<u>-</u>	<u>600,000</u>	<u>12,825,000</u>	<u>600,000</u>
10/21/09	2009A Electric & Water & Wastewater	114,155,000	5.00%	2015	10,265,000	-	10,265,000	-	-
			5.00%	2016	10,680,000	-	-	10,680,000	10,680,000
			5.00%	2017	12,870,000	-	-	12,870,000	-
			5.00%	2018	13,380,000	-	-	13,380,000	-
			5.00%	2019	7,080,000	-	-	7,080,000	-
			5.00%	2020	6,505,000	-	-	6,505,000	-
			5.00%	2021	3,320,000	-	-	3,320,000	-
			5.00%	2022	1,880,000	-	-	1,880,000	-
			5.00%	2023	1,950,000	-	-	1,950,000	-
			5.00%	2024	1,855,000	-	-	1,855,000	-
					<u>69,785,000</u>	<u>-</u>	<u>10,265,000</u>	<u>59,520,000</u>	<u>10,680,000</u>
10/21/09	2009B Water & Wastewater	36,710,000	4.00%	2015	1,280,000	-	1,280,000	-	-
			4.00%	2016	1,805,000	-	-	1,805,000	1,805,000
			4.00%	2017	1,405,000	-	-	1,405,000	-
			4.00%	2018	1,990,000	-	-	1,990,000	-
			4.00%	2019	1,600,000	-	-	1,600,000	-
			5.00%	2020	1,600,000	-	-	1,600,000	-
			5.00%	2021	1,600,000	-	-	1,600,000	-
			5.00%	2022	1,600,000	-	-	1,600,000	-
			5.00%	2023	1,600,000	-	-	1,600,000	-
			5.00%	2024	1,600,000	-	-	1,600,000	-
			5.00%	2025	1,600,000	-	-	1,600,000	-
			5.00%	2026	1,600,000	-	-	1,600,000	-
			5.00%	2027	1,600,000	-	-	1,600,000	-
			4.00%	2028	1,600,000	-	-	1,600,000	-
			4.00%	2029	1,600,000	-	-	1,600,000	-
			5.00%	2030	1,600,000	-	-	1,600,000	-
			5.00%	2031	1,600,000	-	-	1,600,000	-
			5.00%	2032	1,600,000	-	-	1,600,000	-
			5.00%	2033	1,605,000	-	-	1,605,000	-
			5.00%	2034	1,605,000	-	-	1,605,000	-
			5.00%	2035	1,605,000	-	-	1,605,000	-
					<u>33,695,000</u>	<u>-</u>	<u>1,280,000</u>	<u>32,415,000</u>	<u>1,805,000</u>

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

Schedule of Bonded Indebtedness

June 30, 2015

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
9/11/14	2014	111,455,000	0.00%	2015	\$ -	\$ -	\$ -	\$ -	\$ -
	Electric & Water & Wastewater		3.00%	2016	-	555,000	-	555,000	555,000
			3.00%	2017	-	570,000	-	570,000	-
			3.00%	2018	-	590,000	-	590,000	-
			5.00%	2019	-	3,355,000	-	3,355,000	-
			5.00%	2020	-	3,520,000	-	3,520,000	-
			5.00%	2021	-	3,700,000	-	3,700,000	-
			5.00%	2022	-	3,885,000	-	3,885,000	-
			5.00%	2023	-	4,070,000	-	4,070,000	-
			5.00%	2024	-	4,280,000	-	4,280,000	-
			3.00%	2025	-	4,495,000	-	4,495,000	-
			3.00%	2026	-	4,635,000	-	4,635,000	-
			4.00%	2027	-	4,770,000	-	4,770,000	-
			3.50%	2028	-	4,960,000	-	4,960,000	-
			3.50%	2029	-	5,135,000	-	5,135,000	-
			3.50%	2030	-	5,310,000	-	5,310,000	-
			3.50%	2031	-	5,495,000	-	5,495,000	-
			3.50%	2032	-	5,695,000	-	5,695,000	-
			4.00%	2033	-	5,890,000	-	5,890,000	-
			4.00%	2034	-	6,125,000	-	6,125,000	-
			4.00%	2035	-	6,370,000	-	6,370,000	-
			4.00%	2036	-	6,625,000	-	6,625,000	-
			3.50%	2037	-	6,885,000	-	6,885,000	-
			4.00%	2038	-	7,130,000	-	7,130,000	-
			4.00%	2039	-	7,410,000	-	7,410,000	-
					-	111,455,000	-	111,455,000	555,000
12/1/02	G.O.	3,625,000	4.00%	2015	200,000	-	200,000	-	-
	Water & Wastewater		4.00%	2016	200,000	-	-	200,000	200,000
			4.20%	2017	200,000	-	-	200,000	-
			4.25%	2018	200,000	-	-	200,000	-
			4.25%	2019	200,000	-	-	200,000	-
			4.50%	2020	200,000	-	-	200,000	-
			4.50%	2021	225,000	-	-	225,000	-
					1,425,000	-	200,000	1,225,000	200,000
10/22/09	G.O.	4,403,885	5.00%	2015	425,146	-	425,146	-	-
	Water & Wastewater		5.00%	2016	320,145	-	-	320,145	320,145
			4.00%	2017	375,145	-	-	375,145	-
			4.00%	2018	175,526	-	-	175,526	-
			4.00%	2019	175,527	-	-	175,527	-
			4.00%	2020	170,907	-	-	170,907	-
			4.00%	2021	170,908	-	-	170,908	-
					1,813,304	-	425,146	1,388,158	320,145
Total bond indebtedness					\$ 120,143,304	\$ 111,455,000	\$ 12,770,146	\$ 218,828,158	\$ 14,160,145

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

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

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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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities										
Net investment in capital assets										
Restricted for:										
Capital projects	10,328	10,328	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028
Debt service	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080
Unrestricted	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	231,126,138
Total primary government net positions	\$ 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	\$ 854,707,717

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government										
Net investment in capital assets										
Restricted for:										
Capital projects	10,328	10,328	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028
Debt service	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080
Unrestricted	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	231,126,138
Total primary government net positions	\$ 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	\$ 854,707,717

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business type activities										
Operating revenue										
Charges for services	\$ 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	\$ 308,619,610
Misc operating revenue	4,841,109	1,412,327	1,766,573	7,422,442	11,066,254	328,726	16,400	5,021	1,104	334
Operating revenues	-	5,808,120	-	-	-	-	-	-	-	-
Total operating revenue	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	308,619,944
Operating expenses										
Power supply and generation	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	157,248,396
Electric operations	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	11,059,845
Water operations	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	12,822,428
Miscellaneous operating expense-water	-	-	1,763,025	7,421,764	11,063,969	327,681	15,010	-	-	-
Sanitary sewer operations	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	13,428,070
General and administrative	19,710,781	19,129,562	21,256,701	24,029,963	23,357,418	24,634,211	26,259,839	31,067,333	33,002,023	37,216,879
Depreciation	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	36,348,935
Fleet maintenance	5,062,838	5,468,556	5,852,998	6,181,586	6,597,213	7,380,542	7,337,737	7,826,061	8,253,426	7,947,859
Total operating expenses	176,372,060	173,140,530	186,473,441	205,218,561	209,554,250	207,058,542	208,066,180	266,025,012	282,768,256	276,072,412
Operating income (loss)	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	32,547,532
Nonoperating revenue (expense)										
Interest earned on investments	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	1,490,911
Gain (loss) on disposal of assets	(420,050)	(484,539)	(94,878)	(147,331)	(356,749)	(1,201,165)	(142,064)	1,961,214	(462,840)	(1,142,805)
Interest expense	(9,339,725)	(9,730,573)	(7,251,358)	(8,723,343)	(7,602,623)	(8,087,136)	(7,489,731)	(7,270,893)	(6,601,453)	(8,227,011)
Amortization	(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)	(661,958)
Finance costs	(536,224)	(524,175)	(480,894)	(452,525)	(132,616)	(21,225)	(19,425)	(100,162)	(62,588)	(678,741)
Total nonoperating revenue (expense)	(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)	(9,219,604)
Income (loss) before transfers and contributions	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	23,327,928
Transfers in	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	350,594
Transfers out	(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)	(350,594)
Transfers in -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	3,596,493
Transfers out -City of Fayetteville	(9,802,460)	(9,449,012)	(10,005,305)	(8,054,235)	(8,691,240)	(10,800,269)	(9,820,653)	(10,961,395)	(12,303,615)	(12,527,760)
Capital contributions	-	17,708,389	14,858,567	12,643,003	24,243,346	12,154,156	11,152,573	3,803,969	9,440,775	7,804,945
Change in net position	\$ 16,576,239	\$ 47,755,041	\$ 46,368,292	\$ 36,420,020	\$ 56,260,251	\$ 57,309,139	\$ 64,483,129	\$ 15,920,491	\$ 14,591,803	\$ 22,201,606

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				
	Base Rate ^a	Usage first 500 kWh	Usage Rate ^b ea kWh > 500		
2015	\$ 13.50	\$ 2,061,314,816	\$ 0.0990	\$	0.0990
2014	11.80	2,085,737,441	0.0964		0.0964
2013	10.80	2,037,402,888	0.0946		0.0946
2012	10.80	2,053,384,900	0.0946		0.0946
2011	10.80	2,201,179,812	0.0900		0.0977
2010	9.90	2,145,805,926	0.0825		0.0896
2009	9.00	2,120,880,926	0.0750		0.0815
2008	9.00	2,121,034,988	0.0750		0.0815
2007	9.00	2,038,787,661	0.0719		0.0794
2006	9.00	2,104,141,325	0.0719		0.0794

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 Mgal Sold
Last Ten Fiscal Years

Fiscal Year	Total Direct Rate											
	Water											
	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate ^c	Usage Rate ^d				
								first 6 Mgals	ea Mgal > 6	2 Mgals	3-5Mgals	next 5-10Mgals
2015	3,693,708	1,602,583	914,301	1,211,695	897,337	8,319,624	\$ 9.00		\$ 2.26	\$ 2.69	\$ 3.65	\$ 4.37
2014	3,719,832	1,610,970	829,204	1,166,850	842,321	8,169,177	7.75		2.22	2.64	3.59	4.29
2013	3,761,361	1,867,535	608,837	1,371,392	^h 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	^h 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	^h 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	^h 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 ^g	-	-	-	-
2007	3,907,580	1,860,087	776,853	942,036	942,767	7,911,323	4.08	2.29 ^f	-	-	-	-
2006	3,807,207	1,889,923	794,542	442,894	1,040,805	7,975,371 ^a	4.08	2.29	-	-	-	-

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 During the period 2002 through 2003, the decline in water sales is attributed to conservation measures enforced early in the year due to drought conditions and unusually wet conditions late in the year, which collectively resulted in a 500 mgal, 300mgal and 200mgal decrease in residential, commercial and industrial water sales, respectively.

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

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

^e Rate structure in this category was based on first 3 Mgals in 2000-2001.

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

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

^h 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					Usage Rate		
	Wastewater					Sewer Only Flat Rate		
	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate ^a \$	per Mgal ^b \$
2015	3,242,175	1,482,458	636,480	194,606	483,543	6,039,262	9.00	4.89
2014	3,252,419	1,498,619	615,777	187,458	473,640	6,027,916	7.75	4.87
2013	3,245,769	1,707,549	387,928	133,323	459,421	5,933,990	7.00	4.87
2012	3,326,474	1,718,225	373,945	94,442	459,677	5,972,763	6.40	4.87
2011	3,418,513	1,710,285	371,696	82,085	460,746	6,043,325	5.88	4.77
2010	3,382,934	1,677,976	398,290	96,380	443,717	5,999,297	5.41	4.67
2009	3,272,380	1,671,151	488,014	93,038	438,936	5,963,519	5.41	4.67
2008	3,275,145	1,632,507	527,324	75,997	514,873	6,025,846	4.05	4.20
2007	3,181,099	1,641,518	441,983	72,190	512,537	5,849,327	2.46	4.20
2006	3,097,538	1,664,929	464,266	33,243	510,674	5,770,650	2.46	4.20

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential										
Basic	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.90	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80	\$ 13.50
Energy, first 500 kWh	0.07190	0.0719	0.0750	0.0750	0.0825	0.0900	0.0946	0.0946	0.0964	0.0990
All additional kWh	0.07940	0.0794	0.0815	0.0815	0.0896	0.0977	-	-	-	-
General service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Demand, first 10 kW	-	-	-	-	-	-	0.1013	0.1013	0.1013	0.1013
all additional kW	6.4800	6.4800	6.7500	6.7500	7.4000	8.1000	-	-	-	-
Energy, first 2,000 kWh	0.0810	0.0810	0.0845	0.0845	0.0929	0.1013	-	-	-	-
all additional kW	0.4860	0.4860	0.0505	0.0505	0.0555	0.0605	-	-	-	-
Lg General service										
Basic	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 220.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00	\$ 265.00
Demand, all kW	9.72	9.72	10.10	10.10	11.10	12.10	12.10	12.10	13.00	14.00
Excess Off Peak	-	-	-	-	-	2.00	-	-	-	-
Energy On Peak	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	0.0542
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	\$ 550.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00	\$ 650.00
Demand, first 5,000 kW	12.15	12.15	12.85	12.85	13.45	14.50	-	-	-	-
next 5,000 kW	11.07	11.07	11.75	11.75	12.50	13.45	-	-	-	-
All additional kW	9.99	9.99	10.60	10.60	11.90	12.80	-	-	-	-
Energy, all kWh	0.0380	0.0380	0.0400	0.0400	0.0462	0.0383	0.0504	0.0504	0.0523	0.0542
Traffic signal service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Energy, all kWh	0.0511	0.05106	0.05300	0.05300	0.05820	0.06350	0.06350	0.06350	0.06790	0.07250
Church service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Energy, first 500 kWh	0.0853	0.08532	0.08800	0.08800	0.09680	0.10560	-	-	-	-
NEXT 2,000 kWh	0.0788	0.07884	0.08250	0.08250	0.09070	-	-	-	-	-
all additional kWh	0.0788	0.07884	0.08250	0.08250	0.09070	0.09890	0.09960	0.09960	0.10130	0.10130
Sports field lighting service										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 24.00
Energy, all kWh	0.0525	0.05249	0.05669	0.05669	0.06230	0.06790	0.06790	0.06790	0.06790	0.06790
Minimum, all kW	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

	2006		2007		2008		2009		2010	
	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"	\$ 4.08	\$ 4.69	\$ 4.08	\$ 4.69	\$ 4.87	\$ 5.84	\$ 5.24	\$ 6.81	\$ 5.24	\$ 7.07
3/4"	4.08	4.69	4.08	4.69	4.87	5.84	5.24	6.81	5.24	7.07
1"	5.99	6.89	5.99	6.89	7.33	8.80	7.96	10.35	7.96	10.75
1.5"	10.36	11.91	10.36	11.91	12.97	15.56	14.19	18.44	14.19	19.16
2"	15.82	18.19	15.82	18.19	20.01	24.01	21.97	28.56	21.97	29.66
3"	28.65	32.95	28.65	32.95	36.55	43.86	40.25	52.33	40.25	54.34
4"	46.94	53.98	46.94	53.98	60.13	72.16	66.31	86.21	66.31	89.52
6"	92.26	106.10	92.26	106.10	118.57	142.28	130.89	170.15	130.89	176.70
8"	146.86	168.89	146.86	168.89	188.97	226.76	208.69	271.29	208.69	281.73
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 5,000 gallons = 6 Mgal	2.29	2.63	2.29	2.63	-	-	-	-	-	-
each additional 1,000 gallons	3.23	3.71	3.23	3.71	3.88	4.66	-	-	-	-
first 2,000 gallons=2Mgal	-	-	-	-	-	-	2.10	2.73	2.10	2.84
next 3,000 gallons (3-5Mgals)	-	-	-	-	-	-	2.52	3.28	2.52	3.40
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	3.47	4.51	3.47	4.68
each additional gallon	-	-	-	-	-	-	4.17	5.42	4.17	5.63
Water irrigation										
per 1,000 gallons = 1 Mgal	3.23	3.71	3.23	3.71	3.88	4.66	-	-	-	-
first 30,000 gallons=30Mgal	-	-	-	-	-	-	4.49	5.84	4.49	6.06
next 30,000 gallons=(31-60Mgals)	-	-	-	-	-	-	5.53	7.19	5.53	7.47
each additional gallon	-	-	-	-	-	-	8.66	11.26	8.66	11.69
Backflow Prevention Assembly Inspection Charge							-	-	-	-
Commercial water service										
per 1,000 gallons = 1 Mgal	2.18	2.51	2.18	2.51	2.23	2.68	2.40	3.12	2.40	3.24
Large water usage										
per 1,000 gallons = 1 Mgal	1.67	1.67	1.67	1.67	1.71	1.71	1.84	1.84	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	2.18	2.18	2.18	2.18	2.23	2.23	2.40	2.40	2.40	2.40
Bulk water delivery										
Basic Facilities per Truckload	15.00	15.00	15.00	15.00	15.00	15.00	-	-	-	-
per 1,000 gallons = 1 Mgal	2.18	2.18	2.18	2.18	2.23	2.23	-	-	-	-
Yearly permit fee	-	-	-	-	-	-	225.00	225.00	225.00	225.00
Temporary Permit=1 Month	-	-	-	-	-	-	50.00	50.00	50.00	50.00
each additional month <3 months	-	-	-	-	-	-	50.00	50.00	50.00	50.00

* 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**

	2011		2012		2013		2014		2015	
	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"	\$ 5.74	\$ 8.04	\$ 6.27	\$ 9.09	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40
3/4"	5.74	8.04	6.27	9.09	7.00	10.50	7.75	12.00	9.00	14.40
1"	8.62	12.07	9.52	13.80	11.00	16.50	12.00	18.60	14.00	22.40
1.5"	15.19	21.27	16.94	24.56	19.00	28.50	21.00	32.55	24.00	38.40
2"	23.41	32.77	26.22	38.02	30.00	45.00	33.00	51.15	39.00	62.40
3"	42.73	59.82	48.00	69.64	55.00	82.50	60.00	93.00	70.00	112.00
4"	70.27	98.38	79.12	114.72	90.00	135.00	100.00	155.00	115.00	184.00
6"	138.49	193.89	156.14	226.40	175.00	262.50	195.00	302.25	225.00	360.00
8"	220.69	308.97	248.94	360.96	280.00	420.00	310.00	480.50	360.00	576.00
Usage rate										
1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	-	-	-	-	-	-	-	-	-	-
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	-	-	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	2.17	3.04	2.22	3.22	2.22	3.33	2.22	3.44	2.26	3.62
next 3,000 gallons (3-5Mgals)	2.59	3.63	2.64	3.83	2.64	3.96	2.64	4.09	2.69	4.30
next 5,000 gallons=(6-10Mgals)	3.54	4.96	3.59	5.21	3.59	5.39	3.59	5.56	3.65	5.84
each additional gallon	4.24	5.94	4.29	6.22	4.29	6.44	4.29	6.65	4.37	6.99
Water irrigation										
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
first 30,000 gallons=30Mgal	4.56	6.38	4.61	6.68	4.61	6.92	4.61	7.15	4.69	7.50
next 30,000 gallons=(31-60Mgals)	5.60	7.84	5.65	8.19	5.65	8.48	5.65	8.76	5.75	9.20
each additional gallon	8.73	12.22	8.78	12.73	8.78	13.17	8.78	13.61	8.94	14.30
Backflow Prevention Assembly Inspection Char	0.90	0.90	0.90	0.90	0.90	0.90	0.9	0.9	0.9	0.9
Commercial water service										
per 1,000 gallons = 1 Mgal	2.56	3.58	2.67	3.87	2.67	4.01	2.67	4.14	2.71	4.34
Large water usage										
per 1,000 gallons = 1 Mgal	1.94	1.94	2.06	2.06	2.06	2.06	2.03	2.06	2.1	2.1
Fire hydrant delivery										
Basic Facilities per Meter Set	25.00	25.00	25.00	25.00	25.00	25.00	25	25	25	25
per 1,000 gallons = 1 Mgal	2.56	2.56	2.67	2.67	2.67	2.67	2.67	2.67	2.71	2.71
Bulk water delivery										
Basic Facilities per Truckload	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	275.00	275.00	275.00	275.00	275.00	275.00	275	275	300	300
Temporary Permit=1 Month	-	-	-	-	-	-	-	-	-	-
each additional month <3 months	-	-	-	-	-	-	-	-	-	-

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

	2006		2007		2008		2009		2010	
	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"	\$ 2.46	\$ 2.83	\$ 2.46	\$ 2.83	\$ 4.05	\$ 4.86	\$ 5.41	\$ 7.03	\$ 5.41	\$ 7.30
3/4"	2.46	2.83	2.46	2.83	4.05	4.86	5.41	7.03	5.41	7.30
1"	3.20	3.68	3.20	3.68	5.27	6.33	8.22	10.68	8.22	11.10
1.5"	4.90	5.63	4.90	5.63	8.08	9.70	14.63	19.02	14.63	19.75
2"	7.02	8.07	7.02	8.07	11.59	13.91	22.65	29.45	22.65	30.58
3"	12.00	13.80	12.00	13.80	19.85	23.81	41.50	53.95	41.50	56.03
4"	19.10	21.97	19.10	21.97	31.59	37.91	68.37	88.88	68.37	92.30
6"	36.70	42.20	36.70	42.20	60.71	72.85	134.93	175.41	134.93	182.16
8"	57.90	66.58	57.90	66.58	95.80	114.96	215.13	279.67	215.13	290.43
Usage rate										
Sanitary sewer service										
Basic Facilities	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	4.20	4.20	4.20	4.20	4.20	5.04	4.67	6.07	4.67	6.30
Commercial wastewater service										
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Sewer only										
Flat monthly	27.66	28.03	27.66	28.03	25.05	30.06	28.76	37.39	28.76	38.83
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	3.18	3.18	3.18	3.18	3.18	3.18	3.48	3.48	3.48	3.48
Bulk liquid waste service										
Basic Facilities	5.00	5.00	5.00	5.00	5.00	5.00	8.22	8.22	8.22	8.22
per 1,000 gallons = 1 Mgal	25.00	25.00	25.00	25.00	25.00	25.00	29.00	37.70	29.00	39.15

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

	2011		2012		2013		2014		2015	
	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"	\$ 5.88	\$ 8.23	\$ 6.40	\$ 9.28	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40
3/4"	5.88	8.23	6.40	9.28	7.00	10.50	7.75	12.00	9.00	14.40
1"	8.93	12.50	9.81	14.22	11.00	16.50	12.00	18.60	14.00	22.40
1.5"	15.89	22.25	17.60	25.52	19.00	28.50	21.00	32.55	24.00	38.40
2"	24.59	34.43	27.34	39.64	30.00	45.00	33.00	51.15	39.00	62.40
3"	45.03	63.04	50.23	72.83	55.00	82.50	60.00	93.00	70.00	112.00
4"	74.18	103.85	82.86	120.15	90.00	135.00	100.00	155.00	115.00	184.00
6"	146.39	204.95	163.70	237.37	175.00	262.50	195.00	302.25	225.00	360.00
8"	233.39	326.75	261.10	378.60	280.00	420.00	310.00	480.50	360.00	576.00
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	4.77	6.68	4.87	7.06	4.87	7.31	4.87	7.55	4.89	7.82
Commercial wastewater service										
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
	4.77	6.68	4.87	7.06	4.87	7.31	4.87	7.55	4.89	7.82
Sewer only										
Flat monthly	29.73	41.63	30.75	44.58	31.35	47.05	32.10	49.74	32.96	52.74
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	3.50	3.50	3.52	3.52	3.52	3.52	3.52	3.52	3.75	3.75
Bulk liquid waste service										
<i>Basic Facilities</i>	8.93	8.93	9.81	9.81	11.00	11.00	12.00	12.00	14.00	14.00
per 1,000 gallons = 1 Mgal	30.00	42.00	31.00	44.95	31.35	47.05	32.10	49.74	33.00	53.00

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

Electric Revenue

Fiscal Year 2006	Fiscal Year 2015
Black & Decker	Cape Fear Valley Medical Center
Cape Fear Valley Medical Center	Cargill, Inc.
Cargill, Inc.	CBL Associates
CBL Associates	Fayetteville State University
Fayetteville State University	Fayetteville Technical College
Goodyear Tire & Rubber	Goodyear Tire & Rubber
Hexion Specialty Chemical	Mann + Hummel (Purolator)
M J Soffe	Momentive Specialty Chemicals (Hexion)
Purolator	Nitta Gelatin
Walmart Totalized	Walmart

These customers represented kWh sales for 2006 and 2015 of 425,022,763 and 391,752,068, respectively; and revenue of \$20,252,926 and \$25,980,477. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 13.63% and 13.09%. No individual customer comprised more than 6.5% and 4.85% of total electric sales revenue.

Water Revenue

Fiscal Year 2006	Fiscal Year 2015
Cape Fear Valley Medical Center	Aqua Water
Cargill, Inc.	Cape Fear Valley Medical Center
Dak Resins	Cargill, Inc.
FT Bragg	Carolina by Products
Goodyear Tire & Rubber	Dak Resins
Momentive Specialty Chemicals (Hexion)	FT Bragg
Hoke County	Goodyear Tire & Rubber
M J Soffe	Hoke County
Purolator	Momentive Specialty Chemicals (Hexion)
Town of Spring Lake	Town of Spring Lake

These customers represented sales for 2006 and 2015 of 1,170,722,000 and 1,897,577,325 gallons, respectively; and revenues of \$2,094,729 and \$4,372,785. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 9.17% and 12.25%. No individual customer comprised more than 3% and 4.61% of total water sales revenue.

Wastewater Revenue

Fiscal Year 2006	Fiscal Year 2015
Cape Fear Valley Medical Center	Carolina by Products
Cargill, Inc.	Cape Fear Valley Medical Center
Carolina by Products	Hoke County
Cumberland County Detention Center	Nitta Gelatin
Fayetteville Tech Community College	Cargill, Inc.
Goodyear Tire & Rubber	Norcross
Momentive Specialty Chemicals (Hexion)	Town of Stedman
M J Soffe	Goodyear Tire & Rubber
Purolator	Mann+Hummel Pur Filt (Purolator)
Veterans Administration Hospital	Momentive Specialty Chemicals (Hexion)

These customers represented sales for 2006 and 2015 of 546,592,000 and 669,967,250 gallons, respectively; and revenues of \$1,747,907 and \$2,569,212. The aggregate sum of the ten largest wastewater customers' revenue is 6.88% and 6.47%. No individual customer comprised more than 2% and 1.53% 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 Obligation Bonds	Revenue Bonds	Notes	Total		
				Amount	Per Capita ⁽¹⁾	As a Share of Personal Income
2015	\$ 2,741,682	\$ 233,551,959	\$ 33,792,073	\$ 270,085,714	\$ 818.87	3.58%
2014	3,411,254	127,467,576	25,874,625	156,753,455	473.40	2.13%
2013	4,270,372	140,451,030	22,224,936	166,946,338	522.64	2.38%
2012	5,051,325	142,065,254	15,415,501	162,532,080	434.24	2.12%
2011	5,901,470	151,607,212	16,683,349	174,192,031	510.28	2.35%
2010	6,453,885	169,120,000	17,951,198	193,525,083	612.86	2.85%
2009	7,412,175	155,045,000	19,219,047	181,676,222	588.48	2.80%
2008	9,041,939	167,735,000	20,486,896	197,263,835	643.88	2.76%
2007	10,626,704	162,360,000	64,396,137	237,382,841	766.07	3.40%
2006	2,705,000	173,565,000	136,357,559	312,627,559	1,045.37	3.05%

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.

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

Fiscal Year	Utility Service Charges	Less: Operating Expenses ⁽¹⁾	Other Adjustments ⁽²⁾	Net Available Revenues	Debt Service ⁽⁵⁾		Coverage Ratio ⁽⁴⁾	
					Principal	Interest ⁽³⁾		Total
2015	\$ 300,484,378	\$ 231,775,618	\$ -	\$ 68,708,760	\$ 13,892,288	\$ 8,875,916	\$ 22,768,204	3.02
2014	292,346,282	239,483,361	-	52,862,921	13,332,792	6,017,667	19,350,459	2.73
2013	283,193,071	221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,997,294	62,556,535	1.72
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,739,550	93,386,006	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,882,230	49,381,586	1.94

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

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

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

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

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

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

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		Unemployment Rate ³ County
			Personal Income ²	Personal Income ²	
2015	329,827	\$ 7,540,834,701	22,863	22,863	7.50%
2014	331,126	7,354,639,586	22,211	22,211	7.60%
2013	319,431	7,013,107,605	21,955	21,955	9.5%
2012	374,295	7,667,807,370	20,486	20,486	9.8%
2011	341,363	7,417,135,264	21,728	21,728	10.1%
2010	315,772	6,793,834,580	21,515	21,515	8.9%
2009	308,721	6,496,724,724	21,044	21,044	9.5%
2008	306,366	7,154,565,198	23,353	23,353	6.3%
2007	309,872	6,990,092,576	22,558	22,558	5.2%
2006	299,060	10,241,309,700	34,245	34,245	5.5%

Sources:

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

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

	2015			2006		
	Percentage of Total County		Rank	Percentage of Total County		Rank
<u>Employer</u>	<u>Employees</u>	<u>Employment</u>		<u>Employees</u>	<u>Employment</u>	
U.S. Dept. of Defense (Civil Service) ⁽¹⁾	8,757	6.19%	1	8,857	7.27%	1
Cumberland County Schools	6,530	4.62%	2	6,447	5.29%	2
Cape Fear Valley Health System	4,900	3.47%	3	4,100	3.37%	3
Wal-Mart Associates Inc.	2,860	2.02%	4	-	-	-
Goodyear Tire & Rubber Inc. (Kelly Springfield)	2,500	1.77%	5	2,560	2.10%	4
Cumberland County	2,350	1.66%	6	2,500	2.05%	5
City of Fayetteville	2,055	1.45%	7	1,959	1.61%	6
Fayetteville Tech	1,390	0.98%	8	1,250	1.03%	7
Veterans Admin	1,000 +	0.71%	9	-	-	-
Fayetteville State Univ	900 +	0.69%	10	-	-	-
U.S. Postal Service	-	-	-	1,312	1.08%	8
Purulator	-	-	-	1,150	0.94%	9
M.J. Soffe Company Inc.	-	-	-	1,100	0.90%	10
Total Employment (Ten Largest Civilian Employers)	33,242	23.57%		31,235	25.65%	

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

Source: Cumberland County Chamber of Commerce, PWC Variable Rate Revenue Bonds 2003 Official Statement,
Ft. Bragg Civilian Personnel Advisory Center (Most recent data available)

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Electric:										
Electric Substation	13	12	13	15	11	11	11	10	10	11
Electric Power Supply	3	3	2	2	1	1	1	1	1	1
Electric Generation	23	23	26	26	28	29	28	29	30	30
Electric Engineering	22	19	21	20	25	26	21	24	22	21
Electric Construction	68	72	68	67	66	73	70	68	70	71
Water/Wastewater:										
Water Plant Operations	15	14	14	14	14	14	14	14	14	14
Wastewater Plant Operations	17	17	17	17	17	18	17	19	19	19
Water/Wastewater Systems Maintenance	21	22	23	22	22	22	23	22	21	22
Water Resources Engineering	31	31	33	28	32	29	30	27	27	24
Water Resources Construction	97	97	96	96	89	89	91	81	79	80
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	5	6	6	6	5	6	5	6	6	6
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	1	1	3	1	3	3	1	1	1	-
Administration:										
Billing/Customer Service	56	56	54	50	57	56	57	52	54	55
Meter Reading	5	4	4	4	10	11	11	11	11	10
Utility Field Services	21	23	28	29	29	31	33	34	34	34
Human Resources	6	5	6	6	7	7	6	5	6	6
Finance and Accounting	30	31	32	42	35	36	32	31	30	31
Management Information Systems	11	13	13	19	19	19	19	12	18	18
Executive Administration	150	146	130	111	104	104	101	105	100	97
Total Employees:	602	602	596	582	581	592	578	559	560	557

Source: Public Works Commission Human Resource Department

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water System:										
Water main breaks	119	128	146	130	180	182	165	104	137	113
Average daily consumption (Mgals) (1)	21,850	21,675	22,879	22,450	22,423	25,446	26,724	24,648	24,815	25,011
Peaks (MGD) (2) (3)	32.6	37.0	38.4	34.9	37.2	39.4	37.9	35.6	33.7	34.2
Total sold (Mgals) (1)	7,561,199	7,555,333	7,894,590	7,707,256	7,749,106	8,888,870	8,960,423	9,008,524	7,836,927	8,023,949
Sewer System:										
Main breaks	208	150	156	291	342	293	342	344	294	148
Average daily consumption (Mgals) (1)	15,810	16,026	16,509	16,338	16,436	16,557	24,720	24,400	27,000	25,800
Peaks (MGD) (3)	26.6	27.9	27.7	31.5	27.8	26.3	35.9	27.7	45.0	28.9
Total sold (Mgals) (1)	5,754,784	5,837,838	6,014,627	5,953,806	5,998,105	6,043,126	5,972,764	5,933,990	6,027,916	6,039,262
Electric System:										
Electric outages (minutes)	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	8,143,105
Peaks (MW) (4)	474.5	462.5	476.6	459.5	462.4	459.1	459.1	446.0	454.0	490.3
Total kWh sold (5)	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	2,055,323,594
Average daily consumption (kWh)	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	5,631,024

(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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water System:										
Miles of water main	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	1,384.6
Number of new service connections	2,962	3,154	2,285	1,220	616	962	2,649	1,375	1,258	1,778
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	3,142	3,006	2,260	1,752	317	1,140	1,612	1,375	1,358	2,635
Miles of sanitary sewer mains	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	1,293.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	41.0	41.0	41.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	2,245	1,744	1,151	471	650	533	1,359	64	432	1,456
Distribution line circuit miles	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	1,323.97

(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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**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, 2015, 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 6, 2015.

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.

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*.

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 Bekasert LHP

Raleigh, North Carolina
October 6, 2015

PUBLIC WORKS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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

YEAR ENDED JUNE 30, 2015

Section II - Financial Statement Findings

None reported.

PUBLIC WORKS COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

Finding: No. 2014-001 – System Development Life Cycle Controls

Status: Cleared

Finding: No. 2014-002 – Segregation of Duties and System Based Logical Access Controls

Status: Cleared

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

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Our Vision

To be valued by our customers for improving their quality of life by providing first-rate utility services and by being a leader in community sustainability.



Our Mission

To be a safe, highly productive utility that invests in our team, facilities and infrastructure, and provides information to customers, helping them to make informed choices.



FAYETTEVILLE PUBLIC WORKS COMMISSION P.O. BOX 1089, FAYETTEVILLE, NC 28302 • 910-483-1382 • FAYPWC.COM



PWC
Fayetteville's
HOMETOWN UTILITY

