

# Public Works Commission

(Component Unit of the City of Fayetteville)

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016



*This State of the*  
**TOWN of FAYETTEVILLE**  
NORTH CAROLINA  
*so called in honor of that distinguished*  
**Patriot and Philanthropist**  
**GEN: LA FAYETTE**  
*who lived to him*

LAFAYETTE HOTEL

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

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*Comprehensive Annual Financial Report*  
*For the Year Ended June 30, 2016*

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**Commissioners**

Darsweil L. Rogers, *Chairman*  
Wade R. Fowler, Jr., *Vice-Chairman*  
Michael G. Lallier, *Secretary*  
Evelyn O. Shaw, *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  
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**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**

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

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Dee Bowles, *Accountant*  
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Lakisha Figaro ♦ Kathy Hayes  
Barbara Love ♦ Sylvester Loving, Jr. ♦ Patrick McKoy  
Jane Roach ♦ Karen Shotwell ♦ Justin Smith  
Sharon Smith ♦ Joyce Thrash ♦ Alaina Wenrich ♦ Gwen White  
Deborah Williams ♦ Janet Wing ♦ Constance Woods

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

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**INTRODUCTORY SECTION**  
**(UNAUDITED)**

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



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October 24, 2016

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

The management and staff of the Fayetteville Public Works Commission (PWC) are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

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

Cherry Bekaert LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the PWC's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Public Works Commission**

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

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



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

PWC offers three utility services – electric, water and wastewater – to the citizens of Cumberland County and is a component unit of the City of Fayetteville, North Carolina. PWC is the largest municipal electric utility in North Carolina and the 36<sup>th</sup> largest in the nation. PWC's electric rates are among the lowest in the state, of all electric utilities, and its water and wastewater rates are in line with other major North Carolina cities.

PWC's electric system involves the transmission and distribution of electric energy, which is purchased from Duke Energy Progress (DEP) and the Southeastern Power Administration (SEPA). In June 2009, PWC and DEP entered into a 20 year full requirements agreement effective July 1, 2012. Subsequent amendments extended the term to 30 years. PWC may elect to terminate the agreement effective June 30, 2024 with written notice provided by June 30, 2019. PWC will utilize its SEPA allocation as permitted in the agreement. Also, in June 2009, PWC and DEP executed a 5 year agreement to lease its Butler-Warner Generation Plant to DEP effective July 1, 2012. Subsequent amendments extended the term until June 30, 2021. PWC provides electric service to approximately 60 percent of the Fayetteville/Cumberland County area. During fiscal year 2016, electric service was provided to more than 83,000 customers.

PWC is committed to supplying safe water that meets or surpasses state and federal standards and achieves the highest standards of customer satisfaction. PWC's two water treatment facilities – PO Hoffer and Glenville Lake – draw water from two independent water sources, the Cape Fear River and Glenville Lake. In 2016, PWC completed construction replacing the Glenville Lake Dam Spillway. A detailed evaluation of the structure determined that the spillway was undersized and contained questionable internal stability. The structure was 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 96,000 customers. PWC also, under wholesale contracts, furnishes water to Fort Bragg Military Reservation, the Town of Spring Lake, the Town of Stedman, Eastover Sanitary District, Hoke County and Aqua North Carolina, Inc.

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

## **Local Economy**

The economy of Fayetteville is stabilized by the presence of Fort Bragg Army Installation and Pope Army Air Field. Approximately 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 previously 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 5.1 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 2017 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 initiatives including:

- David Trego was named the eighth CEO/General Manager in PWC's 110 year history replacing Steve Blanchard, who served as CEO/GM for 20 years. Trego has over 30 years of experience in the utility industry and served as PWC's Chief Operating Officer of the Electric Systems for the five years prior to his appointment as CEO/GM.

- The North Carolina General Assembly updated the PWC Charter to more clearly define the roles and responsibilities of Commission and the City of Fayetteville in the operation of the electric, water and wastewater utilities. In the updated charter, the Legislature defined PWC as a Public Authority under North Carolina law and is subject to the applicable state statutes that govern Public Authorities.
- The PWC Board set its strategic priorities to include Ensuring Cyber and Physical Security; Evaluating Long Term Power Supply Options; Rehabilitating Aging Infrastructure; Attracting and Retaining a Top Quality Work Force, Coordinating Regional Infrastructure Needs and Support Economic Development; Improving Local Vendor Capacity; and Engagement and Showcasing PWC's value to the community.
- PWC multi-year Advanced Meter installation continued and over 100,000 meters had been installed by the end of fiscal year 2016. By 2017, the \$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 completed and work began on the design that will ultimately increase treatment capacity at the plant by 16 million gallons a day.
- During the second year of a system-wide conversion of streetlights to Lighting-Emitting Diode (LED) street lights, PWC had installed over 10,000 neighborhood street lights and began thoroughfare installation. 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 five million consecutive hours from November 15, 2011 to September 1, 2015 with no lost time injuries. It marked the first time in PWC history employees have reached five million safe hours.
- PWC customer conservation incentive programs continued to encourage efficiency and increase customer awareness of their utility usage. PWC's eight incentive programs are a part of efforts to help customers better understand and manage their utility use with information that will be made possible with PWC's new metering technology.
- 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's plans to install a Community Solar project; being recognized as a North Carolina Smart Fleet Champion by the North Carolina Clean Cities Coalition for reducing fleet emissions and installing four Electric Vehicle Charging Stations using a grant received from the NC Clean Energy Technology Center.
- 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, 2015. This was the ninth 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 2016 annual budget. PWC has received this award for the past 21 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 fifth Special Capital Recognition and was one of only nine selected nationally. To receive the recognition, all reviewers must rate the capital presentation as outstanding.

During fiscal year 2016, PWC was recognized with a number of awards and special honors to include but not limited to the following:

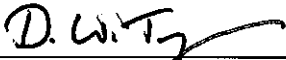
- PWC received the American Public Power Association's highest honor for reliability earning the Reliable Public Power Provider (RP<sup>3</sup>) Diamond Level designation. PWC is one of just three Public Power utilities in the country to earn Diamond Level four or more times.
- A long standing commitment to safety earned PWC employees their five million safe hour recognition as well as the 24<sup>th</sup> Electric Utility Safety Award from the American Public Power Association, 28th consecutive Certificate for Safety Achievement from the North Carolina Department of Labor and 20<sup>th</sup> consecutive Municipal Electric Safety Award.
- 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.
- The NC American Water Works Association-Water Environment Association recognized PWC as the 2016 Wastewater Collections System of the Year.
- PWC's Fleet Management was recognized for outstanding operations and named 43<sup>rd</sup> Best Fleet operations of the Top 100 in The Americas by the NAFA Fleet Management Association.



- ElectriCities of NC honored PWC with five Public Power Awards of Excellence. PWC was honored for Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement, and Service Excellence.
- Outstanding sustainability efforts earned PWC the Sustainable Sandhills Platinum Green Business Award and the Sustained Professional Purchasing Award from the Carolina Association of Governmental Purchasing.
- 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,



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David W. Trego  
Chief Executive Officer



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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, 2015**

Executive Director/CEO

# PUBLIC WORKS COMMISSION

## OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA



## **FINANCIAL SECTION**



## Report of Independent Auditor

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

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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 fleet maintenance funds of the Commission as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

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

## OTHER MATTERS

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 24, 2016, 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.

Cheryl Bekaert LLP

Fayetteville, North Carolina  
October 24, 2016

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## **Management's Discussion and Analysis**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **MANAGEMENTS DISCUSSION AND ANALYSIS**

Management of the Fayetteville Public Works Commission (PWC) offers readers this narrative overview and analysis of the financial performance for the fiscal year ended June 30, 2016. 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 \$877.0 million, an increase of \$22.3 million, or 2.6 percent, up from \$854.7 million in fiscal year 2015.
- Total unrestricted and undesignated operating reserves were 133.7 days at June 30, 2016, up from 108.79 in the prior year.
- Income before Capital Contributions and Transfers was \$19.1 million compared to \$23.3 million in fiscal year 2015, down \$4.3 million or 8.3 percent.
- In March of 2016, electric rate adjustments were approved effective May 1, 2016 and May 1, 2017.
- 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 \$42.6 million at June 30, 2016, down from \$48.4 million in the prior year.
- The Water and Wastewater Rate Stabilization net position was \$5.0 million at June 30, 2016, up from \$4.7 million in the prior year.
- Water and Wastewater revenues were reduced by \$1.5 million as a result of the 2016 billings to Hope Mills customers that were reclassified from outside-city to inside-city rates.
- PWC restricted \$10 million in FY 2016 in a Coal Ash Reserve to mitigate future potential coal ash costs passed on from its purchased power provider.
- Power Supply and Generation Expenses decreased by \$16.1 million to \$141.1 million in fiscal year 2016 down from \$157.27 million in fiscal year 2015.
- During fiscal year 2016, the PWC maintained its Aa2/AA/AA rating from Moody's and Standard and Poor's, and Fitch, respectively.
- PWC's senior lien ratio is 3.98, exceeding the minimum requirement of 1.10.
- In June 2016, PWC refunded \$47.0 million of its outstanding debt and achieved a net present value savings of \$4.8 million, or 10.29%.

## **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 amount of investments in resources (assets) and the obligations to PWC creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the PWC and assessing the liquidity and financial flexibility of the PWC. All of the current year's revenue 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.

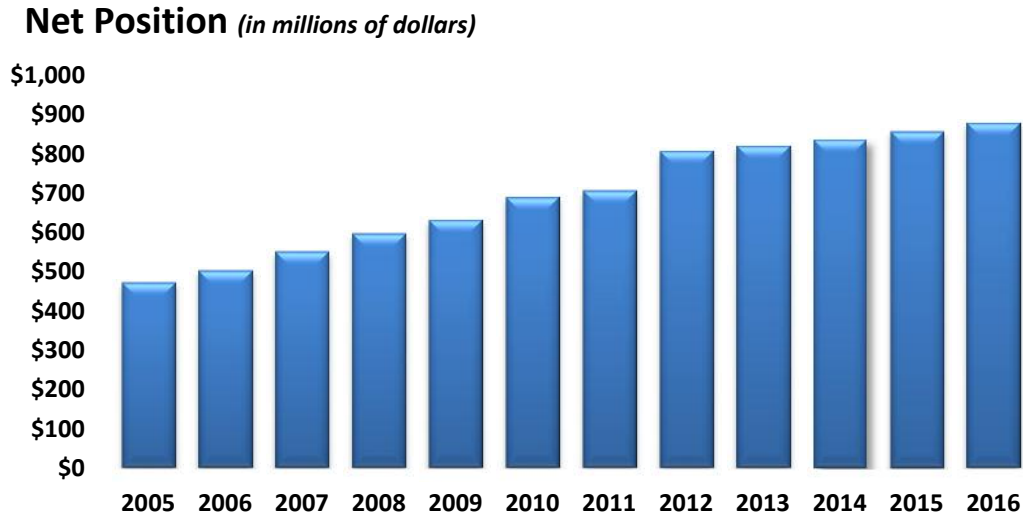
In 2016, the PWC was recognized as a Public Authority and became a separately presented component unit of the City of Fayetteville, North Carolina. PWC's financial reporting has changed accordingly. Previously, the PWC reported two Enterprise Funds and one Internal Service Fund. Currently and going forward the PWC's financial statements consist of three Enterprise Funds, two of which account for the PWC utility services and the remaining fund accounts for the PWC fleet maintenance services. The effects of the utility services are easily identified by the total utilities column. The total column reflects the total entity as it includes the activities of the PWC's fleet maintenance services.

## **FINANCIAL ANALYSIS OF THE PWC**

Our analysis of the PWC begins in the Financial Statements 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, 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 2016. A summary of the PWC's Statement of Net Position is presented in figure A-2. Net position increased \$22.3 million to \$877.0 million in fiscal year 2016, up from \$854.7 million in fiscal year 2015. By far, the largest portion of the PWC's net position, \$536.0 million (62.4 percent) reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets.

PWC's total assets exceeded \$1 billion in fiscal year 2016. Current and Other Assets were \$408.2 million, an increase of \$40.8 million or 11.1 percent, the result of bond proceeds to be used for capital improvements. Operating cash reserves increased from 108.79 days to 133.70 days as a result of an increase in cash and investments of \$17.6 million and a decrease in budgeted expenses of \$9.4 million. PWC's operating cash reserves policy is to have a minimum of 90 days and a target of 120 days cash in reserve.

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

			<b>Total Dollar Change</b>	<b>Total Percentage Change</b>
Current and Other Assets	\$ 367.4	\$ 408.2	\$ 40.8	11.1%
Capital Assets	821.8	862.7	40.9	5.0%
<b>Total Assets</b>	<b>\$ 1,189.2</b>	<b>\$ 1,270.9</b>	<b>\$ 81.7</b>	<b>6.9%</b>
Deferred Charge on Refunding	5.3	6.0	0.7	13.2%
Resources Related to Pensions	4.8	6.4	1.6	33.3%
<b>Deferred Outflows of Resources</b>	<b>\$ 10.1</b>	<b>\$ 12.4</b>	<b>\$ 2.3</b>	<b>22.8%</b>
Long-term Liabilities Outstanding	264.2	327.4	63.2	23.9%
Other Liabilities	72.3	77.7	5.4	7.5%
<b>Total Liabilities</b>	<b>\$ 336.5</b>	<b>\$ 405.1</b>	<b>\$ 68.6</b>	<b>20.4%</b>
Resources Related to Pensions	8.0	1.3	(6.7)	-83.8%
<b>Deferred Inflows of Resources</b>	<b>\$ 8.0</b>	<b>\$ 1.3</b>	<b>\$ (6.7)</b>	<b>-83.8%</b>
Net Investment in Capital Assets	558.6	536.0	(22.6)	-4.0%
Restricted	65.0	2.6	(62.4)	-96.0%
Unrestricted	231.1	338.4	107.3	46.4%
<b>Total Net Position</b>	<b>\$ 854.7</b>	<b>\$ 877.0</b>	<b>\$ 22.3</b>	<b>2.6%</b>

Long-term Liabilities increased by \$63.2 million or 23.9 percent. This is primarily due to a bond issuance of \$114.4 million combined with \$3.7 million in proceeds received from state loans, offset by \$17.0 million in principal payments on bonds and notes during the year and the defeasance of \$47.0 million of bonds and notes. Additionally, there were increases of \$8.2 million in unamortized premiums and discounts which is comprised of \$11.7 million in new premiums, offset by amortization of \$1.6 million and refunding premium write-offs of \$1.9 million.

Restricted Net Position of \$2.6 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 \$338.4 million in Unrestricted Net Position may be used to meet the PWC's on-going operations including the repayment of its outstanding debt.

## **INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS**

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Figure A-3, the PWC's total revenues increased by \$3.1 million, or 1.0 percent, while total expenses decreased \$1.0 million, or 0.3 percent. The decrease in expenses is primarily due to \$16.1 million decrease in power supply and generation expense. This resulted in a \$19.0 million Income before Capital Contributions and Transfers, up \$4.6 million compared to last year. The loss on disposal of assets is largely attributed to the conversion of electric and water meters from older technology to AMI meters. Combined they account for a loss of \$8.4 million. This is higher than expected as a result of the installation of water meters being ahead of schedule. There were nearly 11,500 more water meters installed as of June 30, 2016 than what had been projected, resulting in a higher net book value being written off.

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 \$42.6 million, which will be used over the next several years to supplement the Electric Fund as rates are adjusted to meet its ongoing obligations. The Commission intends to maintain an on-going balance in this fund of at least 10% of power supply cost. The minimum annual transfer into this fund is \$250,000.

In addition to the ERSF, PWC is preparing for potential coal ash costs passed from its purchase power provider, Duke Energy Progress (DEP). In September 2014, the Coal Ash Management Act (CAMA) became law in North Carolina. Subsequent to its passage, the Environmental Protection Agency (EPA) issued its own regulations and together with CAMA, requires DEP to take remedial actions to its plants producing Coal Combustion Residuals (CCR's). It is anticipated that DEP will petition the Federal Energy Regulatory Commission (FERC) for recovery of these expenses from wholesale customers. If DEP is successful, DEP has shared with PWC the estimated cost to be recovered from PWC over the next 20 years, with the majority being due in the first 10 years. For this purpose, PWC restricted \$10.0 million in fiscal year 2016 in a Coal Ash Reserve and intends to fund and manage this reserve along with funds in the ERSF to mitigate these potential costs.

The Water and Wastewater Fund also maintains a Water/Wastewater Rate Stabilization Fund (WRSF) to stabilize water and wastewater rates and mitigate large one-time rate hikes. The WRSF has a net position at June 30, 2016 of \$5.0 million. Like the ERSF, the minimum annual transfer into this fund is \$250,000 and this amount was transferred in fiscal year 2016.

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

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Total Dollar Change</b>	<b>Total Percent Change</b>
Operating Revenues				
Charges for Services	\$ 254.1	\$ 261.9	\$ 7.8	3.1%
Other charges for services	54.5	49.2	(5.3)	-9.7%
Non-operating Revenues				
Interest on Investments	1.5	2.1	0.6	40.0%
<b>Total Revenues</b>	<b>\$ 310.1</b>	<b>\$ 313.2</b>	<b>\$ 3.1</b>	<b>1.0%</b>
Power Supply and				
Generation Expense	157.3	141.1	(16.2)	-10.3%
Electric Operating Expense	11.1	15.4	4.3	38.7%
Water/Wastewater Operating Expense	26.3	29.3	3.0	11.4%
General and Administrative Expense	45.2	43.6	(1.6)	-3.5%
Depreciation Expense	36.3	37.0	0.7	1.9%
Non-operating Expense				
(Gain) Loss on Sale of Assets	1.1	8.9	7.8	709.1%
Payment in lieu of taxes	8.9	9.5	0.6	6.7%
Interest Expense	8.2	8.0	(0.2)	-2.4%
Amortization/Finance Cost	1.3	1.4	0.1	7.7%
<b>Total Expenses</b>	<b>\$ 295.7</b>	<b>\$ 294.2</b>	<b>\$ (1.5)</b>	<b>-0.5%</b>
<b>Income before Capital</b>				
<b>Contributions and Transfers</b>	<b>14.4</b>	<b>19.0</b>	<b>4.6</b>	<b>31.9%</b>
<b>Special Item - Hope Mills</b>	<b>-</b>	<b>(7.1)</b>	<b>(7.1)</b>	<b>100.0%</b>
<b>Capital Contributions</b>	<b>7.8</b>	<b>10.4</b>	<b>2.6</b>	<b>33.3%</b>
<b>Change in Net Position</b>	<b>22.2</b>	<b>22.3</b>	<b>0.1</b>	<b>0.5%</b>
<b>Beginning Net Position</b>	<b>832.5</b>	<b>854.7</b>	<b>22.2</b>	<b>2.7%</b>
<b>Cumulative effect of change</b>				
<b>in accounting principle</b>	<b>(4.0)</b>	<b>-</b>	<b>4.0</b>	<b>100.0%</b>
<b>Ending Net Position</b>	<b>\$ 854.7</b>	<b>\$ 877.0</b>	<b>\$ 26.3</b>	<b>3.1%</b>

Looking more closely at revenues, the \$3.1 million increase arises from an increase in charges for services of \$2.5 million and an increase of \$0.6 million in non-operating revenue. Each utility will be discussed individually on the following pages.

Electric operating revenues increased \$2.0 million, or 1.0 percent to \$221.6 million. Although electric sales revenue increased by \$3.0 million, a Wholesale Power Cost Adjustment (WPCA) of \$3.8 million was collected and recognized in the prior year. The WPCA was introduced in July of 2014 to recover prior year payments to DEP over and above that recovered in rates and this recovery was not necessary in fiscal year 2016. Additionally, the Butler Warner Generation Plant lease payment from DEP decreased by \$1.2 million, or 9.0% to \$12.7 million. Even with this decrease, the current year lease payments were higher than estimated. The \$3.0 million increase in sales revenue was carried by the large and non-residential customers of \$3.6 million offset by a decline in residential sales revenue of \$0.6 million. Sales per customer (kWh) decreased by 4.7% for the residential class resulting in the revenue decline despite a rate increase. Total kWh sales growth for the large and non-residential classes, in addition to the rate increase, lead to the revenue increase for these classes. The residential decline in kWh sales is mainly weather driven by an extremely mild winter. Heating degree days for FY 2016 were 35% lower than the prior year and 20% lower than the 5 year average. Rates were increased 4 percent effective May 1, 2015. Figure A-4 below illustrates the percentage changes by major customer classes.

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

	<b>Average</b>	<b>kWh</b>	<b>Sales</b>
	<b>Customers</b>	<b>kWh/cust</b>	<b>Sales Revenue</b>
Residential	-0.4%	-4.3%	-4.7%
Non-Residential	-0.7%	2.6%	1.9%
Large User	0.0%	1.1%	1.1%

Water and wastewater operating revenues collectively increased \$3.9 million and is attributable to increases in water and wastewater sales revenue, net of customer refunds and adjustments. In May 2016, PWC reclassified approximately 5,000 customer accounts in the Town of Hope Mills from outside city to inside rates pursuant to an agreement with the Town. The reclassification is retroactive to 2007 and the current year adjustment negatively impacts the operating revenues by \$1.5 million for both systems combined. This adjustment is accounted for separately in operating revenues and is not included in the sales revenue changes discussed in this section. Although the Water and Wastewater Systems are accounted for in the same fund, we will discuss them individually.

Water System: Water sales revenue (excluding customer refunds) increased for all customer classes totaling \$2.8 million, or 8.1%. The residential class represents over 65% of water sales in total. By far, the increase is due to rate adjustments effective May 1, 2015 and May 1, 2016. Gallon sales per customer and customer growth had very little impact this fiscal year for the residential class while the non-residential and large users both had an increase in gallon sales. The rate adjustments incorporated a Basic Facility Charge (BFC) increase, rate per gallon increases for all customers, and a rate differential increase applied to residential and non-residential customers outside the City corporate limits from 155% to 160% in May 2015 and to 165% in May 2016. Irrigation revenues decreased over the prior year by just less than 1% with gallon sales decreasing by 7.8%. Year to date rainfall in fiscal year 2016 was 47.5", slightly higher than 45.3" of the prior year. Key watering months of fiscal year 2016 July, April and May's rainfall were higher than the prior year and last year's June was the highest rainfall month recorded in the past 8 years of 9.1". Rate changes, however, mitigated any significant revenue losses for this service. Figure A-5A illustrates the percentage changes by major customer classes.

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

<b>Water</b>				
	<b>Customers</b>	<b>Average gal/cust</b>	<b>Gallon Sales</b>	<b>Sales Revenue</b>
Residential	0.4%	-0.8%	-0.4%	8.2%
Non-Residential	0.3%	3.9%	4.2%	8.4%
Large User	0.0%	6.4%	6.4%	8.6%
Wholesale	10.0%	-4.1%	5.5%	7.5%
Irrigation	-2.5%	-5.4%	-7.8%	-0.6%

Wastewater System: Wastewater sales revenue (excluding customer refunds) increased \$2.5 million, or 6.3% for all customer classes. The residential class represents over 70% of wastewater sales in total. Wastewater BFC, volume rates and outside City differential increased simultaneously with the water rates. Wastewater sales trend closely to water with just a slight decrease in gallon sales for residential and increase in non-residential and large classes. Hoke County brought its new wastewater treatment plant online during fiscal year 2016 causing the decline in wastewater gallon sales and revenue. However, wholesale revenues are a small percentage of total revenues and Hoke County's revenue impact was approximately \$127,000. 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.

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

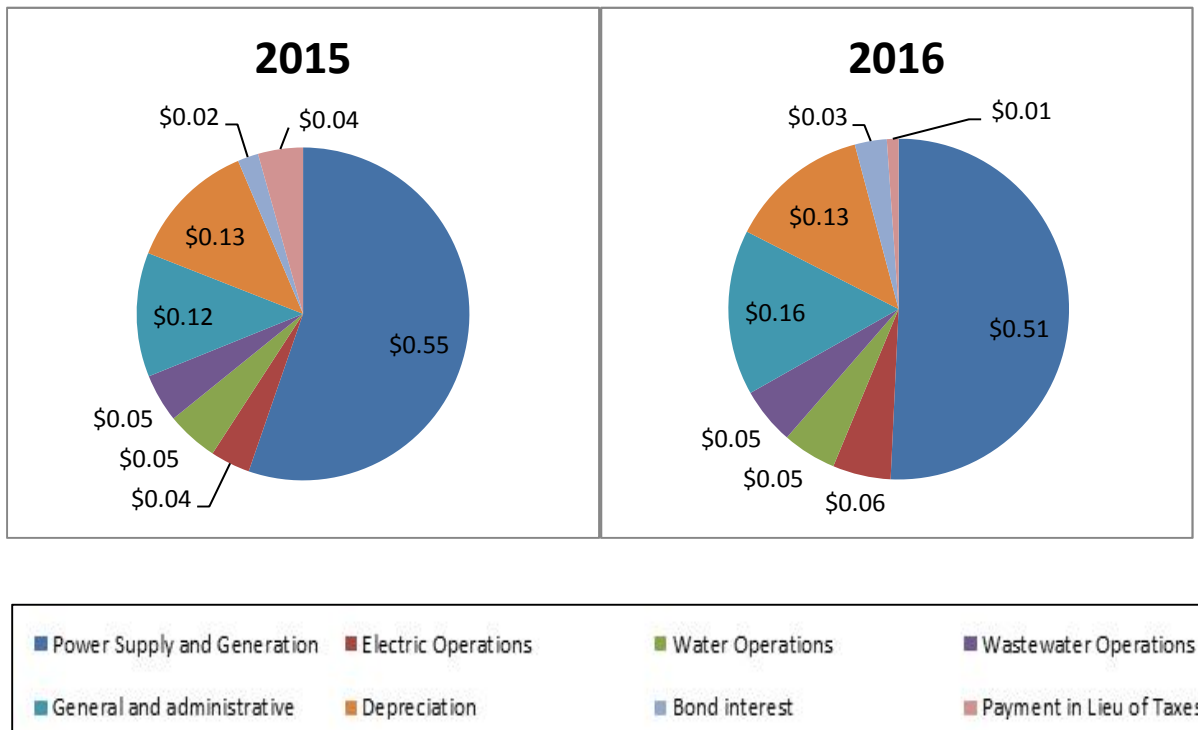
<b>Wastewater</b>				
	<b>Customers</b>	<b>Average gal/cust</b>	<b>Gallon Sales</b>	<b>Sales Revenue</b>
Residential	0.8%	-0.7%	0.1%	5.7%
Non-Residential	-1.1%	5.4%	4.2%	6.2%
Industrial	0.0%	7.1%	7.1%	13.3%
Wholesale	20.0%	-24.6%	-9.5%	-5.0%

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 \$2.4 million, or 3.7 percent, due to increased maintenance and management consulting contracts.



Figure A-6 provides the dollar breakdown of expenses in 2015 and 2016 to better illustrate the changes.

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



Power Supply and Generation Expenses decreased by \$16.1 million to \$141.1 million in fiscal year 2016 down from \$157.2 million in fiscal year 2015. This net decrease is comprised of several factors reducing purchased power by \$16.7 million offset by a slight increase in generating expenses. DEP reduced its prices charged to PWC effective January 2016 as a result of lower gas prices. This resulted in a reduction in PWC's cost by approximately \$5.7 million. Energy purchases decreased by 76,000 MWh and the average coincident peak billing demand decreased 425 MW (or 9.2%). This resulted in an additional reduction in cost of approximately \$10.5 million. Contractual true-up credits of \$1.7 million were favorable to PWC again this year, \$1.2 million over last year's credits. Total power purchased was 2.11 billion kWh, a 3.5 percent decrease from prior year. Peak demand for fiscal year 2016 of 424.0 MW occurred in August 2015, significantly lower than the all-time system peak of 490.3 MW recorded in February 2015 (see note 13D of the financial statements).

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)**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Total Dollar Change</b>	<b>Total Percent Change</b>
Purchased Power - DEP	\$ 147.10	\$ 132.40	\$ (14.70)	-9.99%
Purchase Power - True Up	(0.50)	(1.70)	(1.20)	240.00%
Purchased Power - SEPA	0.30	0.47	0.17	56.67%
Transmission	6.90	6.00	(0.90)	-13.04%
Other Generation Expenses	3.40	3.90	0.50	14.71%
<b>Total Power Supply and Generation</b>	<b>\$ 157.20</b>	<b>\$ 141.07</b>	<b>\$ (16.13)</b>	<b>-10.26%</b>

**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)**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Total Dollar Change</b>	<b>Total Percent Change</b>
Developers	\$ 2.18	\$ 5.20	\$ 3.02	
City & County	0.03	0.26	0.23	
NCDOT	0.05	2.17	2.12	
Federal	-	0.03	0.03	
Assessment	4.22	-	(4.22)	
Facility Investment Fees (FIF)	1.10	1.44	0.34	
FIF Credits Awarded/Applied /Expired	0.23	1.30	1.07	
<b>Total</b>	<b>\$ 7.81</b>	<b>\$ 10.40</b>	<b>\$ 2.60</b>	<b>33%</b>

At June 30, 2016, capital contributions were \$10.4 million, up \$2.6 million from fiscal year 2015. This increase is primarily the result of a \$3.02 million increase in contributions from developers, a \$2.12 million increase in North Carolina Department of Transportation (NCDOT), and a \$1.07 million increase in FIF Credits Awarded/Applied/Expired resulting from a large number of expired credits. Due to a delay in awarding construction contracts for areas 16 and 17, no assessments were confirmed in fiscal year 2016. Therefore, there was a decrease of \$4.22 million in fiscal year 2016.

## PAYMENTS IN LIEU OF TAXES AND INTERGOVERNMENTAL REVENUE

The PWC annually transfers from its Electric Fund to the City's General Fund a Payment in Lieu of Taxes (PILOT). Pursuant to the May 2008 City Transfer Agreement (CTA) adopted by both PWC and the City, from fiscal years 2009 – 2015 the PILOT was 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. During negotiations to change this formula, in fiscal year 2016 both parties mutually agreed to an alternate formula of 5.2% of certain Electric retail sales revenue of the most recent audited fiscal year. The PWC Charter and CTA have since amended the PILOT formula for fiscal year 2017 and thereafter to 2.45% 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. In addition to the PILOT, there are additional intergovernmental revenues pursuant to other agreements in place discussed below. The net transfers to the City increased for fiscal year 2016 by \$0.09 million. (See Figure A-9).

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

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Transfers to the City</b>				
Payment in lieu of taxes	\$ 12.53	\$ 9.55	\$ (2.98)	-23.78%
<b>Intergovernmental Revenues</b>				
Additional -				
Annexation - G.O. Bond Debt	\$ 0.39	\$ -	\$ (0.39)	-100.00%
Annexation - Phase V Reserve	3.21	-	(3.21)	-100.00%
Assessments	-	0.41	0.41	100.00%
Interest Differential	-	0.12	0.12	100.00%
Total Transfers from the City	<u>\$ 3.60</u>	<u>\$ 0.53</u>	<u>\$ (3.07)</u>	<u>-85.28%</u>
<b>Net Transfers to the City</b>	<b><u>\$ 8.93</u></b>	<b><u>\$ 9.02</u></b>	<b><u>\$ 0.09</u></b>	<b><u>1.01%</u></b>

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. During the negotiation of the PILOT formula mentioned above, this transfer from the City did not occur during fiscal year 2016 and will resume under its original terms in fiscal years 2017 – 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 (Annexation Agreement)(beginning with Area 6). The

City made annual contributions pursuant to a formula stated in the agreement. Fiscal year 2015 was the last year of the City's participation and pursuant to a new reduced Electric Fund transfer formula defined in the Charter; the City will no longer contribute to the program.

- Assessments – The City's assessments and the interest related to those assessments are submitted to the PWC to assist in the costs of providing utility services to the assessed properties. PWC administers the complete assessment collection program on behalf of the City.
- Interest Differential – The City pays the PWC for the difference in the assessment interest rate paid by the customers that are on a payment plan and the agreed upon interest rate in accordance with the May 2008 Annexation Agreement. This agreement was amended in July 2016 and the City is no longer liable for these payments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during fiscal year 2016:

Major capital asset expenditures include:	
\$18.0 million	Purchase and installation of AMI electric and water meters
\$ 9.7 million	Water and Wastewater System Rehabilitation
\$ 9.1 million	Water and Wastewater System Improvements
\$ 8.2 million	Installation of Water and Wastewater Mains and Laterals in Annexed Areas
\$ 3.8 million	Substation Rebuild
\$ 2.8 million	Expansion of PO Hoffer Water Treatment Facility
\$ 2.8 million	Conversion of street lighting to LED lights
\$ 1.3 million	Purchase of vehicles, power operated equipment (electric and water/wastewater)
\$ 1.3 million	Electric Underground Distribution Infrastructure Installations - New
\$ 1.2 million	NCDOT – Water Distribution Systems
\$ 1.0 million	Sub-Transmission Pole Replacement
\$ 1.0 million	Purchase of Padmount and Overhead Transformers

Capital spending for the Electric System was \$24.1 million, a decrease of \$3.1 million attributable to a decrease in expenditures for the installation of electric meters for the Connect Project and the Streetscape Improvements.

Capital spending for the Water and Wastewater Systems was \$60.8 million, an increase of \$10.2 million from fiscal year 2015. This change is attributed to an increase in expenditures for waste/wastewater system improvements, which are funded by the Series 2014 and 2016 Water and Wastewater Revenue Bonds, the purchase and installation of water meters for the Connect Project and vehicle and equipment purchases.

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At June 30, 2016, the PWC has an investment of \$1,513.0 billion in a broad range of infrastructure as shown in Figure A-10.

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

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Total Dollar Change</b>	<b>Total Percent Change</b>
Land	\$ 16.3	\$ 16.8	\$ 0.5	3.1%
Buildings	53.5	55.4	1.9	3.6%
Machinery, Equipment and Vehicles	45.7	47.7	2.0	4.4%
Electric System	419.4	438.1	18.7	4.5%
Water System	316.5	347.8	31.3	9.9%
Wastewater System	467.3	481.1	13.8	3.0%
Office Equipment and Intangibles	47.3	49.4	2.1	4.4%
Construction in Progress	81.3	76.7	(4.6)	-5.7%
Subtotal	<b>1,447.3</b>	<b>1,513.0</b>	<b>65.7</b>	<b>4.5%</b>
Accumulated Depreciation	(625.5)	(650.3)	(24.8)	4.0%
Net Property, Plant and Equipment	<b>\$ 821.8</b>	<b>\$ 862.7</b>	<b>\$ 40.9</b>	<b>5.0%</b>

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

The \$4.6 million decrease in Construction in Progress is primarily attributed to more electric work orders being closed in fiscal year 2016 (\$4.3 million).

#### **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 \$306.6 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 \$54.0 million or 21.4 percent from \$252.6 million in fiscal year 2015. The increase is due to bond issuance of \$114.4 million and \$3.7 million in proceeds received from state loans offset by principal payments of \$27.4 million and defeasance of \$36.6 million in refunded debt.

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As can be seen in Figure A-11, the PWC's total weighted average coupon rate and true interest cost on its outstanding debt is 3.80 % and 2.75%, respectively, as of June 30, 2016. 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. In June 2016, PWC refunded \$47.0 million of its outstanding debt and achieved a net present value savings of \$4.8 million, or 10.29%. At the same time, PWC called an outstanding GO Bond issue of \$1.0 million.

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

<u>Issue Name</u>	<u>Principal Outstanding</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average True Interest Cost</u>
Revenue Refunding Bonds, Series 2016	\$ 114.4	3.85%	2.47%
Revenue Bonds, Series 2014	110.9	3.96%	3.27%
Revenue Refunding Bonds, Series 2009A	48.8	5.00%	3.31%
Revenue Bonds, Series 2009B	5	4.00%	3.31%
Revenue Bonds, Series 2008	1.2	4.25%	3.88%
GO Refunding Bonds, Series 2009	1.1	4.00%	2.16%
2014 NCSRL - Person Street Sanitary Sewer	2.1	2.00%	2.00%
2013 NCSRL - Hoffer Construction Phase 1	14.8	0.00%	0.00%
2013 NCSRL - Outfall Rehab (Large Diameter Rehab)	3.5	2.00%	2.00%
2012 NCSLR - Clearwell/Ferric Conversion	4.5	0.00%	0.00%
2012 NCSLR - Edgewater Project	0.3	2.00%	2.00%
<b>Total</b>	<b>\$ 306.6</b>	<b>3.80%</b>	<b>2.75%</b>

One area that demonstrates the PWC's financial strength is its ability to maintain strong debt coverage ratios, with its revenue bond coverage at 3.98, 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)**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Percent Change</b>
<b>Change in Net Position</b> (Figure A-3)	\$ 21.8	\$ 22.3	2.3%
<b>Adjustments</b>			
Bond Interest Expense	8.2	8.0	-2.4%
Depreciation and Amortization	36.8	37.6	2.2%
Transfers (In)/Out	8.9	9.4	5.6%
Capital Contributions	(7.8)	(10.4)	33.3%
(Gain)/Loss on Sale of Assets	1.1	8.9	709.1%
Facility Investment Fees Collected	1.2	1.4	16.7%
Assessments Collected	0.5	0.4	-20.0%
Special Item-Hope Mills	-	7.1	0.0%
(Gain)/Loss on Investment Valuation	-	(0.1)	0.0%
<b>Income Available for Debt Service</b>	<b>\$ 70.7</b>	<b>\$ 84.6</b>	<b>19.7%</b>
<b><u>Senior Lien Debt Coverage</u></b>			
Revenue Bond Debt Service <sup>1</sup>	\$ 18.1	\$ 21.3	17.7%
<b>Senior Lien Debt Service Coverage</b>	<b>3.90</b>	<b>3.98</b>	<b>2.1%</b>
<b><u>Total System Debt Coverage</u></b>			
Total System Debt Service <sup>1</sup>	\$ 20.7	\$ 24.2	16.9%
<b>Total System Debt Service Coverage</b>	<b>3.41</b>	<b>3.50</b>	<b>2.6%</b>

<sup>1</sup>Net of capitalized interest from bond proceeds of \$1.7 million FY 15 and \$1.8 million in FY 16

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 \$3.6 million. Additional information on the Commission's long-term liabilities can be found in Note 9 of the financial statements.

#### **SPECIAL ITEM**

In May 2016, the PWC reclassified approximately 5,000 customers in the Town of Hope Mills from outside-city rates to inside-city rates pursuant to an agreement with the Town. The PWC currently estimates claims for prior fiscal years to total approximately \$7.2 million and has recorded a liability that is included in the 2016 financial statements. Approximately \$1.5 million was also recorded as a reduction to the 2016 water and wastewater revenues for the current year for a total liability in fiscal year 2016 of \$8.7 million. Please refer to Note 17 for more details.

#### **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**

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

June 30, 2016

	Electric Fund	Water and Wastewater Fund	Total Utilities	Fleet Maintenance Fund	Total PWC
<b>ASSETS</b>					
<b>Current unrestricted assets</b>					
Cash and cash equivalents	\$ 44,818,570	\$ 7,908,001	\$ 52,726,571	\$ -	\$ 52,726,571
Investments	43,963,233	12,876,140	56,839,373	-	56,839,373
Receivables	28,707,274	15,843,749	44,551,023	1,042,296	45,593,319
Internal balances	(2,085,768)	136,284	(1,949,484)	1,949,484	-
Less allowance for doubtful accounts	(347,191)	(60,320)	(407,511)	-	(407,511)
<b>Net receivables</b>	<b>26,274,315</b>	<b>15,919,713</b>	<b>42,194,028</b>	<b>2,991,780</b>	<b>45,185,808</b>
Inventories	12,657,780	1,555,809	14,213,589	-	14,213,589
Other current assets	1,334,788	535,375	1,870,163	-	1,870,163
<b>Total current unrestricted assets</b>	<b>129,048,686</b>	<b>38,795,038</b>	<b>167,843,724</b>	<b>2,991,780</b>	<b>170,835,504</b>
<b>Current restricted assets</b>					
Cash and cash equivalents	57,755,421	116,410,210	174,165,631	-	174,165,631
Investments	43,580,429	14,844,816	58,425,245	-	58,425,245
Collateral pledged in lieu of deposits	359,800	-	359,800	-	359,800
Receivables	96,259	3,279,228	3,375,487	-	3,375,487
<b>Total current restricted assets</b>	<b>101,791,909</b>	<b>134,534,254</b>	<b>236,326,163</b>	<b>-</b>	<b>236,326,163</b>
<b>Total current assets</b>	<b>230,840,595</b>	<b>173,329,292</b>	<b>404,169,887</b>	<b>2,991,780</b>	<b>407,161,667</b>
<b>Noncurrent assets</b>					
Other assets	114,317	872,625	986,942	76	987,018
<b>Capital assets:</b>					
Land and land rights	6,458,964	10,302,120	16,761,084	-	16,761,084
Construction in process	23,748,132	53,015,390	76,763,522	-	76,763,522
Electric utility system	189,093,941	-	189,093,941	-	189,093,941
Water system	-	219,239,744	219,239,744	-	219,239,744
Sewer system	-	295,837,528	295,837,528	-	295,837,528
Buildings	24,475,088	2,798,877	27,273,965	1,782,374	29,056,339
Equipment and machinery	8,002,704	2,540,268	10,542,972	108,403	10,651,375
Computer equipment	1,203,028	981,260	2,184,288	4,983	2,189,271
Intangibles	8,956,118	6,393,114	15,349,232	56,281	15,405,513
Vehicles	3,612,118	3,713,796	7,325,914	178,282	7,504,196
Office equipment	208,373	29,816	238,189	-	238,189
<b>Capital assets, net</b>	<b>265,758,466</b>	<b>594,851,913</b>	<b>860,610,379</b>	<b>2,130,323</b>	<b>862,740,702</b>
<b>Total noncurrent assets</b>	<b>265,872,783</b>	<b>595,724,538</b>	<b>861,597,321</b>	<b>2,130,399</b>	<b>863,727,720</b>
<b>Total assets</b>	<b>496,713,378</b>	<b>769,053,830</b>	<b>1,265,767,208</b>	<b>5,122,179</b>	<b>1,270,889,387</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized bond refunding charges	325,855	5,709,456	6,035,311	-	6,035,311
Contribution to pension plan in current fiscal year	2,764,903	3,215,004	5,979,907	450,101	6,430,008
<b>Total deferred outflows of resources</b>	<b>3,090,758</b>	<b>8,924,460</b>	<b>12,015,218</b>	<b>450,101</b>	<b>12,465,319</b>

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

**Statement of Net Position**

**June 30, 2016**

	<b>Electric Fund</b>	<b>Water and Wastewater Fund</b>	<b>Total Utilities</b>	<b>Fleet Maintenance Fund</b>	<b>Total PWC</b>
<b>LIABILITIES</b>					
<b>Current liabilities to be paid from unrestricted current assets</b>					
Current portion of long-term liabilities	\$ 3,297,440	\$ 17,545,661	\$ 20,843,101	\$ 117,742	\$ 20,960,843
Accounts payable and accrued expenses	15,804,933	9,974,675	25,779,608	1,257,237	27,036,845
<b>Total current liabilities to be paid from unrestricted current assets</b>	<b>19,102,373</b>	<b>27,520,336</b>	<b>46,622,709</b>	<b>1,374,979</b>	<b>47,997,688</b>
<b>Current liabilities to be paid from restricted current assets</b>					
Accounts payable and accrued expenses	7,706,467	22,019,151	29,725,618	-	29,725,618
<b>Total current liabilities to be paid from restricted current assets</b>	<b>7,706,467</b>	<b>22,019,151</b>	<b>29,725,618</b>	<b>-</b>	<b>29,725,618</b>
<b>Total current liabilities</b>	<b>26,808,840</b>	<b>49,539,487</b>	<b>76,348,327</b>	<b>1,374,979</b>	<b>77,723,306</b>
<b>Noncurrent liabilities</b>					
Long-term liabilities	45,819,158	277,083,650	322,902,808	675,769	323,578,577
Net pension liability	968,512	1,260,533	2,229,045	-	2,229,045
Other liabilities	-	15,612	15,612	292,019	307,631
Unearned deposits	6,750	1,185,677	1,192,427	-	1,192,427
<b>Total noncurrent liabilities</b>	<b>46,794,420</b>	<b>279,545,472</b>	<b>326,339,892</b>	<b>967,788</b>	<b>327,307,680</b>
<b>Total liabilities</b>	<b>73,603,260</b>	<b>329,084,959</b>	<b>402,688,219</b>	<b>2,342,767</b>	<b>405,030,986</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension deferrals	563,441	655,164	1,218,605	91,723	1,310,328
<b>Total deferred inflows of resources</b>	<b>563,441</b>	<b>655,164</b>	<b>1,218,605</b>	<b>91,723</b>	<b>1,310,328</b>
<b>NET POSITION</b>					
Net investment in capital assets	222,332,343	311,960,199	534,292,542	2,260,198	536,552,740
Restricted for -					
Capital projects	-	7,050	7,050	-	7,050
Debt service	49,614	2,592,503	2,642,117	-	2,642,117
Unrestricted Net Position	203,255,478	133,678,415	336,933,893	877,592	337,811,485
<b>Total Net Position</b>	<b>\$ 425,637,435</b>	<b>\$ 448,238,167</b>	<b>\$ 873,875,602</b>	<b>\$ 3,137,790</b>	<b>\$ 877,013,392</b>

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

**Statement of Revenues, Expenses and Changes in Net Position**

**Year ended June 30, 2016**

	<b>Electric Fund</b>	<b>Water and Wastewater Fund</b>	<b>Total Utilities</b>	<b>Fleet Maintenance Fund</b>	<b>Total PWC</b>
<b>Operating revenues</b>					
Residential, commercial and industrial sales - electric	\$ 187,338,732	\$ 74,541,903	\$ 261,880,635	\$ -	\$ 261,880,635
Other charges for services	34,329,041	6,198,834	40,527,875	8,713,731	49,241,606
<b>Total operating revenues</b>	<u>221,667,773</u>	<u>80,740,737</u>	<u>302,408,510</u>	<u>8,713,731</u>	<u>311,122,241</u>
<b>Operating expenses</b>					
Power supply and generation	141,085,995	-	141,085,995	-	141,085,995
Electric operation	15,378,277	-	15,378,277	-	15,378,277
Water operations	-	14,225,334	14,225,334	-	14,225,334
Wastewater operations	-	15,071,362	15,071,362	-	15,071,362
General and administrative	18,449,412	16,639,244	35,088,656	-	35,088,656
Depreciation	15,786,978	21,120,066	36,907,044	184,859	37,091,903
Fleet maintenance expense	-	-	-	8,528,872	8,528,872
<b>Total operating expenses</b>	<u>190,700,662</u>	<u>67,056,006</u>	<u>257,756,668</u>	<u>8,713,731</u>	<u>266,470,399</u>
<b>Operating income (loss)</b>	<u>30,967,111</u>	<u>13,684,731</u>	<u>44,651,842</u>	<u>-</u>	<u>44,651,842</u>
<b>Nonoperating revenue (expense)</b>					
Intergovernmental revenue	-	531,480	531,480	-	531,480
Payment in lieu of taxes	(9,487,800)	(60,000)	(9,547,800)	-	(9,547,800)
Interest earned on investments	1,111,896	599,187	1,711,083	-	1,711,083
Gain (loss) on disposal of assets	(1,697,261)	(7,180,642)	(8,877,903)	-	(8,877,903)
Interest expense	(899,570)	(7,089,468)	(7,989,038)	-	(7,989,038)
Amortization	(175,081)	(502,715)	(677,796)	-	(677,796)
Finance costs	(101,321)	(643,877)	(745,198)	-	(745,198)
<b>Total nonoperating revenue (expense)</b>	<u>(11,249,137)</u>	<u>(14,346,035)</u>	<u>(25,595,172)</u>	<u>-</u>	<u>(25,595,172)</u>
<b>Income (loss) before transfers and contributions</b>	<u>19,717,974</u>	<u>(661,304)</u>	<u>19,056,670</u>	<u>-</u>	<u>19,056,670</u>
Contributions	2,241,423	8,155,713	10,397,136	-	10,397,136
Special Item-Hope Mills (Note 17)	-	(7,148,131)	(7,148,131)	-	(7,148,131)
Transfers in	-	3,101,200	3,101,200	54,986	3,156,186
Transfers out	(3,128,693)	(27,493)	(3,156,186)	-	(3,156,186)
<b>Change in Net Position</b>	<u>18,830,704</u>	<u>3,419,985</u>	<u>22,250,689</u>	<u>54,986</u>	<u>22,305,675</u>
<b>Total Net Position - beginning</b>	<u>406,806,731</u>	<u>444,818,182</u>	<u>851,624,913</u>	<u>3,082,804</u>	<u>854,707,717</u>
<b>Total Net Position - ending</b>	<u>\$ 425,637,435</u>	<u>\$ 448,238,167</u>	<u>\$ 873,875,602</u>	<u>\$ 3,137,790</u>	<u>\$ 877,013,392</u>

**Note:** The transfers within funds have been eliminated for FY 2016; \$36,199,889 for Electric & \$124,138,917 for Water/Wastewater.

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

**Statement of Cash Flows**

**Year ended June 30, 2016**

	<b>Electric Fund</b>	<b>Water and Wastewater Fund</b>	<b>Total Utilities</b>	<b>Fleet Maintenance Fund</b>	<b>Total PWC</b>
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 222,935,638	\$ 83,529,005	\$ 306,464,643	\$ 8,570,117	\$ 315,034,760
Cash paid to customers	-	1,522,834	1,522,834	-	1,522,834
Cash paid for goods and services	(17,395,755)	(20,902,782)	(38,298,537)	(5,979,681)	(44,278,218)
Cash paid to or on behalf of employees for services	(19,465,529)	(19,588,035)	(39,053,564)	(2,590,436)	(41,644,000)
Cash paid for power supply and generation	(141,085,995)	-	(141,085,995)	-	(141,085,995)
<b>Net cash provided (used) by operating activities</b>	<u>44,988,359</u>	<u>44,561,022</u>	<u>89,549,381</u>	<u>-</u>	<u>89,549,381</u>
<b>Cash flows from noncapital financing activities</b>					
Cash received from intergovernmental agreements	-	531,480	531,480	-	531,480
Cash paid for intergovernmental agreements	(9,487,800)	(60,000)	(9,547,800)	-	(9,547,800)
Transfers in	-	3,101,200	3,101,200	54,986	3,156,186
Transfers out	(3,128,693)	(27,493)	(3,156,186)	-	(3,156,186)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(12,616,493)</u>	<u>3,545,187</u>	<u>(9,071,306)</u>	<u>54,986</u>	<u>(9,016,320)</u>
<b>Cash flows from capital and related financing activities</b>					
Proceeds from sale of capital assets	144,500	1,281,165	1,425,665	-	1,425,665
Proceeds from debt issuance	14,480,000	103,588,704	118,068,704	-	118,068,704
Contributed capital received	2,241,423	1,706,889	3,948,312	-	3,948,312
Acquisition and construction of capital assets	(25,682,602)	(58,304,855)	(83,987,457)	(54,986)	(84,042,443)
Principal payments on long-term debt	(1,658,154)	(62,381,419)	(64,039,573)	-	(64,039,573)
Interest payments and other finance costs on long-term debt	(1,000,891)	(7,733,345)	(8,734,236)	-	(8,734,236)
<b>Net cash used by capital and related financing activities</b>	<u>(11,475,724)</u>	<u>(21,842,861)</u>	<u>(33,318,585)</u>	<u>(54,986)</u>	<u>(33,373,571)</u>
<b>Cash flows from investing activities</b>					
Interest earned on investments	1,111,896	599,187	1,711,083	-	1,711,083
Net change in investments	(18,749,158)	(5,156,809)	(23,905,967)	-	(23,905,967)
<b>Net cash provided (used) in investing activities</b>	<u>(17,637,262)</u>	<u>(4,557,622)</u>	<u>(22,194,884)</u>	<u>-</u>	<u>(22,194,884)</u>
<b>Net increase in cash and cash equivalents</b>	<u>3,258,880</u>	<u>21,705,726</u>	<u>24,964,606</u>	<u>-</u>	<u>24,964,606</u>
<b>Cash and cash equivalents</b>					
Beginning of year	99,315,111	102,612,485	201,927,596	-	201,927,596
<b>End of year</b>	<u>\$ 102,573,991</u>	<u>\$ 124,318,211</u>	<u>\$ 226,892,202</u>	<u>\$ -</u>	<u>\$ 226,892,202</u>

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

**Statement of Cash Flows**

**Year ended June 30, 2016**

	<b>Electric Fund</b>	<b>Water and Wastewater Fund</b>	<b>Total Utilities</b>	<b>Fleet Maintenance Fund</b>	<b>Total PWC</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 30,967,111	\$ 13,684,731	\$ 44,651,842	\$ -	\$ 44,651,842
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	15,786,978	21,120,066	36,907,044	184,859	37,091,903
Allowance for uncollectible accounts	8,961	(32,524)	(23,563)	-	(23,563)
Special item- Hope Mills (Note 17)	-	(7,148,131)	(7,148,131)	-	(7,148,131)
<b>Change in assets and liabilities</b>					
(Increase) decrease in receivables	1,276,860	2,820,792	4,097,652	(143,614)	3,954,038
(Increase) decrease in internal balances	736,814	(463,656)	273,158	(273,158)	-
(Increase) decrease in inventories	(448,697)	37,403	(411,294)	224	(411,070)
(Increase) decrease in deferred outflows-other	58,683	(826,323)	(767,640)	-	(767,640)
(Increase) decrease in deferred outflows-pension related	(352,140)	(802,241)	(1,154,381)	(450,101)	(1,604,482)
(Increase) decrease in other current assets	(682,542)	(38,197)	(720,739)	-	(720,739)
(Increase) decrease in other assets	1,133,942	870,052	2,003,994	-	2,003,994
(Increase) decrease in pension asset	1,650,651	1,650,641	3,301,292	-	3,301,292
Increase (decrease) in pension liability	968,512	1,260,532	2,229,044	-	2,229,044
Increase (decrease) in unearned deposits	156	(27,821)	(27,665)	-	(27,665)
Increase (decrease) in accounts payable and accrued expenses	(6,294,578)	11,558,899	5,264,321	495,538	5,759,859
(Increase) decrease in deferred inflows-other	-	-	-	91,723	91,723
(Increase) decrease in deferred inflows-pension related	(3,459,574)	(3,367,851)	(6,827,425)	-	(6,827,425)
Increase (decrease) in accrued vacation	15,910	16,272	32,182	182,914	215,096
Increase (decrease) in accrued sick leave	3,621,312	4,248,378	7,869,690	(88,385)	7,781,305
<b>Total adjustments</b>	<b>14,021,248</b>	<b>30,876,291</b>	<b>44,897,539</b>	<b>-</b>	<b>44,897,539</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 44,988,359</b>	<b>\$ 44,561,022</b>	<b>\$ 89,549,381</b>	<b>\$ -</b>	<b>\$ 89,549,381</b>
<b>Noncash investing, capital, and financing activities:</b>					
Contributed capital assets	\$ -	\$ 5,149,900	\$ 5,149,900	\$ -	\$ 5,149,900
FIF Credits Applied	\$ -	\$ 1,298,924	\$ 1,298,924	\$ -	\$ 1,298,924
<b>Reconciliation to cash and cash equivalents</b>					
Unrestricted	\$ 44,818,570	\$ 7,908,001	\$ 52,726,571	\$ -	\$ 52,726,571
Restricted	57,755,421	116,410,210	174,165,631	-	174,165,631
<b>Total</b>	<b>\$ 102,573,991</b>	<b>\$ 124,318,211</b>	<b>\$ 226,892,202</b>	<b>\$ -</b>	<b>\$ 226,892,202</b>

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

**Notes to the Financial Statements**

**June 30, 2016**

**Note 1 - Summary of significant accounting policies**

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

**Reporting entity**

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

**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.

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

**Measurement focus and basis of accounting**

The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On the full accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission's funds, distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operations.



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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**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- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

**Internal balances**

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

**Receivables**

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

**Inventories**

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

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 1 – Summary of significant accounting policies (continued)**

**Prepaid expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2016 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 2016 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, Accounting and Financial Reporting for Pensions.

**Long-term obligations**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**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 Fayetteville Public Works Commission (PWC).

**Statement of cash flows**

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

**Other post-employment benefits**

Post-employment expenses are made from the Electric, Water Resources and Fleet 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, 2016, the Electric fund had restricted assets and a resultant restricted net position of \$17,197,273 related to debt service and capital projects offset by \$17,147,659 of unspent bond proceeds related to those assets, resulting in restricted net position of \$49,614. The Water/Wastewater Fund had restricted assets of \$74,845,508 related to debt service and capital projects offset by \$72,245,955 of long-term liabilities and unspent bond proceeds related to those assets, resulting in restricted net position of \$2,599,553.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 1 – Summary of significant accounting policies (continued)**

**Implemented Pronouncements**

**GASB Statement No. 72, “Fair Value Measurement and Application.”** The requirements of this Statement are effective for the financial statements for fiscal years beginning after June 15, 2015.

**GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployee contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

**GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”** The requirements for this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

**Upcoming Pronouncements**

**GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016.

**GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017.

**GASB Statement No. 77, “Tax Abatement Disclosures.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2015. However there was no material impact during fiscal year 2016.

**GASB Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2015. However there was no material impact during fiscal year 2016.

**GASB Statement No. 79, “Certain External Investment Pools and Pool Participants.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for fiscal years beginning after December 15, 2015. However there was no material impact during fiscal year 2016.

**GASB Statement No. 80, “Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. However there was no material impact during fiscal year 2016.

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

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 1 – Summary of significant accounting policies (continued)**

**Upcoming Pronouncements (continued)**

**GASB Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.”** The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. However there was no material impact during fiscal year 2016.

**Note 2 - Business of the Commission**

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

**Note 3 - Legal compliance - budgets**

The Commission operates under its annual budget ordinance. The ordinance provides for revenues and appropriations for the electric 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.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 4 - Cash and investments (continued)**

**A – Deposits (continued)**

At June 30, 2016, the Commission had deposits in pooling method banks with a carrying amount of \$59,460,010 and a bank balance of \$56,339,680. Of the total bank balance, \$502,488 was covered by federal depository insurance and \$55,837,192 was covered by collateral under the pooling method.

At June 30, 2016, the Commission had \$10,092,840 in Certificate of Deposits.

At June 30, 2016, the Commission had \$4,800 in petty cash.

**B - Investments**

At June 30, 2016, the Commission had the following investments and maturities.

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value</b>	<b>Less than 6 Months</b>	<b>6 Mos - 1 Yr</b>	<b>1-5 Years</b>	<b>6-10 Years</b>
U.S. Government agencies	Fair Value-Level 1	\$ 64,869,362	\$ -	\$ -	\$ 46,936,739	\$ 17,932,623
Commercial paper	Fair Value-Level 2	78,636,059	49,812,696	28,823,363	-	-
NC Capital Management Trust - Term Portfolio*	Fair Value-Level 1	6,725,353	6,725,353	-	-	-
NC Capital Management Trust - Cash Portfolio	Amortized Cost	122,368,396	122,368,396	-	-	-
<b>Total</b>		<b>\$ 272,599,170</b>	<b>\$ 178,906,445</b>	<b>\$ 28,823,363</b>	<b>\$ 46,936,739</b>	<b>\$ 17,932,623</b>

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

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

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

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 4 - Cash and investments (continued)**

**B – Investments (continued)**

**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, 2016. 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.

**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 JP Morgan securities, Toyota securities, Freddie Mac and Federal Home Loan commercial paper. These investments are 32%, 28%, 28% and 26%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

	Reported	Fair Value
Total investments	\$ 272,599,170	\$ 272,599,170
Cash	59,460,010	59,460,010
Plus Certificates of Deposit	10,092,840	10,092,840
Petty cash	4,800	4,800
Total cash and investments	342,156,820	342,156,820
Less: Investments with maturities of more than 3 months	(115,264,618)	(115,264,618)
Total cash and cash equivalents	<u>\$ 226,892,202</u>	<u>\$ 226,892,202</u>

Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 52,726,571	\$ 52,726,571
Cash and cash equivalents - restricted	174,165,631	174,165,631
Total cash and cash equivalents	<u>\$ 226,892,202</u>	<u>\$ 226,892,202</u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 5 – Accounts Receivable**

At June 30, 2016, the Commission's unrestricted receivable balances were as follows:

	<b>Electric Fund</b>	<b>Water and Wastewater Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Total</b>
Unrestricted:				
Accounts	\$ 24,172,789	\$ 9,736,163	\$ -	\$ 33,908,952
Sales taxes	2,039,626	113,026	51,514	\$ 2,204,166
Due from City - Assessments	-	5,312,380	-	\$ 5,312,380
Due from City - Assessments Interest	-	277,901	-	\$ 277,901
Accrued interest	310,901	32,960	-	\$ 343,861
Other	2,183,958	371,319	990,782	\$ 3,546,059
Total	<u>\$ 28,707,274</u>	<u>\$ 15,843,749</u>	<u>\$ 1,042,296</u>	<u>\$ 45,593,319</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.

<b>Restricted Assets and Restricted Liabilities:</b>	<b>Internally Restricted</b>		<b>Externally Restricted</b>	
	<b>Electric</b>	<b>Water</b>	<b>Electric</b>	<b>Water</b>
<b>Cash and Cash Equivalents</b>				
Cash	\$ 1,012,500	\$ -	\$ -	\$ -
Rate Stabilization Fund Cash	15,074,125	3,075,304	-	-
NC Renewable Rider	6,947,092	-	-	-
Customer Deposits	3,645,219	2,214,988	-	-
Debt Service	1,703,385	10,337,447	49,614	2,592,503
Annexation Phase V Reserve Fund Cash	-	25,098,454	-	-
Health Insurance Reserve	1,500,000	1,500,000	-	-
Coal Ash Reserve	10,000,000	-	-	-
BWG Startup Costs	675,827	-	-	-
Construction Fund	-	-	17,147,659	71,591,514
Total restricted cash and cash equivalents	<u>\$ 40,558,148</u>	<u>\$ 42,226,193</u>	<u>\$ 17,197,273</u>	<u>\$ 74,184,017</u>
<b>Investments</b>	<u>\$ 43,580,429</u>	<u>\$ 14,187,394</u>	<u>\$ -</u>	<u>\$ 657,422</u>
<b>Collateral pledges in lieu of deposits</b>	<u>\$ 359,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Receivables</b>				
Accounts	\$ -	\$ 2,407,152	\$ -	\$ -
Sales taxes	-	863,807	-	-
Grants	596	607	-	-
Accrued interest	95,663	3,593	-	4,069
Total restricted receivables	<u>\$ 96,259</u>	<u>\$ 3,275,159</u>	<u>\$ -</u>	<u>\$ 4,069</u>
<b>Accounts payable and accrued expenses</b>				
Trade	\$ -	\$ 7,652,161	\$ -	\$ -
Meter Deposits	7,468,122	11,871,508	-	-
NCDOT	-	1,390,000	-	-
Other	238,345	1,105,482	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 7,706,467</u>	<u>\$ 22,019,151</u>	<u>\$ -</u>	<u>\$ -</u>



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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 7 – Capital assets**

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
<b>Electric Fund:</b>					
Capital assets not being depreciated:					
Land and land rights	\$ 6,459,169	\$ (205)	\$ -	\$ -	\$ 6,458,964
Construction in progress	30,175,345	22,597,812	(2,080,444)	(26,944,581)	23,748,132
Capital assets being depreciated:					
Electric utility system	419,392,463	277,760	(7,570,846)	26,052,949	438,152,326
Buildings	44,891,321	136,941	(2,683)	891,632	45,917,211
Equipment and machinery	17,721,496	924,705	(316,144)	-	18,330,057
Intangibles	19,659,949	1,323,245	-	-	20,983,194
Computer equipment	4,728,354	585,379	(144,453)	-	5,169,280
Vehicles	7,696,317	474,868	(83,495)	-	8,087,690
Office equipment	1,321,062	(261)	(12,170)	-	1,308,631
Total Capital assets being depreciated	<u>515,410,962</u>	<u>3,722,637</u>	<u>(8,129,791)</u>	<u>26,944,581</u>	<u>537,948,389</u>
Less accumulated depreciation for:					
Electric utility system	(243,527,941)	(11,570,907)	6,040,463	-	(249,058,385)
Buildings	(20,298,286)	(1,145,896)	2,059	-	(21,442,123)
Equipment and machinery	(9,861,637)	(680,759)	215,043	-	(10,327,353)
Intangibles	(10,796,762)	(1,230,314)	-	-	(12,027,076)
Computer equipment	(3,552,384)	(558,183)	144,315	-	(3,966,252)
Vehicles	(3,909,199)	(646,672)	80,299	-	(4,475,572)
Office equipment	(1,081,035)	(31,393)	12,170	-	(1,100,258)
Total accumulated depreciation:	<u>(293,027,244)</u>	<u>(15,864,124)</u>	<u>6,494,349</u>	<u>-</u>	<u>(302,397,019)</u>
Electric fund capital assets, net	<u>\$ 259,018,232</u>	<u>\$ 10,456,120</u>	<u>\$ (3,715,886)</u>	<u>\$ -</u>	<u>\$ 265,758,466</u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 7 – Capital assets (continued)**

<u>Description</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
<b>Water and Sewer Fund:</b>					
Capital assets not being depreciated:					
Land and land rights	\$ 9,887,265	\$ 414,855	\$ -	\$ -	\$ 10,302,120
Construction in progress	50,911,839	60,854,710	-	(58,751,159)	53,015,390
Capital assets being depreciated:					
Water system	316,444,594	90,985	(12,320,479)	43,571,289	347,786,389
Sewer system	467,325,876	101,794	-	13,692,176	481,119,846
Buildings	5,430,597	75,159	(2,683)	467,176	5,970,249
Equipment and machinery	11,613,123	287,955	(107,713)	-	11,793,365
Intangibles	16,664,059	13,274	-	521,286	17,198,619
Computer equipment	4,144,972	59,314	(143,749)	499,232	4,559,769
Vehicles	7,620,881	652,965	(330,575)	-	7,943,271
Office equipment	481,103	261	(2,066)	-	479,298
Total Capital assets being depreciated	829,725,205	1,281,707	(12,907,265)	58,751,159	876,850,806
Less accumulated depreciation for:					
Water system	(125,529,364)	(8,219,813)	5,202,532	-	(128,546,645)
Sewer system	(175,332,455)	(9,949,863)	-	-	(185,282,318)
Buildings	(3,032,959)	(140,472)	2,059	-	(3,171,372)
Equipment and machinery	(8,715,004)	(644,225)	106,132	-	(9,253,097)
Intangibles	(9,777,252)	(1,028,253)	-	-	(10,805,505)
Computer equipment	(3,253,305)	(468,814)	143,610	-	(3,578,509)
Vehicles	(3,958,963)	(573,170)	302,658	-	(4,229,475)
Office equipment	(433,246)	(18,302)	2,066	-	(449,482)
Total accumulated depreciation:	(330,032,548)	(21,042,912)	5,759,057	-	(345,316,403)
Water and Sewer capital assets, net	\$ 560,491,761	\$ 41,508,360	\$ (7,148,208)	\$ -	\$ 594,851,913

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 7 – Capital assets (continued)**

<u>Description</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
<b>Fleet Maintenance Fund:</b>					
Capital assets not being depreciated:					
Construction in process	\$ 238,570	\$ 42,986	\$ -	\$ (281,556)	-
Capital assets being depreciated:					
Buildings	3,171,050	11,998	-	281,556	3,464,604
Equipment and machinery	605,678	-	(11,687)	-	593,991
Intangibles	252,381	-	-	-	252,381
Computer equipment	46,077	-	(4,991)	-	41,086
Vehicles	408,483	-	-	-	408,483
Office equipment	7,245	-	-	-	7,245
Total Capital assets being depreciated	<u>4,490,914</u>	<u>11,998</u>	<u>(16,678)</u>	<u>281,556</u>	<u>4,767,790</u>
Less accumulated depreciation for:					
Buildings	(1,591,676)	(90,554)	-	-	(1,682,230)
Equipment and machinery	(468,087)	(29,188)	11,687	-	(485,588)
Intangibles	(166,735)	(29,365)	-	-	(196,100)
Computer equipment	(35,378)	(5,716)	4,991	-	(36,103)
Vehicles	(200,165)	(30,036)	-	-	(230,201)
Office equipment	(7,245)	-	-	-	(7,245)
Total accumulated depreciation:	<u>(2,469,286)</u>	<u>(184,859)</u>	<u>16,678</u>	<u>-</u>	<u>(2,637,467)</u>
Fleet Maintenance Fund capital assets, net	<u>\$ 2,260,198</u>	<u>\$ (129,875)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,130,323</u>

\*Disposals in Construction in progress are shown as additions to Capital assets being depreciated.

\*\*Depreciation includes amortization of intangible assets.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 8 – Accounts Payable and Accrued Expenses**

At June 30, 2016, the Commission's unrestricted accounts payable and accrued expenses balances were as follows:

	<b>Electric Fund</b>	<b>Water and Wastewater Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Total</b>
Unrestricted:				
Trade	\$ 13,228,571	\$ 4,609,828	\$ 721,724	\$ 18,560,123
Payroll related	717,641	1,117,273	72,490	1,907,404
Interest	372,644	2,048,150	-	2,420,794
Incurred but not reported claims	975,800	975,800	-	1,951,600
Other	510,277	1,223,624	463,023	2,196,924
	<u>\$ 15,804,933</u>	<u>\$ 9,974,675</u>	<u>\$ 1,257,237</u>	<u>\$ 27,036,845</u>

**Note 9 - Long-term debt**

**A - Defeased debt**

On June 29, 2016, the Commission issued a par amount of \$114,405,000 in revenue bonds (Series 2016 Bonds) of which \$43,730,000, together with other funds, was used to current refund two state loans and advance refund a portion of its revenue bonds outstanding in the aggregate principal amount of \$47,023,706. The all-in true interest cost of the new refunding debt was 2.04%, exceeding the average interest rate of the refunded debt of 4.45%. The refunded debt matures at varying dates from March 1, 2018 to March 1, 2035, with portions that were current refunded June 29, 2016 and the remaining callable on March 1, 2018 and March 1, 2019. The refunding bonds were issued at a premium together with \$1,044,629 of funds released from an existing debt service reserve fund and, after paying issuance costs of \$282,348, the net proceeds were \$50,895,939. Net proceeds of \$10,428,169 immediately refunded the two state loans and net proceeds of \$40,467,770 were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Commission's financial statements.

As a result of the refunding, the Commission reduced its total debt service requirements by \$7,059,687, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,839,185, or 10.29% of the refunded loans and bonds.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 9 - Long-term debt (continued)**

**B - General obligation bonds**

The City, for the benefit of the Commission, has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligation bonds outstanding for the year ended June 30, 2016 were as follows:

	<u><b>June 30, 2016</b></u>
\$4,403,885 General Obligation Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at 4.0%	<u>\$1,068,013</u>
Total General Obligation Bonds	1,068,013
Add: Unamortized Premium	<u>94,487</u>
Total	<u><u>\$1,162,500</u></u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 9 - Long-term debt (continued)**

**C - Revenue bonds**

The Commission has issued revenue bonds which have been used to finance the construction of facilities utilized in the operations of the Electric and Water and Wastewater Systems. Revenue Bonds outstanding for the year ended June 30, 2016 were as follows:

	<u><b>June 30, 2016</b></u>
\$17,025,000 Series 2008 Revenue Bonds due in various annual installments through March 1, 2018; interest at various rates between 4.0% and 4.5%.	\$ 1,200,000
\$114,155,000 Series 2009A Revenue Refunding Bonds due in various annual installments through March 1, 2024; interest at 5.0%.	48,840,000
\$36,710,000 Series 2009B Revenue Bonds due in various annual installments through March 1, 2019; interest at 4.0%.	4,995,000
\$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%.	110,900,000
\$114,405,000 Series 2016 Revenue Refunding Bonds due in various annual installments through March 1, 2041; interest at various rates between 3.0% and 5.0%.	<u>114,405,000</u>
Total Revenue Bonds	280,340,000
Add: Unamortized Premium	25,612,359
Less: Unamortized Discount	<u>(3,061)</u>
Total	<u><u>\$305,949,298</u></u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 9 - Long-term debt (continued)**

**C - Revenue bonds (continued)**

Maturities of bonds payable are as follows

**Electric Fund:**

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ 2,365,021	\$ 1,487,824	\$ 2,365,021	\$ 1,487,824
2018	-	-	2,501,104	1,555,582	2,501,104	1,555,582
2019	-	-	2,176,281	1,430,527	2,176,281	1,430,527
2020	-	-	2,394,145	1,321,713	2,394,145	1,321,713
2021	-	-	1,855,813	1,202,006	1,855,813	1,202,006
2022-2026	-	-	7,843,157	4,732,753	7,843,157	4,732,753
2027-2031	-	-	7,203,599	3,264,279	7,203,599	3,264,279
2032-2036	-	-	8,104,805	1,966,271	8,104,805	1,966,271
2037-2041	-	-	6,102,940	513,562	6,102,940	513,562
	-	-	40,546,865	17,474,517	40,546,865	17,474,517
Add: Unamortized premium			3,205,113		3,205,113	
Total Electric	\$ -	\$ -	\$ 43,751,978	\$ 17,474,517	\$ 43,751,978	\$ 17,474,517

**Water and Wastewater Fund:**

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 375,145	\$ 37,719	\$ 14,854,979	\$ 8,562,637	\$ 15,230,124	\$ 8,600,356
2018	175,527	25,374	15,263,896	9,107,518	15,439,423	9,132,892
2019	175,526	18,353	14,603,719	8,382,023	14,779,245	8,400,376
2020	170,907	11,394	14,175,855	7,667,837	14,346,762	7,679,231
2021	170,908	4,558	11,934,187	6,959,044	12,105,095	6,963,602
2022-2026	-	-	47,011,843	26,819,898	47,011,843	26,819,898
2027-2031	-	-	41,201,401	18,118,521	41,201,401	18,118,521
2032-2036	-	-	45,565,195	10,879,929	45,565,195	10,879,929
2037-2041	-	-	35,182,060	3,009,513	35,182,060	3,009,513
	1,068,013	97,398	239,793,135	99,506,920	240,861,148	99,604,318
Add: Unamortized premium	94,487		22,407,246		22,501,733	
Less: Unamortized loss			(3,061)		(3,061)	
Total Water and Wastewater	\$ 1,162,500	\$ 97,398	\$ 262,197,320	\$ 99,506,920	\$ 263,359,820	\$ 99,604,318
Total Electric and Water and Wastewater	\$ 1,162,500	\$ 97,398	\$ 305,949,298	\$ 116,981,437	\$ 307,111,798	\$ 117,078,835

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 9 - Long-term debt (continued)**

**C - Revenue bonds (continued)**

The Commission has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$393,750,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2016. Proceeds from the bonds provided financing for extensions, additions and capital improvements to or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the electric, water, and wastewater systems. The bonds are payable solely from electric, water and wastewater customer net revenues and are payable through 2041. The total principal and interest remaining to be paid on the bonds is \$397,321,436. Principal and interest paid for the current year and total customer revenues were \$27,270,461 and \$302,408,510, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$9,317,798 for the year ended June 30, 2016 and of that amount, \$796,824 was capitalized during the year.

The revenue bond order contains significant covenants with respect to 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, 2016.

**D – Notes payable**

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

These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the Commission and the City of Fayetteville. Notes payable outstanding for the year ended June 30, 2016 were as follows:

**June, 30 2016**

\$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.	\$ 325,370
\$5,299,942 State Revolving Loan due in 20 annual installments beginning May 1, 2014; no interest.	4,508,703
\$3,901,648 State Revolving Loan due in 20 annual installments beginning May 1, 2015; interest at 2.0% with 1 <sup>st</sup> payment due November 1, 2014 and semi-annually thereafter.	\$ 3,511,483



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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 9 - Long-term debt (continued)**

**D – Notes payable (continued)**

\$16,059,063 State Revolving Loan due in 20 annual installments beginning May 1, 2017; no interest; construction draws not yet complete.	14,774,997
\$2,243,830 State Revolving Loan due in 20 annual installments beginning May 1, 2016; 2.0% interest; construction draws not yet complete.	<u>2,120,797</u>
	<u>\$ 25,241,350</u>

Maturities of the \$382,788, \$5,299,942, \$3,901,648 and \$2,243,830 notes payable are as follows:

<b>Year ending June 30</b>	<b>Water and Wastewater Fund</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 580,790	\$ 115,246
2018	591,631	112,842
2019	591,631	106,313
2020	591,631	99,785
2021	591,631	93,257
2022-2026	2,958,156	368,360
2027-2031	2,958,156	205,153
2032-2035	<u>1,602,727</u>	<u>46,996</u>
	<u>\$ 10,466,353</u>	<u>\$ 1,147,952</u>

Total interest expense related to the notes payable obligations totaled \$429,088 for the year ended June 30, 2016 and of that amount, \$39,406 was capitalized during the year.

The Commission expects the estimated schedule of maturity for the \$16,059,063 loan to be as follows:

<b>Year ending June 30</b>	<b>Water and Wastewater Fund</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 738,750	\$ -
2018	738,750	-
2019	738,750	-
2020	738,750	-
2021	738,750	-
2022-2026	3,693,749	-
2027-2031	3,693,749	-
2032-2035	<u>3,693,750</u>	<u>-</u>
	<u>\$ 14,774,998</u>	<u>\$ -</u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 9 - Long-term debt (continued)**

**E – Changes in long-term liabilities**

	<b>Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
<b>Electric Fund:</b>					
Revenue bonds	\$ 26,644,336	\$ 15,560,683	\$ 1,658,154	\$ 40,546,865	\$ 2,365,021
Compensated absences	1,692,957	3,414,913	3,387,692	1,720,178	932,419
Other post employment benefits	3,116,563	3,644,442	3,116,563	3,644,442	-
	<u>31,453,856</u>	<u>\$ 22,620,038</u>	<u>\$ 8,162,409</u>	45,911,485	3,297,440
 Add: Unamortized premium	 2,281,373			 3,205,113	 -
Total Electric long-term liabilities	<u>\$ 33,735,229</u>			<u>\$ 49,116,598</u>	<u>\$ 3,297,440</u>
 <b>Water and Wastewater Fund:</b>					
General obligation bonds	\$ 2,613,158	\$ -	\$ 1,545,145	\$ 1,068,013	\$ 375,145
Revenue bonds	189,570,664	99,925,000	49,702,529	239,793,135	14,854,979
Notes payable	33,792,073	3,663,704	12,214,427	25,241,350	1,369,645
Compensated absences	1,699,611	3,432,923	3,400,982	1,731,552	945,892
Other post employment benefits	3,661,693	4,296,589	3,661,693	4,296,589	-
	<u>231,337,199</u>	<u>\$ 111,318,216</u>	<u>\$ 70,524,776</u>	272,130,639	17,545,661
 Add: Unamortized premium	 15,203,888			 22,501,733	 -
Less: Unamortized discount	<u>(19,778)</u>			<u>(3,061)</u>	<u>-</u>
 Total Water and Wastewater long-term liabilities	<u>\$ 246,521,309</u>			<u>\$ 294,629,311</u>	<u>\$ 17,545,661</u>
 <b>Fleet Maintenance Fund:</b>					
Compensated absences	\$ 172,245	\$ 354,774	\$ 344,624	\$ 182,395	\$ 117,742
Other post employment benefits	526,737	611,116	526,737	611,116	-
 Total Fleet long-term liabilities	<u>\$ 698,982</u>	<u>\$ 965,890</u>	<u>\$ 871,361</u>	<u>\$ 793,511</u>	<u>\$ 117,742</u>

**F – Net investment in capital assets**

	<b>Electric</b>	<b>Water</b>	<b>Fleet</b>
Capital Investments, Net	\$ 265,758,466	\$ 594,851,913	\$ 2,260,198
Less: Long-term debt related to capital assets	(40,546,865)	(266,102,498)	-
Less: Unamortized bond premium	(3,205,113)	(22,501,733)	-
Add: Unamortized bond discount	-	3,061	-
Add: Unamortized bond refunding charges	325,855	5,709,456	-
Total Net Investment in Capital Assets	<u>\$ 222,332,343</u>	<u>\$ 311,960,199</u>	<u>\$ 2,260,198</u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**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](http://www.osc.nc.gov).

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

*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, 2016, was 11.90% 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 \$4,374,095 for the year ended June 30, 2016.

*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.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**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, 2016, the Commission reported a liability of \$2,521,055 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Commission's proportion was 0.561%, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$1,696,282. At June 30, 2016, 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	\$ -	\$ 592,592
Changes of assumptions	-	-
Net Difference between projected and actual earning on pension plans investments	-	717,736
Changes in proportion and differences between Commission contributions and proportionate share of contributions	2,055,913	-
Commission contributions subsequent to the measurement date	<u>4,374,095</u>	<u>-</u>
	<u>\$ 6,430,008</u>	<u>\$ 1,310,328</u>

\$4,374,095 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$ (291,023)
2018	(291,023)
2019	(291,108)
2020	1,618,739
2021	-
Thereafter	-
	<u>\$ 745,585</u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

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

*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:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Commission's proportionate share of the net pension liability (asset)	\$17,579,668	\$2,521,055	\$(10,165,493)

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

**Note 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 and losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds, the 2009 GO Refunding Bonds and the 2016 Revenue Refunding Bonds have been adjusted for the loss from defeasance (net amortization) of \$6,035,311.

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

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**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, 2016 and 2015, a liability for incurred but not reported claims of \$1,951,600 and \$1,694,510 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><b>2016</b></u>	<u><b>2015</b></u>
Liability as of beginning of the year	\$ 1,694,510	\$ 2,120,812
Current year claims and changes in estimates	7,636,167	7,114,427
Actual claim payments	<u>(7,379,077)</u>	<u>(7,540,729)</u>
Liability as of end of the year	<u>\$ 1,951,600</u>	<u>\$ 1,694,510</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 \$400,000,000. 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.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 13 - Commitments and contingencies**

**A – Arbitrage**

During the year ended June 30, 2016 the following bonds were subject to arbitrage regulations:

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

The arbitrage rebate payments are due on the fifth anniversary of the bond issue date. It is management's belief that the Commission's future rebate liability, if any, will be immaterial. The Commission reviewed its potential liability for the penalty at June 30, 2016 and the estimated arbitrage rebate payable of \$15,612 has been accrued in the June 30, 2016 financial statements.

**B – Capital Expenditures**

The Commission has authorized expenditures totaling approximately \$256.2 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2016 cumulative expenditures to date totaled approximately \$137.1 million leaving an unexpended balance of \$119.1 million for projects that are expected to be completed at various dates through the year ending June 30, 2017.

**C – Litigation**

The Commission is involved in a few lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statement, however, an identified claim at June 30, 2016 was accrued for \$75,000.

**D – Power Supply Contracts**

In June 2009 the Commission executed a 20 year full requirements Power Supply and Coordination Agreement (PSCA) with Duke Energy Progress (DEP) formerly named Progress Energy Carolina, Inc. effective July 1, 2012. Subsequent amendments extended the term to 30 years. Under the PSCA, DEP provides PWC's full power supply requirements at an annually determined capacity and energy price based on DEP's average system cost. PWC will continue to utilize its SEPA allocation as permitted in the SEPA contract and the PSCA. PWC may elect to terminate the PSCA effective June 30, 2024 with written notice provided by June 30, 2019. Also in June 2009, PWC and DEP executed a 5 year Butler Warner Power Sales Agreement effective July 1, 2012. Subsequent amendments provided for extension of the term until 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. While calendar year 2014 is technically open for challenges by the contract, PWC has completed its review of that period and any adjustments have been agreed upon by both parties and recorded accordingly. Calendar year period 2015 is open for challenges and is currently under review. As of the date of these financial statements, any known adjustments not yet billed or credited have been recorded.



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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 13 - Commitments and contingencies (continued)**

**D – Power Supply Contracts (continued)**

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

During the year ended June 30, 2016 the purchased power cost, including transmission cost and contractual true up (credits)/charges of (\$1,720,089) to DEP was \$137,177,839.

**E – Coal Ash**

PWC is preparing for potential coal ash costs passed on from its purchased power provider, Duke Energy Progress (DEP). In September 2014, the Coal Ash Management Act (CAMA) became law in North Carolina. Subsequent to its passage, the Environmental Protection Agency (EPA) issued its own regulations and together with CAMA, requires DEP to take remedial actions to its plants producing Coal Combustion Residuals (CCRs). It is anticipated that DEP will petition the Federal Energy Regulatory Commission (FERC) for recovery of these expenses from its wholesale customers. If DEP is successful, DEP has shared with PWC the estimated cost to be recovered from PWC over the next 20 years, with the majority being due in the first 10 years. For this purpose, PWC restricted \$10 million in FY 2016 in a Coal Ash Reserve and intends to fund and manage this reserve along with funds in the Electric Rate Stabilization Fund to mitigate these potential costs.

**F – Leases**

The Commission leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2016 to 2020. Minimum lease provisions at June 30, 2016 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2017	\$ 462,302
2018	353,723
2019	228,655
2020	181,535
2021	<u>132,276</u>
<b>Total</b>	<u><u>\$ 1,358,491</u></u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 14 - Related party transactions/transfers out**

The Commission operates as a component unit of the City of Fayetteville, North Carolina. As such, the Commission provides electric and water and wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,690,269 in 2016. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions to/from the City amounted to \$9,016,320 in 2016. Balances due to/from the Commission were as follows:

	<u><b>June 30, 2016</b></u>
<b>Receivables (due from the City of Fayetteville)</b>	\$ 923,652
<b>Assessments (due from the City of Fayetteville)</b>	5,312,380
<b>Assessments interest (due from the City of Fayetteville)</b>	<u>277,901</u>
	<u><b>\$ 6,513,933</b></u>
<b>Payables (due to the City of Fayetteville)</b>	<u><b>\$ 790,488</b></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, 2016:

Retirees	98
Active Employees	<u>553</u>
Total	<u><u>651</u></u>

*Funding Policy.* The Commission and the qualified retirees share in the cost of coverage. Also, the Commission's retirees can purchase coverage for their dependents at the Commission's group rates.

The Commission has chosen to fund the health care benefits on a pay as you go basis.

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

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.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 15 - Other postemployment benefits (continued)**

*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	292,200
Adjustment to annual required contribution	(529,612)
Annual OPEB cost (expense)	2,595,580
Contributions Made	(1,348,426)
Increase (decrease) in net OPEB obligation	1,247,154
Net OPEB obligation, beginning of the year	7,304,993
Net OPEB obligation, end of the year	<u>\$ 8,552,147</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
2014	\$ 1,941,878	65.65%	\$ 5,970,407
2015	2,739,818	51.29%	7,304,993
2016	2,595,580	51.95%	8,552,147

As of June 30, 2016 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, 2016 was \$36,757,085 and the ratio of the UAAL to the covered payroll was 84.97 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.

*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.

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

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.

**Note 16 – Interfund Activity**

Due From	Due To				Total
	Electric	Water	Annex V, 16/17	Capital Projects Funds	
<b>Electric Fund:</b>					
Water	\$ (1,357,958)	\$ -	-	\$ -	\$ (1,357,958)
Electric Rate Stabilization Fund	(1,012,500)	-	-	1,012,500	-
2014 Electric Connect Fund	3,451	-	-	(3,451)	-
2014 LED Lighting Fund	(12,878)	-	-	12,878	-
Fleet Maintenance Fund	(727,810)	-	-	-	(727,810)
<b>Water Fund:</b>					
Electric	-	1,357,958	-	-	1,357,958
Annex V Reserve Fund	-	(186,307)	-	186,307	-
Annex Phase V 8/13	-	(54,395)	-	54,395	-
Annex Phase V 14/15	-	47,340	-	(47,340)	-
2014 Water Connect Fund	-	1,589	-	(1,589)	-
2014 Water/Wastewater Fund	-	876,776	-	(876,776)	-
2014 Person St Sanitary Sewer Fund	-	522,790	-	(522,790)	-
2013 P.O. Hoffer, Phase I Rev Loan Fund	-	1,175,489	-	(1,175,489)	-
Annex V, 16-17	-	(171,866)	171,866	-	-
Annex V, 18-19	-	30,629	-	(30,629)	-
2016 Water/Wastewater	-	(34,673)	-	34,673	-
Fleet Maintenance Fund	-	(1,221,674)	-	-	(1,221,674)
From Annex V, 16-17 to Annex V, 18-19	-	-	(625)	625	-
Due To total	<u>\$ (3,107,695)</u>	<u>\$ 2,343,656</u>	<u>\$ 171,241</u>	<u>\$ (1,356,686)</u>	<u>\$ (1,949,484)</u>
<b>Fleet Fund:</b>					
Fleet Maintenance Fund	<u>727,810</u>	<u>1,221,674</u>		<u>-</u>	<u>1,949,484</u>

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

**Notes to the Financial Statements (continued)**

**June 30, 2016**

**Note 16 – Interfund Activity (continued)**

**Transfers In/Transfers Out:**

<u>Transfer From</u>	<u>Transfer To</u>				
	<u>Electric</u>	<u>Water</u>	<u>Fleet</u>	<u>Annex V Reserve</u>	<u>Capital Project Funds</u>
Electric Fund:					
transfer to Fleet Maintenance Fund	\$ (27,493)	\$ -	\$ 27,493	\$ -	\$ -
transfer to Electric Rate Stabilization Fund	(809,227)	-	-	-	809,227
transfer to Series 2014 LED Lighting CPF	(10,000,000)	-	-	-	10,000,000
transfer to 2014 Electric Connect Fund	(6,630,269)	-	-	-	6,630,269
transfer to Annexation Ph V Reserve	(3,101,200)	-	-	3,101,200	-
transfer to Electric (from Series 2014 Electric Connect Fund)	8,049,310	-	-	-	(8,049,310)
transfer to Electric Fund (from 2014 LED Lighting Fund)	3,197,481	-	-	-	(3,197,481)
transfer to Electric Fund (from Electric Rate Stabilization Fund)	6,920,000	-	-	-	(6,920,000)
transfer to Electric (from Clean Fuel Tech Grant Fund)	34,375	-	-	-	(34,375)
Water Fund:					
transfer to Fleet Maintenance Fund	-	(27,493)	27,493	-	-
transfer to Water Rate Stabilization Fund	-	(250,000)	-	-	250,000
transfer to Series 2014 Annexation, 14/15 Fund	-	(158,931)	-	-	158,931
transfer to Series 2014 Water Connect Fund	-	(7,275,000)	-	-	7,275,000
transfer to 2014 Person Str Fund	-	(2,243,830)	-	-	2,243,830
transfer to Series 2014 Water & Wastewater Fund	-	(30,718,000)	-	-	30,718,000
transfer to Annexation V Reserve Fund	-	(3,570,912)	-	3,570,912	-
transfer to Series 2014 Annexation, 16/17 Fund	-	(19,887,000)	-	-	19,887,000
transfer to NCDOT Prj Fund	-	(5,155,694)	-	-	5,155,694
transfer to Water Fund (from Annexation V, Ph 8/13 Fund)	-	13,753	-	-	(13,753)
transfer to Water Fund (from Annexation V, Ph 16 & 17 Fund)	-	411,656	-	-	(411,656)
transfer to Water Fund (from 2013 PO HOFFER PH 1 SRL Fund)	-	15,101,062	-	-	(15,101,062)
transfer to Water Fund (from 2014 Water Connect Fund)	-	13,610,000	-	-	(13,610,000)
transfer to Water Fund (from 2014 Person Str Fund)	-	2,243,830	-	-	(2,243,830)
transfer to Water Fund (from Annex V Reserve Fund)	-	2,234,362	-	(2,234,362)	-
transfer to Water Fund (from NCDOT Prj Fund)	-	4,128,250	-	-	(4,128,250)
transfer to Water Fund (from 2014 Water Wastewater)	-	15,172,408	-	-	(15,172,408)
transfer to Annexation V Reserve (from Annex V, Reserve, 14-15)	-	-	-	-	-
transfer to Annexation V Reserve (from Annex V, Reserve, 16-17)	-	-	-	481,829	(481,829)
transfer to Annexation V Ph 8/13 Fund (from Annex V Reserve Fund)	-	-	-	(70,759)	70,759
transfer to Annexation V Ph 14/15 (from Annex Ph V Reserve Fund)	-	-	-	(16,040)	16,040
transfer to Annexation V Ph 16/17 (from Annex Ph V Reserve Fund)	-	-	-	(110,355)	110,355
transfer to Annexation V Ph 18/19 (from Annex Ph V Reserve Fund)	-	-	-	(1,285,246)	1,285,246
	<u>\$ (2,367,023)</u>	<u>\$ (16,371,539)</u>	<u>\$ 54,986</u>	<u>\$ 3,437,179</u>	<u>\$ 15,246,397</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.

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

**Notes to the Financial Statements (concluded)**

**June 30, 2016**

**Note 17 – Special Item**

In May 2016, the PWC reclassified approximately 5,000 customers located in the Town of Hope Mills from outside City rates to inside City rates pursuant to an agreement with the Town. The PWC also decided to allow these customers to file a claim for the difference of any water and wastewater usage billings from fiscal year 2007 to the date of such reclassification computed at the then higher rate versus the inside City lower rate. The higher rate differentials in 2007 were 20% above inside City rates and increased each year thereafter by 5% per year to 60% in fiscal year 2016. The PWC currently estimates claims related to prior fiscal years to total approximately \$7.2 million. This is in addition to the approximately \$1.5 million of claims related to the current fiscal year as described above. The total claim amount has been booked as a liability for the fiscal year ended June 30, 2016, and is expected to be paid from currently available reserves in accordance with the provisions of the Bond Order. The claims are expected to be paid to the customers entitled thereto during the fiscal year ending June 30, 2017.

**Note 18 – Subsequent Events**

The Commission has evaluated subsequent events through October 24, 2016, 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**

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

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

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
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%



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

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

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Actual Amount Contributed</b>	<b>Percentage of Annual Required Contribution</b>
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%

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

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

**Last Three Fiscal Years\***

	<b>2016</b>	<b>2015</b>	<b>2014</b>
PWC'S proportion of the net pension liability (asset) (%)	0.5617%	0.5597%	0.5439%
PWC's proportion of the net pension liability (asset) (\$)	\$ 2,521,055	\$ (3,301,280)	\$ 6,556,084
PWC's covered-employee payroll	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227
PWC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.86%	-9.17%	18.44%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

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

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

**Last Three Fiscal Years\***

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

\* Information is not available for years prior to 2014.

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## **Supplementary Information**

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

**Combining Schedule of Net Position**  
**Electric Fund**  
**June 30, 2016**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Clean Fuel Advanced Technology Grant Fund	Total
<b>ASSETS</b>						
<b>Current unrestricted assets</b>						
Cash and cash equivalents	\$ 44,818,570	\$ -	\$ -	\$ -	\$ -	\$ 44,818,570
Investments	43,963,233	-	-	-	-	43,963,233
Receivables	28,707,274	-	-	-	-	28,707,274
Internal balances	(3,107,695)	1,012,500	(3,451)	12,878	-	(2,085,768)
Less allowance for doubtful accounts	(347,191)	-	-	-	-	(347,191)
Inventories	12,657,780	-	-	-	-	12,657,780
Other current assets	1,334,788	-	-	-	-	1,334,788
<b>Total current unrestricted assets</b>	<b>128,026,759</b>	<b>1,012,500</b>	<b>(3,451)</b>	<b>12,878</b>	<b>-</b>	<b>129,048,686</b>
<b>Current restricted assets</b>						
Cash and cash equivalents	25,533,637	15,074,125	4,812,420	12,335,239	-	57,755,421
Investments	17,145,777	26,434,652	-	-	-	43,580,429
Collateral	359,800	-	-	-	-	359,800
Receivables	596	95,663	-	-	-	96,259
<b>Total current restricted assets</b>	<b>43,039,810</b>	<b>41,604,440</b>	<b>4,812,420</b>	<b>12,335,239</b>	<b>-</b>	<b>101,791,909</b>
<b>Total current assets</b>	<b>171,066,569</b>	<b>42,616,940</b>	<b>4,808,969</b>	<b>12,348,117</b>	<b>-</b>	<b>230,840,595</b>
<b>Noncurrent assets</b>						
Other assets	114,317	-	-	-	-	114,317
<b>Capital assets:</b>						
Land and land rights	6,458,964	-	-	-	-	6,458,964
Construction in process	21,484,579	-	1,834,590	428,963	-	23,748,132
Electric utility systems	189,093,941	-	-	-	-	189,093,941
Buildings	24,475,088	-	-	-	-	24,475,088
Equipment and machinery	8,002,704	-	-	-	-	8,002,704
Computer programs	1,203,028	-	-	-	-	1,203,028
Intangibles	8,956,118	-	-	-	-	8,956,118
Vehicles	3,612,118	-	-	-	-	3,612,118
Office equipment	208,373	-	-	-	-	208,373
<b>Capital assets, net</b>	<b>263,494,913</b>	<b>-</b>	<b>1,834,590</b>	<b>428,963</b>	<b>-</b>	<b>265,758,466</b>
<b>Total noncurrent assets</b>	<b>263,609,230</b>	<b>-</b>	<b>1,834,590</b>	<b>428,963</b>	<b>-</b>	<b>265,872,783</b>
<b>Total assets</b>	<b>434,675,799</b>	<b>42,616,940</b>	<b>6,643,559</b>	<b>12,777,080</b>	<b>-</b>	<b>496,713,378</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	325,855	-	-	-	-	325,855
Contributions to pension plan in current fiscal year	2,764,903	-	-	-	-	2,764,903
<b>Total deferred outflows of resources</b>	<b>3,090,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,090,758</b>
<b>LIABILITIES</b>						
<b>Current liabilities to be paid from unrestricted current assets</b>						
Current portion of long-term liabilities	3,297,440	-	-	-	-	3,297,440
Accounts payable and accrued expenses	15,804,933	-	-	-	-	15,804,933
<b>Total current liabilities to be paid from unrestricted current assets</b>	<b>19,102,373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,102,373</b>
<b>Current liabilities to be paid from restricted current assets</b>						
Accounts payable and accrued expenses	7,507,174	-	132,058	67,235	-	7,706,467
<b>Total current liabilities to be paid from restricted current assets</b>	<b>7,507,174</b>	<b>-</b>	<b>132,058</b>	<b>67,235</b>	<b>-</b>	<b>7,706,467</b>
<b>Total current liabilities</b>	<b>26,609,547</b>	<b>-</b>	<b>132,058</b>	<b>67,235</b>	<b>-</b>	<b>26,808,840</b>
<b>Noncurrent liabilities</b>						
Long-term liabilities	45,819,158	-	-	-	-	45,819,158
Net pension liability	968,512	-	-	-	-	968,512
Other liabilities	-	-	-	-	-	-
Unearned deposits	6,750	-	-	-	-	6,750
<b>Total noncurrent liabilities</b>	<b>46,794,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,794,420</b>
<b>Total liabilities</b>	<b>73,403,967</b>	<b>-</b>	<b>132,058</b>	<b>67,235</b>	<b>-</b>	<b>73,603,260</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferrals	563,441	-	-	-	-	563,441
<b>Total deferred inflows of resources</b>	<b>563,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>563,441</b>
<b>NET POSITION</b>						
Net investment in capital assets	220,068,790	-	1,834,590	428,963	-	222,332,343
Restricted for -						
Capital Projects	-	-	-	-	-	-
Debt service	49,614	-	-	-	-	49,614
Unrestricted Net Position	143,680,745	42,616,940	4,676,911	12,280,882	-	203,255,478
<b>Total Net Position</b>	<b>\$ 363,799,149</b>	<b>\$ 42,616,940</b>	<b>\$ 6,511,501</b>	<b>\$ 12,709,845</b>	<b>\$ -</b>	<b>\$ 425,637,435</b>

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

**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**Electric Fund**  
**Year ended June 30, 2016**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Clean Fuel Advanced Technology Grant Fund	Total
<b>Operating revenues</b>						
Residential, commercial, and industrial sales	\$ 187,338,732	\$ -	\$ -	\$ -	\$ -	\$ 187,338,732
Other charges for services	34,329,041	-	-	-	-	34,329,041
<b>Total operating revenues</b>	<u>221,667,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,667,773</u>
<b>Operating expenses</b>						
Power supply and generation	141,085,995	-	-	-	-	141,085,995
Electric operation	15,378,277	-	-	-	-	15,378,277
General and administrative	18,449,412	-	-	-	-	18,449,412
Depreciation	15,786,978	-	-	-	-	15,786,978
<b>Total operating expenses</b>	<u>190,700,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,700,662</u>
<b>Operating income</b>	<u>30,967,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,967,111</u>
<b>Nonoperating revenue (expense)</b>						
Intergovernmental revenue	-	-	-	-	-	-
Payment in lieu of taxes	(9,487,800)	-	-	-	-	(9,487,800)
Interest earned on investments	790,228	321,668	-	-	-	1,111,896
Gain (loss) on disposal of assets	(1,697,261)	-	-	-	-	(1,697,261)
Interest expense	(899,570)	-	-	-	-	(899,570)
Amortization	(175,081)	-	-	-	-	(175,081)
Finance costs	(101,321)	-	-	-	-	(101,321)
<b>Total nonoperating revenue (expense)</b>	<u>(11,570,805)</u>	<u>321,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,249,137)</u>
<b>Income before transfers and contributions</b>	<u>19,396,306</u>	<u>321,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,717,974</u>
Contributions	2,207,048	-	-	-	34,375	2,241,423
Transfers in	18,760,393	809,227	6,630,269	10,000,000	-	36,199,889
Transfers out	<u>(21,127,416)</u>	<u>(6,920,000)</u>	<u>(8,049,310)</u>	<u>(3,197,481)</u>	<u>(34,375)</u>	<u>(39,328,582)</u>
<b>Change in Net Position</b>	<u>19,236,331</u>	<u>(5,789,105)</u>	<u>(1,419,041)</u>	<u>6,802,519</u>	<u>-</u>	<u>18,830,704</u>
<b>Total Net Position - beginning</b>	<u>344,562,818</u>	<u>48,406,045</u>	<u>7,930,542</u>	<u>5,907,326</u>	<u>-</u>	<u>406,806,731</u>
<b>Total Net Position - ending</b>	<u>\$ 363,799,149</u>	<u>\$ 42,616,940</u>	<u>\$ 6,511,501</u>	<u>\$ 12,709,845</u>	<u>\$ -</u>	<u>\$ 425,637,435</u>

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

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

**Year ended June 30, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Variance Positive (Negative)</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>				
<b>Operating revenues</b>				
<b>Electric operations</b>				
Residential, commercial, and industrial sales - electric	\$ 188,166,200	\$ (827,468)	\$ 187,338,732	\$ 184,577,723
Other sales of electric	11,130,099	9,106	11,139,205	10,828,376
Wholesale power cost adjustment	-	29,917	29,917	3,831,721
City Services	823,900	536,708	1,360,608	1,297,055
Non-utility charges	1,604,200	347,792	1,951,992	1,805,552
Service charges	6,671,300	(585,382)	6,085,918	6,262,218
Miscellaneous	14,031,000	(269,599)	13,761,401	15,061,187
<b>Total operating revenues</b>	<b>222,426,699</b>	<b>(758,926)</b>	<b>221,667,773</b>	<b>223,663,832</b>
<b>Non-operating revenues</b>				
Intergovernmental revenues	-	-	-	-
Gain (loss) on asset disposal	-	(1,697,261)	(1,697,261)	(176,869)
Interest earned on investments	360,000	430,228	790,228	584,875
<b>Total non-operating revenues</b>	<b>360,000</b>	<b>(1,267,033)</b>	<b>(907,033)</b>	<b>408,006</b>
<b>Contributions</b>				
Contributions	3,350,000	(1,142,952)	2,207,048	96,819
<b>Total contributions</b>	<b>3,350,000</b>	<b>(1,142,952)</b>	<b>2,207,048</b>	<b>96,819</b>
<b>Transfers in</b>				
Transfer from Electric Rate Stabilization Fund	13,840,000	(6,920,000)	6,920,000	12,050,000
Transfer from 2003A Water/Wastewater Fund	-	-	-	-
Transfer from Uptown Revitalization Fund	-	-	-	-
<b>Total transfers in</b>	<b>13,840,000</b>	<b>(6,920,000)</b>	<b>6,920,000</b>	<b>12,050,000</b>
<b>Budgetary appropriations</b>				
Reserve for REPS	1,000,000	256,392	1,256,392	1,637,296
Reserve for Electric capital project	2,000,000	(994,555)	1,005,445	11,583
Transfer from WPCA reserve	2,225,300	(45)	2,225,255	-
Series 2014 bond proceeds	-	-	-	760,229
Appropriated net position	-	-	-	-
<b>Total budgetary appropriations</b>	<b>5,225,300</b>	<b>(738,208)</b>	<b>4,487,092</b>	<b>2,409,108</b>
<b>Total revenues</b>	<b>\$ 245,201,999</b>	<b>\$ (10,827,119)</b>	<b>\$ 234,374,880</b>	<b>\$ 238,627,765</b>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
<b>Electric operations</b>				
Power supply and generation	\$ 148,501,570	\$ 7,415,575	\$ 141,085,995	\$ 157,248,396
Administration	1,003,410	532,148	471,262	453,433
Apparatus repair shop	428,410	76,625	351,785	407,898
Electric meter shop	304,700	120	304,580	244,345
Construction and maintenance	8,473,580	202,445	8,271,135	6,136,955
Substation construction	2,301,410	170,535	2,130,875	1,786,426
Engineering	3,165,100	497,404	2,667,696	2,926,095
Fiber	333,790	67,187	266,603	322,664
SCADA	-	1,702	(1,702)	188,542
CT metering crews	357,000	59,565	297,435	311,029
Compliance	1,401,600	782,652	618,948	497,567
Overhead clearing	-	340	(340)	(2,215,109)
<b>Total electric operations</b>	<b>166,270,570</b>	<b>9,806,298</b>	<b>156,464,272</b>	<b>168,308,241</b>



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

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

**Year ended June 30, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016			2015 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>Expenditures (continued)</b>				
<b>General and administrative</b>				
Executive	\$ 1,170,850	\$ 100,183	\$ 1,070,667	\$ 961,524
Internal audit	52,860	50,510	2,350	5,304
Communications and community relations	709,150	3,525	705,625	642,721
Financial administration	171,890	1,936	169,954	190,931
Human resources	840,650	14,628	826,022	872,352
Accounting	492,850	86,816	406,034	386,992
Accounts receivable	779,650	86,339	693,311	669,592
Payroll	62,390	108	62,282	62,482
Customer accounts	1,819,200	13,160	1,806,040	1,842,564
Utility field services	1,193,650	65,142	1,128,508	1,009,687
Corporate development	653,650	70	653,580	2,014,910
Risk management	680,890	109,811	571,079	657,159
Collections	1,689,760	84,961	1,604,799	1,779,917
Capital Projects	366,250	110	366,140	329,543
Rates	299,140	98,379	200,761	137,180
Budget	138,360	190	138,170	135,778
Purchasing	419,360	137,302	282,058	273,250
Warehouse	381,000	104	380,896	391,696
Fleet maintenance	1,912,550	1,006,518	906,032	888,501
Facilities maintenance	285,490	127	285,363	275,798
Customer programs and call center	513,200	606	512,594	480,267
Corporate services administration	227,040	58,822	168,218	143,250
Development and marketing	507,350	48,214	459,136	359,830
Telecommunications systems	1,645,240	244,425	1,400,815	1,618,005
Information systems	3,508,490	663,800	2,844,690	2,771,528
Medical insurance	4,587,800	(92,098)	4,679,898	3,933,788
Other	4,645,500	1,640,641	3,004,859	2,096,528
Allocated rent and fiber clearing	(1,419,400)	683,065	(2,102,465)	(2,462,525)
Overhead clearing	(5,436,900)	(1,213,689)	(4,223,211)	(4,441,315)
<b>Total general and administrative</b>	<u>22,897,910</u>	<u>3,893,705</u>	<u>19,004,205</u>	<u>18,027,237</u>
<b>Total operating expenditures</b>	<u>189,168,480</u>	<u>13,700,003</u>	<u>175,468,477</u>	<u>186,335,478</u>
<b>Non-operating expenditures</b>				
Payment in lieu of taxes	\$ 9,487,800	\$ -	\$ 9,487,800	\$ 12,527,760
Interest expense	585,700	(313,870)	899,570	824,802
Finance costs	9,000	(92,321)	101,321	111,883
<b>Total non-operating expenditures</b>	<u>10,082,500</u>	<u>(406,191)</u>	<u>10,488,691</u>	<u>13,464,445</u>

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

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

**Year ended June 30, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016			2015
	Budget	Variance Positive (Negative)	Actual	Actual
<b>Transfers out</b>				
Transfers to Electric Rate Stabilization Fund - WPCA	\$ -	\$ -	\$ -	\$ 3,761,580
Transfers to Electric Rate Stabilization Fund	850,000	40,773	809,227	250,000
Transfers to Series 2014 LED Lighting Fund	-	-	-	1,490,000
Transfers to Annexation V Reserve Fund	3,101,200	-	3,101,200	-
Transfers to Fleet Maintenance Fund	27,500	7	27,493	175,297
<b>Total transfers out</b>	<u>3,978,700</u>	<u>40,780</u>	<u>3,937,920</u>	<u>5,676,877</u>
<b>Budgetary appropriations</b>				
Inventory increase (decrease)	-	121,554	(121,554)	(16,253)
Vehicle and equipment	-	685,659	(685,659)	(645,452)
Debt principal payments	1,658,200	46	1,658,154	1,453,191
Transfer to REPS Reserve	2,175,000	(26,464)	2,201,464	2,192,798
BWGP Start up Cost Reserve	34,700	26,336	8,364	667,463
Capital outlay	22,865,400	7,265,160	15,600,240	18,965,224
Transfer to WPCA Reserve	-	(12,500)	12,500	2,233,068
Transfer to Health Insurance Reserve	-	-	-	1,500,000
Transfer to Coal Ash Reserve	10,000,000	-	10,000,000	-
Appropriated Net Position	5,239,019	5,239,019	-	-
<b>Total budgetary appropriations</b>	<u>41,972,319</u>	<u>13,298,810</u>	<u>28,673,509</u>	<u>26,350,039</u>
<b>Total expenditures</b>	<u>\$ 245,201,999</u>	<u>\$ 26,633,402</u>	<u>\$ 218,568,597</u>	<u>\$ 231,826,839</u>
<b>Reconciliation of change in Net Position</b>				
Total revenues		\$ (10,827,119)	\$ 234,374,880	\$ 238,627,765
Total expenditures		<u>26,633,402</u>	<u>218,568,597</u>	<u>231,826,839</u>
<b>Subtotal</b>		<u>\$ 15,806,283</u>	<u>15,806,283</u>	<u>6,800,926</u>
<b>Reconciling items:</b>				
Budgetary appropriations			24,186,417	23,940,931
Depreciation			(15,786,978)	(15,127,588)
Amortization			(175,081)	(147,337)
OPEB expense			(527,879)	(564,887)
LGERS expense			1,082,672	(153,117)
Series 2014 Electric Connect Bond Proceeds			(1,167,269)	(13,720,488)
Series 2016 Electric Connect Bond Proceeds			(5,463,000)	-
Series 2014 LED Lighting Bond Proceeds			-	(4,901,602)
Series 2016 LED Conversion Bond Proceeds			(10,000,000)	-
Transfer of assets (to)/from the 2014 Electric Connect Capital Project Fund			8,049,310	5,789,946
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			3,197,481	-
Transfer of assets (to)/from the Clean Fuel Adv Tech Grant Fund			34,375	-
<b>Total reconciling items</b>			<u>3,430,048</u>	<u>(4,884,142)</u>
<b>Change in Net Position</b>			<u>\$ 19,236,331</u>	<u>\$ 1,916,784</u>

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

**Schedule of Changes in the Status of Electric Rate Stabilization Fund**  
**From Inception and for the Year Ended June 30, 2016**

	<b>Project Authorization</b>	<b>Total Prior Years</b>	<b>Current Year</b>	<b>Total</b>
<b>Revenues</b>				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	4,600,000	4,290,020	321,668	4,611,688
<b>Total revenues</b>	<u>8,769,725</u>	<u>8,459,745</u>	<u>321,668</u>	<u>8,781,413</u>
<b>Expenditures</b>	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over expenditures</b>	<u>8,769,725</u>	<u>8,459,745</u>	<u>321,668</u>	<u>8,781,413</u>
<b>Other financing sources (uses)</b>				
Transfer from Electric Fund	69,127,155	68,877,200	250,000	69,127,200
Transfer from Electric Fund - WPCA	3,831,700	3,761,600	100,015	3,861,615
Transfer from Electric Fund - True-up credits	529,900	-	459,212	459,212
Transfer to Electric Fund	(35,850,900)	(28,930,900)	(6,920,000)	(35,850,900)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,600)	-	(3,761,600)
Loan to Electric & W/WW General Fund	-	(760,500)	760,500	-
Appropriated Net Position	(42,645,980)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(8,769,725)</u>	<u>39,185,800</u>	<u>(5,350,273)</u>	<u>33,835,527</u>
<b>Revenues and other financing sources (uses) over expenditures</b>	<u>\$ -</u>	<u>\$ 47,645,545</u>	<u>(5,028,605)</u>	<u>\$ 42,616,940</u>
<b>Reconciling items:</b>				
Advance receivable from W/WW			(760,500)	
Change in Net Position			<u>\$ (5,789,105)</u>	

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

**Schedule of Changes in the Status of Series 2014 Electric Connect Revenue Bond**  
**Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on invested bond proceeds	\$ -	\$ 1,257	\$ 3,728	\$ 4,985
<b>Total revenues</b>	<u>-</u>	<u>1,257</u>	<u>3,728</u>	<u>4,985</u>
<b>Expenditures</b>				
Construction	-	9,788,419	5,665,968	15,454,387
Engineering	-	112,439	-	112,439
Other	-	114,154	(2,149)	112,005
<b>Total expenditures</b>	<u>24,477,300</u>	<u>10,015,012</u>	<u>5,663,819</u>	<u>15,678,831</u>
<b>Revenues under expenditures</b>	<u>(24,477,300)</u>	<u>(10,013,755)</u>	<u>(5,660,091)</u>	<u>(15,673,846)</u>
<b>Other financing sources</b>				
2014 Revenue Bond Proceeds	13,717,811	13,720,488	1,167,269	14,887,757
2016 Revenue Bond Proceeds	10,759,489	-	5,463,000	5,463,000
<b>Total other financing sources</b>	<u>24,477,300</u>	<u>13,720,488</u>	<u>6,630,269</u>	<u>20,350,757</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ 3,706,733</u>	<u>970,178</u>	<u>\$ 4,676,911</u>
<b>Reconciling items:</b>				
Capital outlay			5,660,091	
Transfer of assets (to)/from the Electric Fund			(8,049,310)	
Change in Net Position			<u>\$ (1,419,041)</u>	

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

**Schedule of Changes in the Status of Series 2014 LED Lighting Revenue Bond**  
**Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on invested bond proceeds	\$ -	\$ 729	\$ 4,603	\$ 5,332
<b>Total revenues</b>	<u>-</u>	<u>729</u>	<u>4,603</u>	<u>5,332</u>
<b>Expenditures</b>				
Construction	-	1,286,501	2,829,552	4,116,053
<b>Total expenditures</b>	<u>18,000,000</u>	<u>1,286,501</u>	<u>2,829,552</u>	<u>4,116,053</u>
<b>Revenues under expenditures</b>	<u>(18,000,000)</u>	<u>(1,285,772)</u>	<u>(2,824,949)</u>	<u>(4,110,721)</u>
<b>Other financing sources</b>				
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	-	10,000,000	10,000,000
<b>Total other financing sources</b>	<u>18,000,000</u>	<u>6,391,603</u>	<u>10,000,000</u>	<u>16,391,603</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ 5,105,831</u>	<u>7,175,051</u>	<u>\$ 12,280,882</u>
<b>Reconciling items:</b>				
Capital outlay			2,824,949	
Transfer of assets (to)/from the Electric Fund			(3,197,481)	
Change in Net Position			<u>\$ 6,802,519</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION**  
**COMPONENT UNIT 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, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
<b>Total revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>				
Right of Way	<u>-</u>	<u>24,288</u>	<u>10,087</u>	<u>34,375</u>
<b>Total expenditures</b>	<u>52,356</u>	<u>24,288</u>	<u>10,087</u>	<u>34,375</u>
<b>Revenues under expenditures</b>	<u>(52,356)</u>	<u>(24,288)</u>	<u>(10,087)</u>	<u>(34,375)</u>
<b>Other financing sources</b>				
Federal Grant Proceeds	<u>37,884</u>	<u>-</u>	<u>34,375</u>	<u>34,375</u>
Transfer from Electric Fund	<u>14,472</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources</b>	<u>52,356</u>	<u>-</u>	<u>34,375</u>	<u>34,375</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ (24,288)</u>	<u>24,288</u>	<u>\$ -</u>
<b>Reconciling items:</b>				
Capital outlay			<u>10,087</u>	
Transfer (to)/from Electric Fund			<u>(34,375)</u>	
Change in Net Position			<u>\$ -</u>	

Capital Project Fund closed at June 30, 2016.

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

**Combining Schedule of Net Position**  
**Water and Wastewater Fund**  
**June 30, 2016**

	<b>Water and Wastewater Fund</b>	<b>Water and Wastewater Rate Stabilization Fund</b>	<b>Annexation Phase V Reserve Fund</b>	<b>Annexation Phase V Areas 8/13 Capital Project Fund</b>	<b>Annexation Phase V Areas 14/15 Capital Project Fund</b>	<b>Series 2014 Water Connect Capital Project Fund</b>
<b>ASSETS</b>						
<b>Current unrestricted assets</b>						
Cash and cash equivalents	\$ 7,908,001	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	12,876,140	-	-	-	-	-
Receivables	15,843,749	-	-	-	-	-
Internal balances	2,343,656	-	186,307	54,395	(47,340)	(1,589)
Less Allowance for doubtful accounts	(60,320)	-	-	-	-	-
Inventories	1,555,809	-	-	-	-	-
Other current assets	535,375	-	-	-	-	-
<b>Total current unrestricted assets</b>	<b>41,002,410</b>	<b>-</b>	<b>186,307</b>	<b>54,395</b>	<b>(47,340)</b>	<b>(1,589)</b>
<b>Current restricted assets</b>						
Cash and cash equivalents	16,644,939	3,075,303	25,098,454	593,728	931,287	9,293,138
Investments	8,915,020	1,925,703	-	-	-	-
Receivables	4,675	3,593	18,808	-	47,340	-
<b>Total current restricted assets</b>	<b>25,564,634</b>	<b>5,004,599</b>	<b>25,117,262</b>	<b>593,728</b>	<b>978,627</b>	<b>9,293,138</b>
<b>Total current assets</b>	<b>66,567,044</b>	<b>5,004,599</b>	<b>25,303,569</b>	<b>648,123</b>	<b>931,287</b>	<b>9,291,549</b>
<b>Noncurrent assets</b>						
Other assets	872,625	-	-	-	-	-
<b>Capital Assets:</b>						
Land and land rights	10,302,091	-	-	-	-	-
Construction in process	21,953,774	-	-	32	-	2,986,731
Water system	219,239,744	-	-	-	-	-
Sewer system	295,837,528	-	-	-	-	-
Buildings	2,798,877	-	-	-	-	-
Equipment and machinery	2,540,268	-	-	-	-	-
Computer equipment	981,260	-	-	-	-	-
Intangibles	6,393,114	-	-	-	-	-
Vehicles	3,713,796	-	-	-	-	-
Office equipment	29,816	-	-	-	-	-
<b>Capital assets, net</b>	<b>563,790,268</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>2,986,731</b>
<b>Total noncurrent assets</b>	<b>564,662,893</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>2,986,731</b>
<b>Total assets</b>	<b>631,229,937</b>	<b>5,004,599</b>	<b>25,303,569</b>	<b>648,155</b>	<b>931,287</b>	<b>12,278,280</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	5,709,456	-	-	-	-	-
Contributions to pension plan in current fiscal year	3,215,004	-	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>8,924,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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

**Combining Schedule of Net Position  
Water and Wastewater Fund  
June 30, 2016**

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 Phas V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,908,001
-	-	-	-	-	-	-	12,876,140
-	-	-	-	-	-	-	15,843,749
(876,776)	(522,790)	(1,175,489)	171,241	(30,004)	-	34,673	136,284
-	-	-	-	-	-	-	(60,320)
-	-	-	-	-	-	-	1,555,809
-	-	-	-	-	-	-	535,375
(876,776)	(522,790)	(1,175,489)	171,241	(30,004)	-	34,673	38,795,038
17,887,735	-	-	13,291,184	-	-	29,594,442	116,410,210
-	-	-	-	-	4,004,093	-	14,844,816
257,520	522,790	1,663,362	752,203	8,937	-	-	3,279,228
18,145,255	522,790	1,663,362	14,043,387	8,937	4,004,093	29,594,442	134,534,254
17,268,479	-	487,873	14,214,628	(21,067)	4,004,093	29,629,115	173,329,292
-	-	-	-	-	-	-	872,625
-	-	-	29	-	-	-	10,302,120
16,872,185	-	2,245	8,655,720	1,455,818	-	1,088,885	53,015,390
-	-	-	-	-	-	-	219,239,744
-	-	-	-	-	-	-	295,837,528
-	-	-	-	-	-	-	2,798,877
-	-	-	-	-	-	-	2,540,268
-	-	-	-	-	-	-	981,260
-	-	-	-	-	-	-	6,393,114
-	-	-	-	-	-	-	3,713,796
-	-	-	-	-	-	-	29,816
16,872,185	-	2,245	8,655,749	1,455,818	-	1,088,885	594,851,913
16,872,185	-	2,245	8,655,749	1,455,818	-	1,088,885	595,724,538
34,140,664	-	490,118	22,870,377	1,434,751	4,004,093	30,718,000	769,053,830
-	-	-	-	-	-	-	5,709,456
-	-	-	-	-	-	-	3,215,004
-	-	-	-	-	-	-	8,924,460

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

**Combining Schedule of Net Position**  
**Water and Wastewater Fund**  
**June 30, 2016**

	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	Series 2014 Water Connect Capital Project Fund
<b>LIABILITIES</b>						
<b>Current liabilities to be paid from unrestricted current assets</b>						
Current portion of long-term liabilities	\$ 17,496,348	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	9,974,675	-	-	-	-	-
<b>Total current liabilities to be paid from unrestricted current assets</b>	<b>27,471,023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities to be paid from restricted current assets</b>						
Accounts payable and accrued expenses	11,907,019	-	-	72,439	-	1,159,482
<b>Total current liabilities to be paid from restricted current assets</b>	<b>11,907,019</b>	<b>-</b>	<b>-</b>	<b>72,439</b>	<b>-</b>	<b>1,159,482</b>
<b>Total current liabilities</b>	<b>39,378,042</b>	<b>-</b>	<b>-</b>	<b>72,439</b>	<b>-</b>	<b>1,159,482</b>
<b>Noncurrent liabilities</b>						
Long-term liabilities	262,357,965	-	-	-	-	-
Net pension liability	1,260,533	-	-	-	-	-
Other liabilities	15,612	-	-	-	-	-
Unearned deposits	1,185,677	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>264,819,787</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>304,197,829</b>	<b>-</b>	<b>-</b>	<b>72,439</b>	<b>-</b>	<b>1,159,482</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferral	655,164	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>655,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	280,898,554	-	-	32	-	2,986,731
Restricted for -						
Capital Projects	4,069	-	-	-	-	-
Debt service	2,592,503	-	-	-	-	-
Unrestricted Net Position	51,806,278	5,004,599	25,303,569	575,684	931,287	8,132,067
<b>Total Net Position</b>	<b>\$ 335,301,404</b>	<b>\$ 5,004,599</b>	<b>\$ 25,303,569</b>	<b>\$ 575,716</b>	<b>\$ 931,287</b>	<b>\$ 11,118,798</b>

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

**Combining Schedule of Net Position**  
**Water and Wastewater Fund**  
**June 30, 2016**

<b>Series 2014 Water/Wastewater Capital Project Fund</b>	<b>2014 Person St Sanitary Sewer RSRL Fund</b>	<b>2013 PO Hoffer Phase 1 SRLCP Fund</b>	<b>Annexation Phase V Areas 16/17 Capital Project Fund</b>	<b>Annexation Phas V Areas 18/19 Capital Project Fund</b>	<b>NCDOT Capital Project Fund</b>	<b>Series 2016 Water/Wastewater Capital Project Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,496,348
-	-	-	-	-	-	-	9,974,675
-	-	-	-	-	-	-	27,471,023
2,830,334	-	816,182	2,107,541	149,505	2,976,649	-	22,019,151
2,830,334	-	816,182	2,107,541	149,505	2,976,649	-	22,019,151
2,830,334	-	816,182	2,107,541	149,505	2,976,649	-	49,490,174
-	-	14,774,998	-	-	-	-	277,132,963
-	-	-	-	-	-	-	1,260,533
-	-	-	-	-	-	-	15,612
-	-	-	-	-	-	-	1,185,677
-	-	14,774,998	-	-	-	-	279,594,785
2,830,334	-	15,591,180	2,107,541	149,505	2,976,649	-	329,084,959
-	-	-	-	-	-	-	655,164
-	-	-	-	-	-	-	655,164
16,872,185	-	2,245	8,655,749	1,455,818	-	1,088,885	311,960,199
2,981	-	-	-	-	-	-	7,050
-	-	-	-	-	-	-	2,592,503
14,435,164	-	(15,103,307)	12,107,087	(170,572)	1,027,444	29,629,115	133,678,415
\$ 31,310,330	\$ -	\$ (15,101,062)	\$ 20,762,836	\$ 1,285,246	\$ 1,027,444	\$ 30,718,000	\$ 448,238,167

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

**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**Water and Wastewater Fund**  
**Year ended June 30, 2016**

	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	Series 2014 Water Connect Capital Project Fund
<b>Operating revenues</b>						
Residential, commercial, and industrial sales	\$ 74,541,903	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	6,198,834	-	-	-	-	-
<b>Total operating revenues</b>	<u>80,740,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating expenses</b>						
Water operations	14,225,334	-	-	-	-	-
Wastewater operations	15,071,362	-	-	-	-	-
General and administrative	16,639,244	-	-	-	-	-
Depreciation	21,120,066	-	-	-	-	-
<b>Total operating expenses</b>	<u>67,056,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating income</b>	<u>13,684,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Nonoperating revenue (expense)</b>						
Intergovernmental revenue	413,949	-	117,531	-	-	-
Payment in lieu of taxes	(60,000)	-	-	-	-	-
Interest earned on investments	460,470	69,345	69,372	-	-	-
Gain (loss) on disposal of assets	(7,180,642)	-	-	-	-	-
Interest expense	(7,089,468)	-	-	-	-	-
Amortization	(502,715)	-	-	-	-	-
Finance costs	(643,877)	-	-	-	-	-
<b>Total nonoperating revenue (expense)</b>	<u>(14,602,283)</u>	<u>69,345</u>	<u>186,903</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income (loss) before transfers and contributions</b>	<u>(917,552)</u>	<u>69,345</u>	<u>186,903</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Contributions	8,155,713	-	-	-	-	-
Special Item-Hope Mills	(7,148,131)	-	-	-	-	-
Transfers in	52,915,321	250,000	7,153,941	70,759	174,971	7,275,000
Transfers out	(69,286,860)	-	(3,716,762)	(13,753)	-	(13,610,000)
<b>Change in Net Position</b>	<u>(16,281,509)</u>	<u>319,345</u>	<u>3,624,082</u>	<u>57,006</u>	<u>174,971</u>	<u>(6,335,000)</u>
<b>Total Net Position - beginning</b>	<u>351,582,913</u>	<u>4,685,254</u>	<u>21,679,487</u>	<u>518,710</u>	<u>756,316</u>	<u>17,453,798</u>
<b>Total Net Position - ending</b>	<u>\$ 335,301,404</u>	<u>\$ 5,004,599</u>	<u>\$ 25,303,569</u>	<u>\$ 575,716</u>	<u>\$ 931,287</u>	<u>\$ 11,118,798</u>

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

**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**Water and Wastewater Fund**  
**Year ended June 30, 2016**

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 Phas V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,541,903
-	-	-	-	-	-	-	6,198,834
-	-	-	-	-	-	-	80,740,737
-	-	-	-	-	-	-	14,225,334
-	-	-	-	-	-	-	15,071,362
-	-	-	-	-	-	-	16,639,244
-	-	-	-	-	-	-	21,120,066
-	-	-	-	-	-	-	67,056,006
-	-	-	-	-	-	-	13,684,731
-	-	-	-	-	-	-	531,480
-	-	-	-	-	-	-	(60,000)
-	-	-	-	-	-	-	599,187
-	-	-	-	-	-	-	(7,180,642)
-	-	-	-	-	-	-	(7,089,468)
-	-	-	-	-	-	-	(502,715)
-	-	-	-	-	-	-	(643,877)
-	-	-	-	-	-	-	(14,346,035)
-	-	-	-	-	-	-	(661,304)
-	-	-	-	-	-	-	8,155,713
-	-	-	-	-	-	-	(7,148,131)
-	2,243,830	-	19,997,355	1,285,246	5,155,694	30,718,000	127,240,117
(15,172,408)	(2,243,830)	(15,101,062)	(893,485)	-	(4,128,250)	-	(124,166,410)
(15,172,408)	-	(15,101,062)	19,103,870	1,285,246	1,027,444	30,718,000	3,419,985
46,482,738	-	-	1,658,966	-	-	-	444,818,182
\$ 31,310,330	\$ -	\$ (15,101,062)	\$ 20,762,836	\$ 1,285,246	\$ 1,027,444	\$ 30,718,000	\$ 448,238,167

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

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

Year ended June 30, 2016  
(with comparative actual amounts for the year ended June 30, 2015)

	2016			2015
	Budget	Variance Positive (Negative)	Actual	Actual
<b>Revenues</b>				
<b>Operating revenues</b>				
<b>Water operations</b>				
Residential, commercial, and industrial sales	\$ 35,094,000	\$ (1,405,712)	\$ 33,688,288	\$ 31,200,416
Other sales of water	1,993,700	368,684	2,362,384	2,682,847
Connection fees	300,000	(52,761)	247,239	165,064
City services	260,400	25,465	285,865	250,354
<b>Total water operations</b>	<b>37,648,100</b>	<b>(1,064,324)</b>	<b>36,583,776</b>	<b>34,298,681</b>
<b>Wastewater operations</b>				
Residential, commercial, and industrial sales	42,223,500	(1,369,885)	40,853,615	38,372,289
Other sales of wastewater	(462,500)	246,606	(215,894)	617,116
Connection fees	190,000	(18,625)	171,375	170,467
City services	96,800	28,363	125,163	97,229
<b>Total wastewater operations</b>	<b>42,047,800</b>	<b>(1,113,541)</b>	<b>40,934,259</b>	<b>39,257,101</b>
<b>Other operating revenues</b>				
Non-utility charges	1,183,600	108,745	1,292,345	1,216,479
Service charges	1,912,000	(67,389)	1,844,611	1,865,675
Miscellaneous	292,900	(207,154)	85,746	182,610
<b>Total other operating revenues</b>	<b>3,388,500</b>	<b>(165,798)</b>	<b>3,222,702</b>	<b>3,264,764</b>
<b>Total operating revenues</b>	<b>83,084,400</b>	<b>(2,343,663)</b>	<b>80,740,737</b>	<b>76,820,546</b>
<b>Non-operating revenues</b>				
Intergovernmental revenue	119,000	294,949	413,949	385,200
Gain (loss) on asset disposal	-	(7,180,642)	(7,180,642)	(965,763)
Interest earned on investments	940,000	(479,530)	460,470	640,863
<b>Total non-operating revenues</b>	<b>1,059,000</b>	<b>(7,365,223)</b>	<b>(6,306,223)</b>	<b>60,300</b>
<b>Contributions</b>				
Contributions	4,008,800	(2,301,911)	1,706,889	1,096,797
<b>Total contributions</b>	<b>4,008,800</b>	<b>(2,301,911)</b>	<b>1,706,889</b>	<b>1,096,797</b>
<b>Transfers in</b>				
Transfer from Annexation Phase V Reserve Fund	1,394,300	840,062	2,234,362	1,116,344
Transfer from Water Rate Stabilization Fund	840,000	(840,000)	-	2,167,000
<b>Total transfers in</b>	<b>2,234,300</b>	<b>62</b>	<b>2,234,362</b>	<b>3,283,344</b>
<b>Budgetary appropriations</b>				
Department of Transportation financing	-	(3,456,159)	(3,456,159)	2,793,832
Cumberland County note proceeds	-	-	-	39,600
Fort Bragg note proceeds	-	-	-	103,982
Reserve for NCDOT projects	5,486,900	(42)	5,486,858	3,544,917
Reserve for W/WW capital projects	2,445,000	(1,038,875)	1,406,125	2,213,668
W/WW Series 2014 bond proceeds	-	-	-	3,091,845
Appropriation of Net Position	8,229,760	(8,229,760)	-	-
<b>Total budgetary appropriations</b>	<b>16,161,660</b>	<b>(12,724,836)</b>	<b>3,436,824</b>	<b>11,787,844</b>
<b>Total revenues</b>	<b>\$ 106,548,160</b>	<b>\$ (24,735,571)</b>	<b>\$ 81,812,589</b>	<b>\$ 93,048,831</b>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
<b>Water operations</b>				
Administration and engineering	\$ 1,650,300	\$ 225,557	\$ 1,424,743	\$ 1,138,074
Water meter shop	164,000	16,207	147,793	181,783
Water maintenance and repair	4,756,570	17,390	4,739,180	4,905,629
Contract system maintenance	74,520	9,837	64,683	75,648
P. O. Hoffer water treatment plant	5,535,042	1,031,423	4,503,619	4,697,165
Glenville Lake water treatment plant	2,787,312	144,580	2,642,732	2,242,057
Environmental system protection	195,445	13,962	181,483	192,992
Laboratory	272,235	21,664	250,571	236,611
Environmental	113,645	2,064	111,581	110,789
Watersheds	159,000	188	158,812	149,050
Overhead clearing	-	(137)	137	(1,107,370)
<b>Total water operations</b>	<b>15,708,069</b>	<b>1,482,735</b>	<b>14,225,334</b>	<b>12,822,428</b>

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

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

**Year ended June 30, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

		2016		
	Budget	Variance Positive (Negative)	Actual	2015 Actual
<b>Expenditures (continued)</b>				
<b>Operating expenditures (continued)</b>				
<b>Wastewater operations</b>				
Administration and engineering	\$ 1,650,300	\$ 225,557	\$ 1,424,743	\$ 1,138,074
Sewer maintenance and repair	7,129,312	268	7,129,044	7,150,970
Contract system maintenance	49,680	6,558	43,122	50,431
Cross Creek WW treatment plant	2,781,242	64,167	2,717,075	2,666,810
Rockfish Creek WW treatment plant	2,954,542	4,102	2,950,440	2,695,786
Residuals management	304,200	40,897	263,303	292,976
Environmental system protection	195,445	13,962	181,483	192,993
Laboratory	272,235	21,664	250,571	236,611
Environmental	113,645	2,064	111,581	110,789
Overhead clearing	-	-	-	(1,107,370)
<b>Total wastewater operations</b>	<u>15,450,601</u>	<u>379,239</u>	<u>15,071,362</u>	<u>13,428,070</u>
<b>General and administrative</b>				
Executive	665,450	150,934	514,516	476,285
Internal audit	53,050	50,700	2,350	5,307
Communications and community relations	702,450	12,386	690,064	681,039
Financial administration	171,890	4,586	167,304	194,146
Human resources	834,950	17,429	817,521	853,454
Accounting	492,850	89,158	403,692	384,409
Accounts receivable	706,650	64,774	641,876	669,109
Payroll	61,490	148	61,342	62,461
Customer accounts	1,809,900	14,688	1,795,212	1,838,151
Utility field service	1,241,950	62,071	1,179,879	1,064,324
Corporate development	654,850	295	654,555	1,996,507
Risk management	618,490	135,889	482,601	590,153
Collections	822,760	136	822,624	734,368
Capital projects	363,750	74	363,676	329,282
Rates	139,340	30	139,310	113,057
Budget	137,060	109	136,951	134,786
Purchasing	419,360	141,086	278,274	277,330
Warehouse	378,000	16,198	361,802	367,328
Fleet maintenance	1,912,550	540,493	1,372,057	1,410,077
Facilities maintenance	281,490	86	281,404	332,942
Customer programs administration and call center	485,900	10,788	475,112	464,502
Corporate services administration	227,040	72,790	154,250	139,727
Development and marketing	357,350	109,238	248,112	266,401

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

**Year ended June 30, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016			2015 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>General and administrative (continued)</b>				
Telecommunications systems	\$ 1,649,240	\$ 272,697	\$ 1,376,543	\$ 1,592,392
Information systems	3,508,490	748,042	2,760,448	2,764,545
Medical insurance	5,607,200	805,204	4,801,996	4,179,426
Other	1,291,800	174,799	1,117,001	926,951
Overhead clearing	(4,341,600)	495,601	(4,837,201)	(5,209,343)
<b>Total general and administrative</b>	<b>21,253,700</b>	<b>3,990,429</b>	<b>17,263,271</b>	<b>17,639,116</b>
<b>Total operating expenditures</b>	<b>52,412,370</b>	<b>5,852,403</b>	<b>46,559,967</b>	<b>43,889,614</b>
<b>Non-operating expenditures</b>				
Payment in lieu of taxes	-	(60,000)	60,000	-
Interest expense	6,451,300	(638,168)	7,089,468	7,394,147
Finance costs	14,000	(629,877)	643,877	566,858
<b>Total non-operating expenditures</b>	<b>6,465,300</b>	<b>(1,328,045)</b>	<b>7,793,345</b>	<b>7,961,005</b>
<b>Special items</b>				
Special item-Hope Mills	3,500,000	(3,648,131)	7,148,131	-
<b>Total special items</b>	<b>3,500,000</b>	<b>(3,648,131)</b>	<b>7,148,131</b>	<b>-</b>
<b>Transfers out</b>				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	4,690,100	1,119,189	3,570,911	3,409,856
Transfer to NCDOT Fund	5,155,700	6	5,155,694	-
Transfer to Fleet Maintenance Fund	27,500	7	27,493	175,297
<b>Total transfers out</b>	<b>10,123,300</b>	<b>1,119,202</b>	<b>9,004,098</b>	<b>3,835,153</b>
<b>Budgetary appropriations</b>				
Inventory increase (decrease)	-	136,691	(136,691)	(142,276)
Vehicle and equipment increase (decrease)	-	766,712	(766,712)	(713,907)
Debt principal payments	15,946,100	89,369,181	(73,423,081)	13,024,643
Note payments	-	-	-	39,600
NCDOT project payments	331,200	37	331,163	3,347,353
Transfer to NCDOT project reserve	-	-	-	3,500,000
Capital outlay	17,107,190	2,922,463	14,184,727	19,893,994
Transfer to Water/Wastewater Capital Reserve	662,700	662,700	-	-
Transfer to Health Insurance reserve	-	-	-	1,500,000
<b>Total budgetary appropriations</b>	<b>34,047,190</b>	<b>93,857,784</b>	<b>(59,810,594)</b>	<b>40,449,407</b>
<b>Total expenditures</b>	<b>\$ 106,548,160</b>	<b>\$ 95,853,213</b>	<b>\$ 10,694,947</b>	<b>\$ 96,135,179</b>



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

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

Year ended June 30, 2016  
(with comparative actual amounts for the year ended June 30, 2015)

	2016		2015
	Variance		
Budget	Positive (Negative)	Actual	Actual
<b>Reconciliation of change in Net Position</b>			
Total revenue	\$ (24,735,571)	\$ 81,812,589	\$ 93,048,831
Total expenditures	95,853,213	10,694,947	96,135,179
<b>Subtotal</b>	<u>\$ 71,117,642</u>	71,117,642	(3,086,348)
<b>Reconciling items:</b>			
Budgetary appropriations		(63,247,418)	28,661,563
Depreciation		(21,120,066)	(21,033,813)
Amortization		(502,715)	(514,621)
OPEB expense		(634,896)	(679,406)
LGERS expense		1,258,921	(153,117)
Developer and FIF credits		6,448,824	6,611,329
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		1,167,269	(21,001,269)
Series 2014 Water & Wastewater bond proceeds		-	(52,926,251)
Series 2016 Annex 16 & 17 bond proceeds		(19,887,000)	-
Series 2016 Water Connect bond proceeds		(7,275,000)	-
Series 2016 Water & Wastewater bond proceeds		(30,718,000)	-
Transfer of assets (to) / from Annexation Phase V, Areas 8-13		13,753	3,544,917
Transfer of assets (to) / from Annexation Phase V, Areas 14-15		(158,931)	5,401,036
Transfer of assets (to) / from Annexation Phase V, Areas 16-17		411,656	-
Transfer of assets (to) / from NCDOT Capital Project Fund		4,128,250	-
Transfer of assets (to) / from Clearwell Chemical Capital Project Fund		-	(5,299,942)
Transfer of assets (to) / from Outfall Rehab Capital Project Fund		-	(3,901,648)
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund		12,442,732	3,547,471
Transfer of assets (to) / from Series 2014 Water/WW Capital Project Fund		15,172,408	(53,538)
Transfer of assets (to) / from Series 2013 PO Hoffer Phase 1 SRL Fund		15,101,062	-
<b>Total reconciling items</b>		<u>(87,399,151)</u>	<u>(80,822,156)</u>
<b>Change in Net Position</b>		<u>\$ (16,281,509)</u>	<u>\$ (83,908,504)</u>

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

**Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on investments	\$ 385,000	\$ 352,254	\$ 69,345	\$ 421,599
<b>Total revenues</b>	<u>385,000</u>	<u>352,254</u>	<u>69,345</u>	<u>421,599</u>
<b>Other financing sources</b>				
Transfer from Water and Wastewater Fund	6,750,000	6,500,000	250,000	6,750,000
Transfer to Water and Wastewater Fund	(2,167,000)	(2,167,000)	-	(2,167,000)
Appropriated Net Position	(4,968,000)	-	-	-
<b>Total other financing sources</b>	<u>(385,000)</u>	<u>4,333,000</u>	<u>250,000</u>	<u>4,583,000</u>
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ 4,685,254</u>	<u>319,345</u>	<u>\$ 5,004,599</u>
Change in Net Position			<u>\$ 319,345</u>	

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

**Schedule of Changes in the Status of Annexation Phase V Reserve Fund**  
**From Inception and for the Year Ended June 30, 2016**

	<b>Project Authorization</b>	<b>Total Prior Years</b>	<b>Current Year</b>	<b>Total</b>
<b>Revenues</b>				
Interest earned on investments	\$ 6,500	\$ 8,252	\$ 69,372	\$ 77,624
<b>Total revenues</b>	<u>6,500</u>	<u>8,252</u>	<u>69,372</u>	<u>77,624</u>
<b>Expenditures</b>				
Interest	80,000	79,356	-	79,356
<b>Total expenditures</b>	<u>80,000</u>	<u>79,356</u>	<u>-</u>	<u>79,356</u>
<b>Revenues over (under) expenditures</b>	<u>(73,500)</u>	<u>(71,104)</u>	<u>69,372</u>	<u>(1,733)</u>
<b>Other financing sources (uses)</b>				
Transfer from Electric Rate Stabilization Fund	3,101,200	-	3,101,200	3,101,200
Assessments transfer	10,280,000	6,337,568	1,779,811	8,117,379
Transfer from(to) Water and Wastewater Fund	5,404,501	5,855,403	(443,262)	5,412,141
Transfer from the City	11,261,179	11,329,912	117,531	11,447,443
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)	(658,758)	(70,759)	(729,517)
Transfer from (to) Annexation Phase V, Areas 14-15 Fund	(226,276)	(182,472)	(16,040)	(198,512)
Transfer from (to) Annexation Phase V, Areas 16-17 Fund	(500,000)	(1,658,966)	371,475	(1,287,491)
Transfer from (to) Annexation Phase V, Areas 18-19 Fund	(11,500,000)	-	(1,285,246)	(1,285,246)
Appropriated Net Position	<u>(17,753,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>73,500</u>	<u>21,750,590</u>	<u>3,554,710</u>	<u>25,305,300</u>
<b>Revenues and other financing sources (uses) over(under) expenditures</b>	<u>\$ -</u>	<u>\$ 21,679,486</u>	<u>3,624,082</u>	<u>\$ 25,303,568</u>
<b>Reconciling items:</b>				
Change in Net Position			<u>\$ 3,624,082</u>	

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

**Schedule of Changes in the Status of Annexation - Phase V-Areas 8 through 13 Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<b>Project Authorization</b>	<b>Total Prior Years</b>	<b>Current Year</b>	<b>Total</b>
<b>Revenues</b>				
Interest earned on other investments	\$ -	\$ 178	\$ -	\$ 178
<b>Total revenues</b>	<u>-</u>	<u>178</u>	<u>-</u>	<u>178</u>
<b>Expenditures</b>				
Construction	-	19,557,573	(9,459)	19,548,114
Engineering	-	2,335,136	34,727	2,369,863
Rights of way	-	538,572	3,799	542,371
Less City of Fayetteville participation	-	(2,405,439)	(27,506)	(2,432,945)
Other	-	1,395,869	12,403	1,408,272
<b>Total expenditures</b>	<u>22,000,000</u>	<u>21,421,711</u>	<u>13,964</u>	<u>21,435,675</u>
<b>Revenues under expenditures</b>	<u>(22,000,000)</u>	<u>(21,421,533)</u>	<u>(13,964)</u>	<u>(21,435,497)</u>
<b>Other financing sources</b>				
Transfer from (to)Annexation Phase V Reserve Fund	721,633	658,757	70,759	729,516
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
<b>Total other financing sources</b>	<u>22,000,000</u>	<u>21,940,421</u>	<u>70,759</u>	<u>22,011,180</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ 518,888</u>	<u>56,795</u>	<u>\$ 575,683</u>
<b>Reconciling items:</b>				
Capital outlay			13,964	
Transfer of assets (to)/from the Water and Wastewater Fund			(13,753)	
Change in Net Position			<u>\$ 57,006</u>	

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

**Schedule of Changes in the Status of Annexation - Phase V-Areas 14 through 15 Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on other investments	\$ -	\$ 283	\$ -	\$ 283
<b>Total revenues</b>	<u>-</u>	<u>283</u>	<u>-</u>	<u>283</u>
<b>Expenditures</b>				
Construction		4,749,102	-	4,749,102
Engineering	-	515,438	8,393	523,831
Rights of way	-	78,434	-	78,434
City Participation	-	(300,114)	(181,515)	(481,629)
Other	-	358,176	14,474	372,650
<b>Total expenditures</b>	<u>6,200,000</u>	<u>5,401,036</u>	<u>(158,648)</u>	<u>5,242,388</u>
<b>Revenues under expenditures</b>	<u>(6,200,000)</u>	<u>(5,400,753)</u>	<u>158,648</u>	<u>(5,242,105)</u>
<b>Other financing sources</b>				
Bond proceeds	5,973,724	5,974,880	-	5,974,880
Transfer from Annexation Phase V Reserve Fund	226,276	182,472	16,040	198,512
<b>Total other financing sources</b>	<u>6,200,000</u>	<u>6,157,352</u>	<u>16,040</u>	<u>6,173,392</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ 756,599</u>	<u>174,688</u>	<u>\$ 931,287</u>
<b>Reconciling items:</b>				
Capital outlay			(158,648)	
Transfer of assets (to)/from the Water and Wastewater Fund			158,931	
Change in Net Position			<u>\$ 174,971</u>	

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

**Schedule of Changes in the Status of Series 2014 Water Connect Revenue Bond**  
**Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on invested bond proceeds	\$ -	\$ 2,706	\$ 14,804	\$ 17,510
<b>Total revenues</b>	<u>-</u>	<u>2,706</u>	<u>14,804</u>	<u>17,510</u>
<b>Expenditures</b>				
Construction	-	6,416,812	12,367,230	18,784,042
Other	-	209,474	927	210,401
<b>Total expenditures</b>	<u>28,606,500</u>	<u>6,626,286</u>	<u>12,368,157</u>	<u>18,994,443</u>
<b>Revenues under expenditures</b>	<u>(28,606,500)</u>	<u>(6,623,580)</u>	<u>(12,353,353)</u>	<u>(18,976,933)</u>
<b>Other financing sources (uses)</b>				
2014 Revenue Bond Proceeds	20,997,207	21,001,269	(1,167,269)	19,834,000
2016 Revenue Bond Proceeds	7,609,293	-	7,275,000	7,275,000
<b>Total other financing sources</b>	<u>28,606,500</u>	<u>21,001,269</u>	<u>6,107,731</u>	<u>27,109,000</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ 14,377,689</u>	<u>(6,245,622)</u>	<u>\$ 8,132,067</u>
<b>Reconciling items:</b>				
Capital outlay			12,353,353	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>(12,442,731)</u>	
Change in Net Position			<u>\$ (6,335,000)</u>	

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

**Schedule of Changes in the Status of Series 2014 Water and Wastewater Revenue Bond**  
**Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ 6,865	\$ 58,085	\$ 64,950
<b>Total revenues</b>	<u>-</u>	<u>6,865</u>	<u>58,085</u>	<u>64,950</u>
<b>Expenditures</b>				
Construction	-	17,992,349	15,259,970	33,252,319
Engineering	-	2,725,623	874,201	3,599,824
ROW	-	50,082	533,200	583,282
Other	-	234,196	883,435	1,117,631
<b>Total expenditures</b>	<u>53,020,000</u>	<u>21,002,250</u>	<u>17,550,806</u>	<u>38,553,056</u>
<b>Revenues under expenditures</b>	<u>(53,020,000)</u>	<u>(20,995,385)</u>	<u>(17,492,721)</u>	<u>(38,488,106)</u>
<b>Other financing sources</b>				
Transfer from Water/Wastewater Fund	103,987	-	-	-
2014 Revenue Bond Proceeds	52,916,013	52,926,251	-	52,926,251
<b>Total other financing sources</b>	<u>53,020,000</u>	<u>52,926,251</u>	<u>-</u>	<u>52,926,251</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ 31,930,866</u>	<u>(17,492,721)</u>	<u>\$ 14,438,145</u>
<b>Reconciling items:</b>				
Capital outlay			17,492,721	
Transfer of assets (to)/from the Water and Wastewater Fund			(15,172,408)	
Change in Net Position			<u>\$ (15,172,408)</u>	

**FAYETTEVILLE PUBLIC WORKS COMMISSION**  
**COMPONENT UNIT 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, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
<b>Total revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Construction	-	1,483,781	360,759	1,844,540
Engineering	-	284,324	24,489	308,813
Other	-	18,989	71,488	90,477
<b>Total expenditures</b>	<u>2,967,243</u>	<u>1,787,094</u>	<u>456,736</u>	<u>2,243,830</u>
<b>Revenues under expenditures</b>	<u>(2,967,243)</u>	<u>(1,787,094)</u>	<u>(456,736)</u>	<u>(2,243,830)</u>
<b>Other financing sources</b>				
State Revolving Loan Proceeds	<u>2,967,243</u>	<u>1,628,767</u>	<u>615,063</u>	<u>2,243,830</u>
<b>Total other financing sources</b>	<u>2,967,243</u>	<u>1,628,767</u>	<u>615,063</u>	<u>2,243,830</u>
<b>Revenues and other financing sources     under expenditures</b>	<u>\$ -</u>	<u>\$ (158,327)</u>	158,327	<u>\$ -</u>
<b>Reconciling items:</b>				
Capital outlay			456,736	
Transfer of assets (to) the Water and Wastewater Fund			(2,243,830)	
Transfer of assets from the Water and Wastewater Fund			2,243,830	
Loan Proceeds			(615,063)	
Change in Net Position			<u>\$ -</u>	

**Capital Project Fund closed at June 30, 2016.**



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

**Schedule of Changes in the Status of 2013 PO Hoffer Phase 1**  
**State Revolving Loan Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
<b>Total revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Construction	-	10,419,514	2,406,716	12,826,230
Engineering	-	1,601,009	348,884	1,949,893
Loan Closing Costs	-	305,482	21,703	327,185
<b>Total expenditures</b>	<u>16,100,000</u>	<u>12,326,005</u>	<u>2,777,303</u>	<u>15,103,308</u>
<b>Revenues under expenditures</b>	<u>(16,100,000)</u>	<u>(12,326,005)</u>	<u>(2,777,303)</u>	<u>(15,103,308)</u>
<b>Other financing sources</b>				
State Revolving Loan Proceeds	<u>16,100,000</u>	<u>11,726,356</u>	<u>3,048,642</u>	<u>14,774,998</u>
<b>Total other financing sources</b>	<u>16,100,000</u>	<u>11,726,356</u>	<u>3,048,642</u>	<u>14,774,998</u>
<b>Revenues and other financing sources     under expenditures</b>	<u>\$ -</u>	<u>\$ (599,649)</u>	271,339	<u>\$ (328,310)</u>
<b>Reconciling items:</b>				
Capital outlay			2,777,303	
Transfer of assets (to)/from the Water and Wastewater Fund			(15,101,062)	
Loan Proceeds			<u>(3,048,642)</u>	
Change in Net Position			<u>\$ (15,101,062)</u>	

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

**Schedule of Changes in the Status of Annexation Phase V - Areas 16 through 17 Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on other investments	\$ -	\$ -	\$ 323	\$ 323
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>323</u>	<u>323</u>
<b>Expenditures</b>				
Construction	-	-	7,503,885	7,503,885
Engineering	-	1,286,777	169,229	1,456,006
Right of Way	-	354,198	19,483	373,681
City Participation	-	-	(690,439)	(690,439)
Other	-	96,597	327,998	424,595
<b>Total expenditures</b>	<u>20,500,000</u>	<u>1,737,572</u>	<u>7,330,156</u>	<u>9,067,728</u>
<b>Revenues under expenditures</b>	<u>(20,500,000)</u>	<u>(1,737,572)</u>	<u>(7,329,833)</u>	<u>(9,067,405)</u>
<b>Other financing sources</b>				
Transfer from Annexation Phase V Reserve Fund Fund	500,000	1,658,966	(371,474)	1,287,492
Series 2016 Annex 16 & 17 Bond Proceeds	<u>20,000,000</u>	<u>-</u>	<u>19,887,000</u>	<u>19,887,000</u>
<b>Total other financing sources</b>	<u>20,500,000</u>	<u>1,658,966</u>	<u>19,515,526</u>	<u>21,174,492</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ (78,606)</u>	<u>12,185,693</u>	<u>\$ 12,107,087</u>
<b>Reconciling items:</b>				
Capital outlay			7,329,833	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>(411,656)</u>	
Change in Net Position			<u>\$ 19,103,870</u>	

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

**Schedule of Changes in the Status of Annexation Phase V - Areas 18 through 19 Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
<b>Total revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>				
Construction	-	-	281,570	281,570
Engineering	-	450,741	584,874	1,035,615
Right of Way	-	-	68,914	68,914
Other	-	-	69,720	69,720
<b>Total expenditures</b>	<u>11,500,000</u>	<u>450,741</u>	<u>1,005,078</u>	<u>1,455,819</u>
<b>Revenues under expenditures</b>	<u>(11,500,000)</u>	<u>(450,741)</u>	<u>(1,005,078)</u>	<u>(1,455,819)</u>
<b>Other financing sources</b>				
Transfer from Annexation Phase V Reserve Fund Fund	11,500,000	-	1,285,246	1,285,246
<b>Total other financing sources</b>	<u>11,500,000</u>	<u>-</u>	<u>1,285,246</u>	<u>1,285,246</u>
<b>Revenues and other financing sources     under expenditures</b>	<u>\$ -</u>	<u>\$ (450,741)</u>	280,168	<u>\$ (170,573)</u>
<b>Reconciling items:</b>				
Capital outlay			1,005,078	
Change in Net Position			<u>\$ 1,285,246</u>	

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

**Schedule of Changes in the Status of North Carolina Department of Transportation Capital Project Fund**  
**From Inception and for the Period Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
<b>Total revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>				
Construction	<u>7,730,000</u>	<u>-</u>	<u>4,128,250</u>	<u>4,128,250</u>
<b>Total expenditures</b>	<u>7,730,000</u>	<u>-</u>	<u>4,128,250</u>	<u>4,128,250</u>
<b>Revenues under expenditures</b>	<u>(7,730,000)</u>	<u>-</u>	<u>(4,128,250)</u>	<u>(4,128,250)</u>
<b>Other financing sources</b>				
Transfer from Water/Wastewater Fund	<u>7,730,000</u>	<u>-</u>	<u>5,155,694</u>	<u>5,155,694</u>
<b>Total other financing sources</b>	<u>7,730,000</u>	<u>-</u>	<u>5,155,694</u>	<u>5,155,694</u>
<b>Revenues and other financing sources     under expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,027,444</u>	<u>\$ 1,027,444</u>
<b>Reconciling items:</b>				
Capital outlay			4,128,250	
Transfer of assets (to)/from the Water/Wastewater Fund			(4,128,250)	
Change in Net Position			<u>\$ 1,027,444</u>	

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

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

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ -	\$ 499	\$ 499
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>499</u>	<u>499</u>
<b>Expenditures</b>				
Construction	-	-	1,041,000	1,041,000
ROW	-	-	9,000	9,000
Other	-	-	39,384	39,384
<b>Total expenditures</b>	<u>45,000,000</u>	<u>-</u>	<u>1,089,384</u>	<u>1,089,384</u>
<b>Revenues under expenditures</b>	<u>(45,000,000)</u>	<u>-</u>	<u>(1,088,885)</u>	<u>(1,088,885)</u>
<b>Other financing sources</b>				
2016 Revenue Bond Proceeds	45,000,000	-	30,718,000	30,718,000
<b>Total other financing sources</b>	<u>45,000,000</u>	<u>-</u>	<u>30,718,000</u>	<u>30,718,000</u>
<b>Revenues and other financing sources under expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>29,629,115</u>	<u>\$ 29,629,115</u>
<b>Reconciling items:</b>				
Capital outlay			1,088,885	
Change in Net Position			<u>\$ 30,718,000</u>	

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

**Year ended June 30, 2016**  
**(with comparative actual amounts for the period ended June 30, 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Variance Positive (Negative)</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>				
<b>Operating revenues</b>				
City services	\$ 6,467,300	\$ (65,832)	\$ 6,401,468	\$ 6,188,374
PWC services	3,051,600	(739,337)	2,312,263	1,946,858
Other revenue	-	-	-	334
<b>Total operating revenues</b>	<u>9,518,900</u>	<u>(805,169)</u>	<u>8,713,731</u>	<u>8,135,566</u>
<b>Non-operating revenues</b>				
Gain (loss) on asset disposal	-	-	-	(173)
<b>Total non-operating revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173)</u>
<b>Transfers in</b>				
Transfers from Electric Fund	27,500	(7)	27,493	175,297
Transfers from Water and Wastewater Fund	27,500	(7)	27,493	175,297
<b>Total transfers-in</b>	<u>55,000</u>	<u>(14)</u>	<u>54,986</u>	<u>350,594</u>
<b>Total revenues</b>	<u>\$ 9,573,900</u>	<u>\$ (805,183)</u>	<u>\$ 8,768,717</u>	<u>\$ 8,485,987</u>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
Fleet maintenance	9,518,900	(1,074,406)	8,444,494	7,857,566
<b>Total operating expenditures</b>	<u>9,518,900</u>	<u>(1,074,406)</u>	<u>8,444,494</u>	<u>7,857,566</u>
<b>Budgetary appropriations</b>				
Capital outlay	55,000	(14)	54,986	350,422
<b>Total budgetary appropriations</b>	<u>55,000</u>	<u>(14)</u>	<u>54,986</u>	<u>350,422</u>
<b>Total expenditures</b>	<u>\$ 9,573,900</u>	<u>\$ (1,074,420)</u>	<u>\$ 8,499,480</u>	<u>\$ 8,207,988</u>
<b>Reconciliation of changes in Net Position</b>				
Total revenues		\$ (805,183)	\$ 8,768,717	\$ 8,485,987
Total expenditures		(1,074,420)	8,499,480	8,207,988
<b>Subtotal</b>		<u>\$ 269,237</u>	<u>269,237</u>	<u>277,999</u>
<b>Reconciling items:</b>				
Budgetary appropriations			54,986	350,422
Depreciation			(184,859)	(187,534)
OPEB expense			(84,378)	(90,293)
<b>Total reconciling items</b>			<u>(214,251)</u>	<u>72,595</u>
<b>Change in Net Position</b>			<u>\$ 54,986</u>	<u>\$ 350,594</u>

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

**Schedule of Bonded Indebtedness**

**June 30, 2016**

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
1/30/08	2008 Water & Wastewater	17,025,000	4.00%	2016	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -
			4.50%	2017	600,000	-	-	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>12,825,000</u>	<u>-</u>	<u>11,625,000</u>	<u>1,200,000</u>	<u>600,000</u>
10/21/09	2009A Electric & Water & Wastewater	114,155,000	5.00%	2016	10,680,000	-	10,680,000	-	-
			5.00%	2017	12,870,000	-	-	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>59,520,000</u>	<u>-</u>	<u>10,680,000</u>	<u>48,840,000</u>	<u>12,870,000</u>
10/21/09	2009B Water & Wastewater	36,710,000	4.00%	2016	1,805,000		1,805,000	-	-
			4.00%	2017	1,405,000		-	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>32,415,000</u>	<u>-</u>	<u>27,420,000</u>	<u>4,995,000</u>	<u>1,405,000</u>



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

**Schedule of Bonded Indebtedness**

**June 30, 2016**

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
9/11/14	2014 Electric & Water & Wastewater	111,455,000	3.00%	2016	555,000	-	555,000	-	-
			3.00%	2017	570,000	-	-	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	-	555,000	110,900,000	570,000
12/1/02	G.O. Water & Wastewater	3,625,000	4.00%	2016	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	-	-
					1,225,000	-	1,225,000	-	-
10/22/09	G.O. Water & Wastewater	4,403,885	5.00%	2016	320,145	-	320,145	-	-
			4.00%	2017	375,145	-	-	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	-
					1,388,158	-	320,145	1,068,013	375,145

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

**Schedule of Bonded Indebtedness**

**June 30, 2016**

<b>Issue Date</b>	<b>Fund</b>	<b>Original Issue</b>	<b>Interest Rate</b>	<b>Year of Maturity</b>	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2016</b>	<b>Current Portion</b>
6/29/16	2016	114,405,000	0.00%	2016	-	-	-	-	-
	Electric &		5.00%	2017	-	1,775,000	-	1,775,000	1,775,000
	Water & Wastewater		5.00%	2018	-	1,205,000	-	1,205,000	-
			5.00%	2019	-	4,745,000	-	4,745,000	-
			5.00%	2020	-	6,545,000	-	6,545,000	-
			5.00%	2021	-	6,770,000	-	6,770,000	-
			5.00%	2022	-	6,405,000	-	6,405,000	-
			5.00%	2023	-	6,635,000	-	6,635,000	-
			5.00%	2024	-	4,785,000	-	4,785,000	-
			5.00%	2025	-	4,920,000	-	4,920,000	-
			5.00%	2026	-	5,060,000	-	5,060,000	-
			3.00%	2027	-	4,425,000	-	4,425,000	-
			3.00%	2028	-	4,475,000	-	4,475,000	-
			3.00%	2029	-	4,545,000	-	4,545,000	-
			3.00%	2030	-	4,615,000	-	4,615,000	-
			3.00%	2031	-	4,675,000	-	4,675,000	-
			3.00%	2032	-	4,735,000	-	4,735,000	-
			3.00%	2033	-	4,800,000	-	4,800,000	-
			3.00%	2034	-	4,870,000	-	4,870,000	-
			3.00%	2035	-	4,925,000	-	4,925,000	-
			3.00%	2036	-	3,635,000	-	3,635,000	-
			3.00%	2037	-	3,740,000	-	3,740,000	-
			3.00%	2038	-	3,855,000	-	3,855,000	-
			3.00%	2039	-	3,970,000	-	3,970,000	-
			3.00%	2040	-	4,085,000	-	4,085,000	-
			3.00%	2041	-	4,210,000	-	4,210,000	-
					-	114,405,000	-	114,405,000	1,775,000
<b>Total bond indebtedness</b>					<u>\$ 218,828,158</u>	<u>\$ 114,405,000</u>	<u>\$ 51,825,145</u>	<u>\$ 281,408,013</u>	<u>\$ 17,595,145</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

# STATISTICAL SECTION

## (Unaudited)

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

<b>CONTENTS</b>	<b>PAGE</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Commission's financial performance has changed over time.	<b>F2–F11</b>
<b>Revenue Capacity</b> These schedules contain trend information to help the reader assess the Commission's most significant local revenue source.	<b>F12</b>
<b>Debt Capacity</b> 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.	<b>F13–14</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.	<b>F15–F17</b>
<b>Operating Information</b> 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.	<b>F18–F19</b>

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

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

	<b>Fiscal Year</b>				<b>Fiscal Year</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Business-type activities										
Net investment in capital assets	\$ 434,357,704	\$ 479,566,660	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 536,552,740
Restricted for:										
Capital projects	10,328	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050
Debt service	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117
Unrestricted	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	337,811,485
Total primary government net positions	<u>\$ 549,700,594</u>	<u>\$ 596,068,938</u>	<u>\$ 632,488,958</u>	<u>\$ 688,671,070</u>	<u>\$ 745,980,209</u>	<u>\$ 810,463,338</u>	<u>\$ 821,956,778</u>	<u>\$ 836,548,581</u>	<u>\$ 854,707,717</u>	<u>\$ 877,013,392</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business type activities</b>										
<b>Operating revenue</b>										
Charges for services	\$ 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	\$ 311,122,241
Misc operating revenue	1,412,327	1,766,573	7,422,442	11,065,254	328,726	16,400	5,021	1,104	334	-
Operating revenues	5,808,120	-	-	-	-	-	-	-	-	-
Total operating revenue	<u>219,975,605</u>	<u>230,150,472</u>	<u>240,675,390</u>	<u>255,321,973</u>	<u>271,033,857</u>	<u>276,032,674</u>	<u>291,119,363</u>	<u>300,782,153</u>	<u>308,619,944</u>	<u>311,122,241</u>
<b>Operating expenses</b>										
Power supply and generation	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	141,085,995
Electric operations	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	15,378,277
Water operations	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	14,225,334
Miscellaneous operating expense-water	-	1,763,025	7,421,764	11,063,969	327,681	15,010	-	-	-	-
Sanitary sewer operations	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	15,071,362
General and administrative	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	35,088,656
Depreciation	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	37,091,903
Fleet maintenance	5,468,556	5,852,998	6,181,586	6,597,213	7,360,542	7,337,737	7,826,061	8,253,426	7,947,859	8,528,872
Total operating expenses	<u>173,140,530</u>	<u>186,473,441</u>	<u>205,218,561</u>	<u>209,554,250</u>	<u>207,058,542</u>	<u>208,066,180</u>	<u>266,025,012</u>	<u>282,768,256</u>	<u>276,072,412</u>	<u>266,470,399</u>
<b>Operating income (loss)</b>	<u>46,835,075</u>	<u>43,677,031</u>	<u>35,456,829</u>	<u>45,767,723</u>	<u>63,975,315</u>	<u>67,966,494</u>	<u>25,094,351</u>	<u>18,013,897</u>	<u>32,547,532</u>	<u>44,651,842</u>
<b>Nonoperating revenue (expense)</b>										
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	531,480
Payment in lieu of taxes	-	-	-	-	-	-	-	-	-	(9,547,800)
Interest earned on investments	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	1,711,083
Gain (loss) on disposal of assets	(484,539)	(94,878)	(147,331)	(356,749)	(1,201,165)	(142,064)	1,961,214	(462,840)	(1,142,805)	(8,877,903)
Interest expense	(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)	(7,989,038)
Amortization	(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)	(677,796)
Finance costs	(524,175)	(480,894)	(452,525)	(132,616)	(21,225)	(19,425)	(100,162)	(62,588)	(678,741)	(745,198)
Total nonoperating revenue (expense)	<u>(8,094,022)</u>	<u>(4,739,142)</u>	<u>(6,206,142)</u>	<u>(6,122,603)</u>	<u>(8,647,235)</u>	<u>(6,147,362)</u>	<u>(4,950,928)</u>	<u>(4,939,071)</u>	<u>(9,219,604)</u>	<u>(25,595,172)</u>
<b>Income (loss) before transfers and contributions</b>	<u>38,741,053</u>	<u>38,937,889</u>	<u>29,250,687</u>	<u>39,645,120</u>	<u>55,328,080</u>	<u>61,819,132</u>	<u>20,143,423</u>	<u>13,074,826</u>	<u>23,327,928</u>	<u>19,056,670</u>
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	10,397,136
Special Item- Hope Mills	-	-	-	-	-	-	-	-	-	(7,148,131)
Transfers in	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	3,156,186
Transfers out	(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)	(3,156,186)
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	(9,449,012)	(10,005,305)	(8,054,235)	(8,691,240)	(10,800,269)	(9,820,653)	(10,961,399)	(12,303,615)	(12,527,760)	-
<b>Change in net position</b>	<u>\$ 47,755,041</u>	<u>\$ 46,368,292</u>	<u>\$ 36,420,020</u>	<u>\$ 56,260,251</u>	<u>\$ 57,309,139</u>	<u>\$ 64,483,129</u>	<u>\$ 15,920,491</u>	<u>\$ 14,591,803</u>	<u>\$ 22,201,606</u>	<u>\$ 22,305,675</u>

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

Fiscal Year	Residential	Commercial	Industrial	Lighting	Other	Total	Total Direct Rate		
							Electric		
							Base Rate <sup>a</sup>	Usage Rate <sup>b</sup>	
								first 500 kWh	ea kWh > 500
2016	870,089,226	647,621,655	416,245,591	33,878,389	63,597,174	2,031,432,035	\$ 13.50	\$ 0.0990	\$ 0.0990
2015	912,997,829	635,745,697	411,868,420	37,092,085	63,610,785	2,061,314,816	13.50	0.0990	0.0990
2014	933,550,479	755,446,906	297,474,309	36,909,744	62,356,003	2,085,737,441	11.80	0.0964	0.0964
2013	912,090,576	746,303,677	281,595,874	35,189,619	62,223,142	2,037,402,888	10.80	0.0946	0.0946
2012	897,373,380	760,894,124	299,989,818	35,420,886	59,706,692	2,053,384,900	10.80	0.0946	0.0946
2011	1,013,170,837	785,669,193	301,732,101	35,647,580	64,960,101	2,201,179,812	10.80	0.0900	0.0977
2010	969,676,167	762,559,263	318,392,654	34,471,378	60,706,464	2,145,805,926	9.90	0.0825	0.0896
2009	950,176,318	761,932,351	315,244,653	33,636,689	59,890,915	2,120,880,926	9.00	0.0750	0.0815
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	9.00	0.0750	0.0815
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	9.00	0.0719	0.0794

**Notes: .**

<sup>a</sup> Rate shown is for Residential Service- basic facilities charge. See Schedule 6 for additional customer category rates.

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

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

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Total Direct Rate						
							Water						
							Base Rate <sup>b</sup>	Usage Rate <sup>c</sup>					
								first 6 Mgals	ea Mgal > 6	first 2 Mgals	next 3-5Mgals	next 5-10Mgals	ea add'l Mgals
2016	3,679,770	1,657,998	985,208	1,278,857	835,982	8,437,815	\$ 10.00	\$ -	\$ -	\$ 2.34	\$ 2.78	\$ 3.78	\$ 4.52
2015	3,693,708	1,602,583	914,301	1,211,695	897,337	8,319,624	9.00	-	-	2.26	2.69	3.65	4.37
2014	3,719,832	1,610,970	829,204	1,166,850	842,321	8,169,177	7.75	-	-	2.22	2.64	3.59	4.29
2013	3,761,361	1,867,535	608,837	1,371,392	<sup>f</sup> 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	<sup>f</sup> 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	<sup>f</sup> 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	<sup>f</sup> 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 <sup>e</sup>	3.23	-	-	-	-
2007	3,907,580	1,860,087	776,853	424,036	942,767	7,911,323	<sup>a</sup> 4.08	2.29 <sup>d</sup>	3.23	-	-	-	-

**Notes:** Mgal = 1,000 gallons

<sup>a</sup> 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.

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

<sup>c</sup> Rate shown is for Residential - inside city customer category. See Schedule 7 for additional customer category rates.

<sup>d</sup> Rate structure in this category was based on first 5 mgals in 2007.

<sup>e</sup> Rate structure in this category was based on first 6 mgals in 2008.

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



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

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate <sup>a</sup>	Total Direct Rate Wastewater		
								Usage Rate		
								per Mgal <sup>b</sup>	Sewer Only Flat Rate	
									Inside	Outside
2016	3,245,044	1,533,267	694,225	176,163	488,497	6,137,196	\$ 10.00	\$ 5.00	\$ 34.50	\$ 56.93
2015	3,242,175	1,482,458	636,480	194,606	483,543	6,039,262	9.00	4.89	32.96	52.74
2014	3,252,419	1,498,619	615,777	187,458	473,640	6,027,916	7.75	4.87	32.10	49.74
2013	3,245,769	1,707,549	387,928	133,323	459,421	5,933,990	7.00	4.87	31.35	47.05
2012	3,326,474	1,718,225	373,945	94,442	459,677	5,972,763	6.40	4.87	30.75	44.58
2011	3,418,513	1,710,285	371,696	82,085	460,746	6,043,325	5.88	4.77	29.73	41.63
2010	3,382,934	1,677,976	398,290	96,380	443,717	5,999,297	5.41	4.67	28.76	38.83
2009	3,272,380	1,671,151	488,014	93,038	438,936	5,963,519	5.41	4.67	28.76	37.39
2008	3,275,145	1,632,507	527,324	75,997	514,873	6,025,846	4.05	4.20	25.05	30.06
2007	3,181,099	1,641,518	441,983	72,190	512,537	5,849,327	2.46	4.20	27.66	28.03

**Notes:** Mgal = 1,000 gallons

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

<sup>b</sup> Rate shown is for Sanitary Sewer Service category. See Schedule 8 for additional sewer and waste service category rates.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Residential</b>										
Basic	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.90	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80	\$ 13.50	\$ 13.50
Energy, first 500 kWh	0.0719	0.0750	0.0750	0.0825	0.0900	0.0946	0.0946	0.0964	0.0990	0.0990
All additional kWh	0.0794	0.0815	0.0815	0.0896	0.0977	-	-	-	-	-
<b>General service</b>										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00
Demand, first 10 kW	-	-	-	-	-	0.1013	0.1013	0.1013	0.1013	0.0990
all additional kW	6.4800	6.7500	6.7500	7.4000	8.1000	-	-	-	-	-
Energy, first 2,000 kWh	0.0810	0.0845	0.0845	0.0929	0.1013	-	-	-	-	-
all additional kWh	0.4860	0.0505	0.0505	0.0555	0.0605	-	-	-	-	-
<b>Lg General service</b>										
Basic	\$ 200.00	\$ 200.00	\$ 200.00	\$ 220.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00	\$ 265.00	\$ 275.00
Demand, all kW	9.72	10.10	10.10	11.10	12.10	12.10	12.10	13.00	14.00	15.25
Excess Off Peak	-	-	-	-	2.00	-	-	-	-	-
Energy On Peak	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	0.0515
<b>Small industrial service</b>										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, first 10 kW	-	-	-	-	-	-	-	-	-	-
all additional kW	6.4747	6.7500	6.7500	7.4000	8.1000	-	-	-	-	-
Energy, first 2,000 kWh	0.0811	0.0844	0.0844	0.0928	0.1012	-	-	-	-	-
all additional kWh	0.05198	0.05420	0.05420	0.05960	0.06500	-	-	-	-	-
<b>Medium industrial service</b>										
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	-	-	-	-
<b>Lg Industrial service</b>										
Basic	\$ 500.00	\$ 500.00	\$ 500.00	\$ 550.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00	\$ 650.00	\$ 675.00
Demand, first 5,000 kW	12.15	12.85	12.85	13.45	14.50	-	-	-	-	-
next 5,000 kW	11.07	11.75	11.75	12.50	13.45	-	-	-	-	-
All additional kW	9.99	10.60	10.60	11.90	12.80	-	-	-	-	-
Energy, all kWh	0.0380	0.0400	0.0400	0.0462	0.0383	0.0504	0.0504	0.0523	0.0542	0.0515
<b>Traffic signal service</b>										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00
Energy, all kWh	0.05106	0.05300	0.05300	0.05820	0.06350	0.06350	0.06350	0.06790	0.07250	0.07250
<b>Church service</b>										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00
Energy, first 500 kWh	0.08532	0.08800	0.08800	0.09680	0.10560	-	-	-	-	-
NEXT 2,000 kWh	0.07884	0.08250	0.08250	0.09070	-	-	-	-	-	-
all additional kWh	0.07884	0.08250	0.08250	0.09070	0.09890	0.09960	0.09960	0.10130	0.10130	0.09900
<b>Sports field lighting service</b>										
Basic	\$ 15.00	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00
Energy, all kWh	0.05249	0.05669	0.05669	0.06230	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790
Minimum, all kW	2.5313	2.8477	2.8477	-	-	-	-	-	-	-

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

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

	<b>2007</b>		<b>2008</b>		<b>2009</b>		<b>2010</b>		<b>2011</b>	
	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	\$ 4.87	\$ 5.84	\$ 5.24	\$ 6.81	\$ 5.24	\$ 7.07	\$ 5.74	\$ 8.04
3/4"	4.08	4.69	4.87	5.84	5.24	6.81	5.24	7.07	5.74	8.04
1"	5.99	6.89	7.33	8.80	7.96	10.35	7.96	10.75	8.62	12.07
1.5"	10.36	11.91	12.97	15.56	14.19	18.44	14.19	19.16	15.19	21.27
2"	15.82	18.19	20.01	24.01	21.97	28.56	21.97	29.66	23.41	32.77
3"	28.65	32.95	36.55	43.86	40.25	52.33	40.25	54.34	42.73	59.82
4"	46.94	53.98	60.13	72.16	66.31	86.21	66.31	89.52	70.27	98.38
6"	92.26	106.10	118.57	142.28	130.89	170.15	130.89	176.70	138.49	193.89
8"	146.86	168.89	188.97	226.76	208.69	271.29	208.69	281.73	220.69	308.97
Usage rate										
1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	-	-	2.20	2.64	-	-	-	-	-	-
next 5,000 gallons=(6-10Mgals)	-	-	3.23	3.88	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	2.29	2.63	-	-	-	-	-	-	-	-
each additional 1,000 gallons	3.23	3.71	3.88	4.66	-	-	-	-	-	-
first 2,000 gallons=2Mgal	-	-	-	-	2.10	2.73	2.10	2.84	2.17	3.04
next 3,000 gallons (3-5Mgals)	-	-	-	-	2.52	3.28	2.52	3.40	2.59	3.63
next 5,000 gallons=(6-10Mgals)	-	-	-	-	3.47	4.51	3.47	4.68	3.54	4.96
each additional gallon	-	-	-	-	4.17	5.42	4.17	5.63	4.24	5.94
Water irrigation										
per 1,000 gallons = 1 Mgal	3.23	3.71	3.88	4.66	-	- <sup>a</sup>	-	-	-	-
first 30,000 gallons=30Mgal	-	-	-	-	4.49	5.84	4.49	6.06	4.56	6.38
next 30,000 gallons=(31-60Mgals)	-	-	-	-	5.53	7.19	5.53	7.47	5.60	7.84
each additional gallon	-	-	-	-	8.66	11.26	8.66	11.69	8.73	12.22
Backflow Prevention Assembly Inspection Charge					-	-	-	-	0.90	0.90
Commercial water service										
per 1,000 gallons = 1 Mgal	2.18	2.51	2.23	2.68	2.40	3.12	2.40	3.24	2.56	3.58
Large water usage										
per 1,000 gallons = 1 Mgal	1.67	1.67	1.71	1.71	1.84	1.84	1.84	1.84	1.94	1.94
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	2.23	2.23	2.40	2.40	2.40	2.40	2.56	2.56
Bulk water delivery										
Basic Facilities per Truckload	15.00	15.00	15.00	15.00	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	2.18	2.18	2.23	2.23	-	-	-	-	-	-
Yearly permit fee	-	-	-	-	225.00	225.00	225.00	225.00	275.00	275.00
Temporary Permit=1 Month	-	-	-	-	50.00	50.00	50.00	50.00	-	-
each additional month <3 months	-	-	-	-	50.00	50.00	50.00	50.00	-	-

<sup>a</sup> Rate structure in this category was based on first 1mgals in 2008.

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

**Water Rates**  
**Last Ten Fiscal Years**

	<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>		<b>2016</b>	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate ( <i>meter size</i> )										
5/8"	\$ 6.27	\$ 9.09	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40	\$ 10.00	\$ 16.50
3/4"	6.27	9.09	7.00	10.50	7.75	12.00	9.00	14.40	10.00	16.50
1"	9.52	13.80	11.00	16.50	12.00	18.60	14.00	22.40	16.00	26.40
1.5"	16.94	24.56	19.00	28.50	21.00	32.55	24.00	38.40	27.00	44.55
2"	26.22	38.02	30.00	45.00	33.00	51.15	39.00	62.40	45.00	74.25
3"	48.00	69.64	55.00	82.50	60.00	93.00	70.00	112.00	80.00	132.00
4"	79.12	114.72	90.00	135.00	100.00	155.00	115.00	184.00	130.00	214.50
6"	156.14	226.40	175.00	262.50	195.00	302.25	225.00	360.00	255.00	420.75
8"	248.94	360.96	280.00	420.00	310.00	480.50	360.00	576.00	400.00	660.00
Usage rate										
1,000										
gallons										
Residential										
first 5,000 gallons=5Mgal	-	-	-	-	-	-	-	-	-	-
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	-	-	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	2.22	3.22	2.22	3.33	2.22	3.44	2.26	3.62	2.34	3.86
next 3,000 gallons (3-5Mgals)	2.64	3.83	2.64	3.96	2.64	4.09	2.69	4.30	2.78	4.59
next 5,000 gallons=(6-10Mgals)	3.59	5.21	3.59	5.39	3.59	5.56	3.65	5.84	3.78	6.24
each additional gallon	4.29	6.22	4.29	6.44	4.29	6.65	4.37	6.99	4.52	7.46
Water irrigation										
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
first 30,000 gallons=30Mgal	4.61	6.68	4.61	6.92	4.61	7.15	4.69	7.50	4.86	8.02
next 30,000 gallons=(31-60Mgals)	5.65	8.19	5.65	8.48	5.65	8.76	5.75	9.20	5.96	9.83
each additional gallon	8.78	12.73	8.78	13.17	8.78	13.61	8.94	14.30	9.25	15.26
Backflow Prevention Assembly Inspection Charge	0.90	0.90	0.90	0.90	0.9	0.9	0.9	0.9	0.9	0.9
Commercial water service										
per 1,000 gallons = 1 Mgal	2.67	3.87	2.67	4.01	2.67	4.14	2.71	4.34	2.81	4.64
Large water usage										
per 1,000 gallons = 1 Mgal	2.06	2.06	2.06	2.06	2.03	2.06	2.1	2.1	2.18	2.18
Fire hydrant delivery										
Basic Facilities per Meter Set	25.00	25.00	25.00	25.00	25	25	25	25	25	25
per 1,000 gallons = 1 Mgal	2.67	2.67	2.67	2.67	2.67	2.67	2.71	2.71	2.81	2.81
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	275	300	300	300	300
Temporary Permit=1 Month	-	-	-	-	-	-	-	-	-	-
each additional month <3 months	-	-	-	-	-	-	-	-	-	-

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

	<b>2007</b>		<b>2008</b>		<b>2009</b>		<b>2010</b>		<b>2011</b>	
	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>
Base rate ( <i>meter size</i> )										
5/8"	\$ 2.46	\$ 2.83	\$ 4.05	\$ 4.86	\$ 5.41	\$ 7.03	\$ 5.41	\$ 7.30	\$ 5.88	\$ 8.23
3/4"	2.46	2.83	4.05	4.86	5.41	7.03	5.41	7.30	5.88	8.23
1"	3.20	3.68	5.27	6.33	8.22	10.68	8.22	11.10	8.93	12.50
1.5"	4.90	5.63	8.08	9.70	14.63	19.02	14.63	19.75	15.89	22.25
2"	7.02	8.07	11.59	13.91	22.65	29.45	22.65	30.58	24.59	34.43
3"	12.00	13.80	19.85	23.81	41.50	53.95	41.50	56.03	45.03	63.04
4"	19.10	21.97	31.59	37.91	68.37	88.88	68.37	92.30	74.18	103.85
6"	36.70	42.20	60.71	72.85	134.93	175.41	134.93	182.16	146.39	204.95
8"	57.90	66.58	95.80	114.96	215.13	279.67	215.13	290.43	233.39	326.75
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	4.20	4.20	4.20	5.04	4.67	6.07	4.67	6.30	4.77	6.68
<i>Commercial wastewater service</i>	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	-	-	-	-	4.67	6.07	4.67	6.30	4.77	6.68
Sewer only										
Flat monthly	27.66	28.03	25.05	30.06	28.76	37.39	28.76	38.83	29.73	41.63
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	3.18	3.18	3.18	3.18	3.48	3.48	3.48	3.48	3.50	3.50
Bulk liquid waste service										
<i>Basic Facilities</i>	5.00	5.00	5.00	5.00	8.22	8.22	8.22	8.22	8.93	8.93
per 1,000 gallons = 1 Mgal	25.00	25.00	25.00	25.00	29.00	37.70	29.00	39.15	30.00	42.00

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

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

	<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>	<u>inside city</u>	<u>outside city</u>
Base rate ( <i>meter size</i> )										
5/8"	\$ 6.40	\$ 9.28	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40	\$ 10.00	\$ 10.00
3/4"	6.40	9.28	7.00	10.50	7.75	12.00	9.00	14.40	10.00	10.00
1"	9.81	14.22	11.00	16.50	12.00	18.60	14.00	22.40	16.00	26.40
1.5"	17.60	25.52	19.00	28.50	21.00	32.55	24.00	38.40	27.00	44.55
2"	27.34	39.64	30.00	45.00	33.00	51.15	39.00	62.40	45.00	74.25
3"	50.23	72.83	55.00	82.50	60.00	93.00	70.00	112.00	80.00	132.00
4"	82.86	120.15	90.00	135.00	100.00	155.00	115.00	184.00	130.00	214.50
6"	163.70	237.37	175.00	262.50	195.00	302.25	225.00	360.00	255.00	420.75
8"	261.10	378.60	280.00	420.00	310.00	480.50	360.00	576.00	400.00	660.00
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	4.87	7.06	4.87	7.31	4.87	7.55	4.89	7.82	5.00	8.25
<i>Commercial wastewater service</i>	-	-	-	-	-	-	-	-	-	-
per 1,000 gallons = 1 Mgal	4.87	7.06	4.87	7.31	4.87	7.55	4.89	7.82	5.00	8.25
Sewer only										
Flat monthly	30.75	44.58	31.35	47.05	32.10	49.74	32.96	52.74	34.50	56.93
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	3.52	3.52	3.52	3.52	3.52	3.52	3.75	3.75	3.94	3.94
Bulk liquid waste service										
<i>Basic Facilities</i>	9.81	9.81	11.00	11.00	12.00	12.00	14.00	14.00	16.00	16.00
per 1,000 gallons = 1 Mgal	31.00	44.95	31.35	47.05	32.10	49.74	33.00	53.00	35.00	57.00

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

**Electric Revenue**

<b>Fiscal Year 2007</b>	<b>Fiscal Year 2016</b>
Cape Fear Valley	Goodyear Tire
Cargill	Cape Fear Valley
CBL Associates	Cargill
Fayetteville State Univ.	Mann + Hummel
Food Lion	Wal-Mart
Goodyear Tire	Fay State University
Hexion Spec.	Momentive Splty Chem
MJ Soffe	VA Hospital
Purolator	FTCC
Wal-Mart	CBL Assoc.

*These customers represented kWh sales for 2007 and 2016 of 378,447,351 and 400,990,743, respectively; and revenue of \$19,456,839 and \$27,806,958. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 12.7% and 13.76%.*

*No individual customer comprised more than 4.7% and 5.02% of total electric sales revenue.*

**Water Revenue**

<b>Fiscal Year 2007</b>	<b>Fiscal Year 2016</b>
Cape Fear Valley	Ft Bragg
Cargill	Goodyear Tire
Dak Resins	Town of Spring Lake
Goodyear Tire	Hoke County
Hexion Spec.	Dak Resins
Hoke County	Carolina by Product
MJ Soffe	Momentive Splty Chem
Nitta Gelatin	Aqua Water
Purolator	Cape Fear Valley
Town of Spring Lake	Cargill

*These customers represented sales for 2007 and 2016 of 1,161,223,000 and 2,023,982,659 gallons, respectively; and revenues of \$2,019,308 and \$4,752,030. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 8.7% and 12.46%. No individual customer comprised more than 2.1% and 4.53% of total water sales revenue.*

**Wastewater Revenue**

<b>Fiscal Year 2007</b>	<b>Fiscal Year 2016</b>
Cape Fear Valley	Carolina By Products
Cargill	Cape Fear Valley
Carolina By Products	Nitta Gelatin
Goodyear Tire	Cargill
Hexion Spec.	Goodyear Tire
MJ Soffe	Norcross
Nitta Gelatin	Town of Stedman
Norcross	Momentive Splty Chem
Purolator	Hoke County
Town of Stedman	Mann + Hummel

*These customers represented sales for 2007 and 2016 of 537,058,000 and 689,108,401 gallons, respectively; and revenues of \$1,713,389 and \$2,823,218. The aggregate sum of the ten largest wastewater customers' revenue is 6.5% and 6.7%. No individual customer comprised more than 1.5% and 1.77% of total wastewater sales revenue.*

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

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

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.



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

Fiscal Year	Utility Service Charges	Less: Operating Expenses <sup>(1)</sup>	Other Adjustments <sup>(2)</sup>	Net Available Revenues	Debt Service <sup>(5)</sup>			Coverage Ratio <sup>(4)</sup>
					Principal	Interest <sup>(3)</sup>	Total	
2016	\$ 302,408,510	\$ 220,849,624	\$ -	\$ 81,558,886	\$ 15,470,721	\$ 8,805,529	\$ 24,276,250	\$ 3.36
2015	300,484,378	231,775,618	-	68,708,760	13,892,288	8,875,916	22,768,204	3.02
2014	292,346,282	239,483,361	-	52,862,921	13,332,792	6,017,667	19,350,459	2.73
2013	283,193,071	221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
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

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

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

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

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

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

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

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

<b>Calendar Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income <sup>2</sup></b>	<b>Unemployment Rate <sup>3</sup> County</b>
2016	323,838	\$ 7,582,019,094	23,413	5.10%
2015	329,827	7,540,834,701	22,863	7.50%
2014	331,126	7,354,639,586	22,211	7.60%
2013	319,431	7,013,107,605	21,955	9.5%
2012	374,295	7,667,807,370	20,486	9.8%
2011	341,363	7,417,135,264	21,728	10.1%
2010	315,772	6,793,834,580	21,515	8.9%
2009	308,721	6,496,724,724	21,044	9.5%
2008	306,366	7,154,565,198	23,353	6.3%
2007	309,872	6,990,092,576	22,558	5.2%

**Sources:**

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

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

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Percentage of Total County</u>			<u>Percentage of Total County</u>		
	<u>Employees</u>	<u>Employment</u>	<u>Rank</u>	<u>Employees</u>	<u>Employment</u>	<u>Rank</u>
U.S. Dept. of Defense (Civil Service) <sup>(1)</sup>	8,750 +	6.29%	1	4,431	3.39%	3
Cumberland County Schools	6,453	4.64%	2	6,700	5.12%	1
Cape Fear Valley Health System	5,900	4.24%	3	5,000	3.82%	2
Wal-Mart Associates Inc.	2,850 +	2.05%	4	-	-	
Goodyear Tire & Rubber Inc. (Kelly Springfield)	2,500 +	1.80%	5	2,650	2.03%	6
Cumberland County	2,362	1.70%	6	2,788	2.13%	5
City of Fayetteville	2,120	1.52%	7	1,429	1.09%	8
Fayetteville Tech	1,057	0.76%	8	1,340	1.02%	9
Veterans Admin	1,000 +	0.72%	9	-	-	
Non-Appropriated Fund Activity Army	900 +	0.65%	10	4,426	3.39%	4
U.S. Postal Service	-	-	-	1,312	1.00%	10
State of NC	-	-	-	1,530	1.17%	7
 Total Employment (Ten Largest Civilian Employers)	 33,892	 24.35%		 31,606	 24.18%	

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

Source: Cumberland County Chamber of Commerce,  
Ft. Bragg Civilian Personnel Advisory Center (Most recent data available)

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Electric:										
Electric Substation	14	13	12	13	15	11	11	11	10	10
Electric Power Supply	3	3	3	2	2	1	1	1	1	1
Electric Generation	25	23	23	26	26	28	29	28	29	30
Electric Engineering	21	22	19	21	20	25	26	21	24	22
Electric Construction	76	68	72	68	67	66	73	70	68	70
Water/Wastewater:										
Water Plant Operations	15	15	14	14	14	14	14	14	14	14
Wastewater Plant Operations	17	17	17	17	17	17	18	17	19	19
Water/Wastewater Systems Maintenance	21	21	22	23	22	22	22	23	22	21
Water Resources Engineering	33	31	31	33	28	32	29	30	27	27
Water Resources Construction	100	97	97	96	96	89	89	91	81	79
Residual Management	2	2	2	2	2	2	2	2	2	2
Environmental Services	1	1	1	1	1	1	1	1	1	1
Laboratory	6	5	6	6	6	5	6	5	6	6
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	1	1	1	3	1	3	3	1	1	1
Administration:										
Billing/Customer Service	55	56	56	54	50	57	56	57	52	54
Meter Reading	5	5	4	4	4	10	11	11	11	11
Utility Field Services	21	21	23	28	29	29	31	33	34	34
Human Resources	7	6	5	6	6	7	7	6	5	6
Finance and Accounting	33	30	31	32	42	35	36	32	31	30
Management Information Systems	11	11	13	13	19	19	19	19	12	18
Executive Administration	147	150	146	130	111	104	104	101	105	100
Total Employees:	618	602	602	596	582	581	592	578	559	560

Source: Fayetteville Public Works Commission Human Resource Department

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Water System:</b>										
Water main breaks	128	146	130	180	182	165	104	137	113	110
Average daily consumption (Mgals) (1)	21,675	22,879	22,450	22,423	25,446	26,724	24,648	24,815	25,011	24,908
Peaks (MGD) (2) (3)	37.0	38.4	34.9	37.2	39.4	37.9	35.6	33.7	34.2	35.1
Total sold (Mgals) (1)	7,555,333	7,894,590	7,707,256	7,749,106	8,888,870	8,960,423	9,009,524	7,836,927	8,023,949	8,161,023
<b>Sewer System:</b>										
Main breaks	150	156	291	342	293	342	344	294	148	141
Average daily consumption (Mgals) (1)	16,026	16,509	16,338	16,436	16,557	24,720	24,400	27,000	25,800	27,800
Peaks (MGD) (3)	27.9	27.7	31.5	27.8	26.3	35.9	27.7	45.0	28.9	32.6
Total sold (Mgals) (1)	5,837,838	6,014,627	5,953,806	5,999,105	6,043,126	5,972,764	5,933,990	6,027,916	6,039,262	6,137,196
<b>Electric System:</b>										
Electric outages (minutes)	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	8,624,299
Peaks (MW) (4)	462.5	476.6	459.5	462.4	459.1	459.1	446.0	454.0	490.3	424.0
Total kWh sold (5)	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	2,025,935,664
Average daily consumption (kWh)	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	5,550,509

(1) Mgals = 1,000 gallons

(2) Reflects highest monthly average

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

(4) MW = megawatts

(5) kWh = kilowatt hours

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Water System:</b>										
Miles of water main	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	1,375.0
Number of new service connections	3,154	2,285	1,220	616	962	2,649	1,375	1,258	1,778	1,128
Maximum daily capacity of treatment plant (MGD) <sup>(1)</sup>	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) <sup>(1)</sup>	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
<b>Sewer System:</b>										
Number of new service connections	3,006	2,260	1,752	317	1,140	1,612	1,375	1,358	2,635	1,072
Miles of sanitary sewer mains	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	1,318.0
Maximum daily capacity of treatment plant (MGD) <sup>(1)</sup>	41.0	41.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
<b>Electric System:</b>										
Number of new service connections	1,744	1,151	471	650	533	1,359	64	432	1,456	965
Distribution line circuit miles	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	1,337.16

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

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

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# **COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2016, 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 24, 2016.

**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.

Cheryl Bekaert LLP

Fayetteville, North Carolina  
October 24, 2016

YEAR ENDED JUNE 30, 2016

       yes        X   no

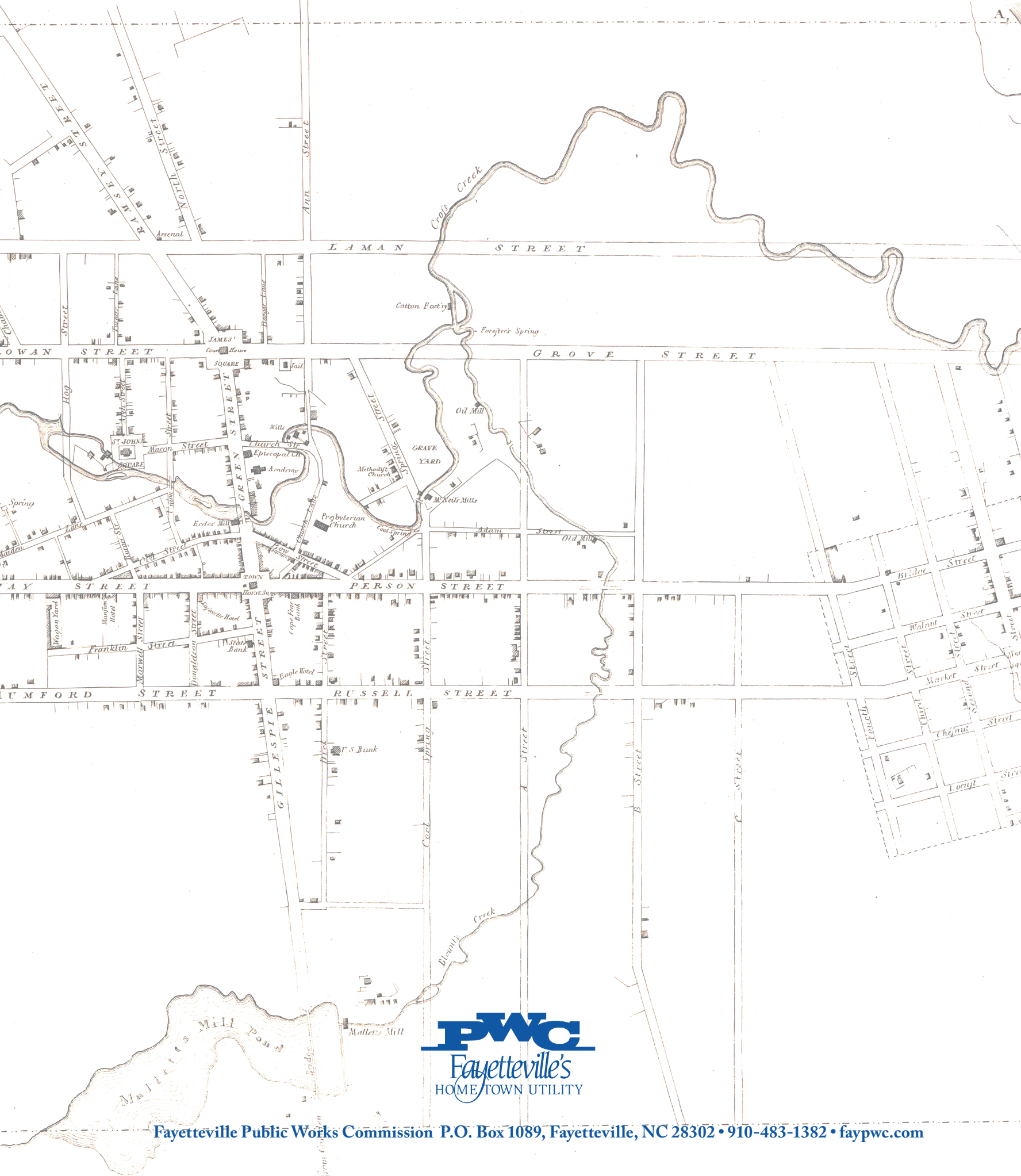
**FAYETTEVILLE PUBLIC WORKS COMMISSION**  
**(A Component Unit of the City of Fayetteville, North Carolina)**  
**SCHEDULE OF FINDINGS AND RESPONSES**

*YEAR ENDED JUNE 30, 2016*

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**Section II - Financial Statement Findings**

None reported.



Fayetteville Public Works Commission P.O. Box 1089, Fayetteville, NC 28302 • 910-483-1382 • faypwc.com