



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

F A Y E T T E V I L L E
P U B L I C W O R K S C O M M I S S I O N

(COMPONENT UNIT OF THE
CITY OF FAYETTEVILLE)



FAYETTEVILLE PUBLIC WORKS COMMISSION

COMPONENT UNIT OF
THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report *For the Year Ended June 30, 2017*

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

Chief Executive Officer

David W. Trego

Chief Financial Officer

J. Dwight Miller, CPA, CGMA

Prepared by the Finance Division

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

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COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

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WADE R. FOWLER, JR., COMMISSIONER
EVELYN O. SHAW, COMMISSIONER
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ELECTRIC & WATER UTILITIES

October 18, 2017

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, 2017.

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

RSM US LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the PWC's financial statements for the year ended June 30, 2017. 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 35th largest in the nation. PWC's electric rates are among the lowest in the state, of all electric utilities, and its water and wastewater rates are in line with other major North Carolina cities.

PWC's electric system involves the transmission and distribution of electric energy, which is purchased from Duke Energy Progress (DEP) and the Southeastern Power Administration (SEPA). In June 2009, PWC and DEP entered into a 20 year full requirements agreement effective July 1, 2012. Subsequent amendments extended the term to 30 years. PWC may elect to terminate the agreement effective June 30, 2024 with written notice provided by 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 2017, electric service was provided to more than 82,000 customers.

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

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

Local Economy

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

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

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

During the past five years annual unemployment rates for Cumberland County have steadily declined, from a high 12.1 % in July of 2012, to the current 5.3% rate. This is the lowest unemployment rate for our County in nearly a decade (US. Bureau of Labor Statistics). Additionally, approximately 120,000 citizens are currently employed, which represents a 5% increase since August of 2014. The Fayetteville Metro area also has one of the youngest workforce in the Carolina's, with a median age of 32.1 years.

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

Overall, Fayetteville's economy is expected to remain stable and the City Council has adopted a fiscal year 2018 budget based on moderate growth. The City is undertaking major investments in facilities to grow local quality of life to support future economic growth, as evidenced by the passage of a \$35 million parks and recreation bond referendum; actions to secure a 30-year agreement with the Houston Astros to bring

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

Long-term Financial Planning

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

During FY 2017, PWC accomplished or continued work on several financial, operational and economic development initiatives including:

- The PWC utility system experienced historical impacts in October 2016 from Hurricane Matthew. The electric, water and wastewater systems sustained over \$15 million damage from the winds and historical floods that occurred as a result of the storm including extended power outages, lost water pressure due to numerous washed out roads and significant damage to the wastewater system from unprecedented water levels. Despite the storm and damage to PWC's operation facilities, fleet and equipment, PWC was able to restore services quickly and help in the community's recovery and rebuilding efforts.
- Results from PWC's annual customer satisfaction survey demonstrated that PWC continues to maintain a high level of customer satisfaction and experienced a significant jump in residential satisfaction. The overall satisfaction with services received from PWC remained 'strong.' Business satisfaction is high at 76% extremely satisfied and residential satisfaction increased 10% with 70% extremely satisfied.
- PWC continued work on 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. Highlights of FY2017 accomplishments included the development of an Asset Management Plan for the water distribution and collection systems and will be implementing the plan in FY2018 and expansion of the Employee Succession Planning.
- PWC increased its efforts to improve local vendor capacity and engage local vendors through a series of efforts including two "Building Business Rallies" to increase awareness of PWC bidding opportunities with local business.
- PWC's multi-year Advanced Meter installation of 180,000 electric and water meters with two-way technology features was nearing completion at the end of 2017. As the project is closing out, numerous initiatives have begun to take advantage of the new function and data. The customer notification program help customers detect leaks by the unusual water use patterns, which will avoid high

bills. Planning is underway for a program that will allow customer billing date options.

- During the third year of a system-wide conversion of streetlights to Lighting-Emitting Diode (LED) streetlights, PWC had installed over 17,000 neighborhood streetlights and began thoroughfare installation. LEDs have a longer life and use less energy than traditional streetlights and will help PWC meet State mandates for Renewable Energy.
- PWC has planned a 1 MW solar farm that will be funded through a community solar model. PWC is working with the North Carolina State Clean Technology Center to design and build a 1 MW solar farm in 2018. The farm will have over 3,600 panels that will be available for customer subscription beginning in 2018. The project will also include a 500 kW battery storage unit.
- 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.
- PWC's commitment to environment and sustainability continued with retro-commissioning of buildings that has reduced energy use by over 30%, being recognized as a North Carolina Smart Fleet Champion by the North Carolina Clean Cities Coalition for reducing fleet emissions through maintenance and replacement of Electric vehicles and installing four Electric Vehicle Charging Stations using a grant received from the NC Clean Energy Technology Center.
- Progress continued on sanitary sewer service installation as part of the City of Fayetteville's Annexation Phase V utility retrofitting project. Over 4,300 services have been installed and the remaining 4,000 services will be installed by 2025.
- Work continued on rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. The electric system is rebuilding substations including a major Point of Delivery, 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. Throughout the system, PWC expects to spend over \$200 million in future years on rehabilitation and upgrade efforts.

Awards and Acknowledgements

PWC was the recipient of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the tenth 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 2017 annual budget. PWC has received this award for the past 22 years. In order to qualify for the Distinguished Budget Presentation Award, PWC's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

During FY17, PWC was also recognized with a number of other awards and special honors to include but not limited to the following:

- Maintaining the American Public Power Association's highest honor for reliability earning the Reliable Public Power Provider (RP³) Diamond Level designation. PWC is one of just three Public Power utilities in the country to earn Diamond Level four or more times.
- PWC has maintained the standards of the national Director's Award from the Partnership for Safe Water Program for 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 United Way of North Carolina awarded PWC the Spirit of NC award for outstanding support of the community through the United Way. It was the 11th time PWC received the award.
- The Salvation Army recognized PWC with its 2016 Excellent Community Partnership Award for efforts following Hurricane Matthew.
- 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,



David W. Trego
Chief Executive Officer



J. Dwight Miller, CPA, CGMA
Chief Finance Officer



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA



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

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INDEPENDENT AUDITOR'S REPORT

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

RSM US LLP

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of Fayetteville Public Works Commission as of June 30, 2017, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial statements for the year ending June 30, 2016 for the Electric and Water and Wastewater funds have been restated to correct an error. Our opinion is not modified with respect to this matter.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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

Other Matters

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which such partial information was derived.

The financial statements of the Commission, as of and for the year ended June 30, 2016, before they were restated for the matter discussed in Note 19 to the financial statements, were audited by other auditors, whose report, dated October 24, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B1 through B15, the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions, and the Local Governmental Employees' Retirement System Schedules of the Commission's Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages D1 through D4, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

RSM VS LLP

Morehead City, North Carolina
October 18, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Fayetteville Public Works Commission (PWC) offers readers this narrative overview and analysis of the financial performance for the fiscal year ended June 30, 2017 (FY17). We encourage readers to read the information presented here in conjunction with the financial statements and accompanying notes to the financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- PWC's net position at year end was \$916.8 million, an increase of \$39.8 million, or 4.5%, up from \$877.0 million in FY16.
- Total unrestricted and undesignated operating reserves were 131.3 days at June 30, 2017, down from 133.7 in the prior year.
- Income before Capital Contributions and Transfers was \$31.1 million compared to \$19.1 million in FY16, up \$12.0 million or 63.0%.
- In March of 2016, electric rate adjustments were approved effective May 1, 2016 and May 1, 2017.
- In February of 2017, water/wastewater rate adjustments were approved effective April 1, 2017 and April 1, 2018.
- In February 2017, PWC approved a Wholesale Power Cost Adjustment credit to customers over a 12 month period beginning April 1, 2017. FY17 credits totaled \$1.1 million.
- The Electric Rate Stabilization Fund net position was \$43.6 million at June 30, 2017, up from \$42.6 million in the prior year.
- The Water and Wastewater Rate Stabilization net position was \$0.3 million at June 30, 2017, down from \$5.0 million in the prior year.
- PWC restricted \$17.3 million in FY17 as a Coal Ash Reserve to mitigate future potential coal ash costs passed on from its purchased power provider. The accumulated balance at June 30, 2017 was \$28.3 million.
- Power Supply and Generation Expenses increased by \$0.7 million to \$141.8 million in FY17, up from \$141.1 million in FY16.
- During FY17, PWC maintained its Aa2/AA/AA rating from Moody's and Standard and Poor's, and Fitch, respectively.
- PWC's senior lien ratio is 3.64, exceeding the minimum requirement of 1.10.
- PWC approved a \$15.7 million regulatory asset for coal ash fixed monthly installment payments pursuant to an agreement with its purchase power provider.
- In April of 2016, PWC reclassified approximately 5,000 customers located in the Town of Hope Mills from outside City rates to inside City rates. This resulted in a liability of approximately \$8.8 million. In FY17, PWC paid \$5.5 million towards this liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL STATEMENTS

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

In 2016, 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, PWC reported two Enterprise Funds and one Fleet Maintenance Fund. Currently and going forward the PWC's financial statements consist of three Enterprise Funds, two of which account for PWC utility services and the remaining fund accounts for PWC fleet services. The effects of the utility services are easily identified by the total utilities column. The total column reflects the total entity as it includes the activities of PWC's fleet services.

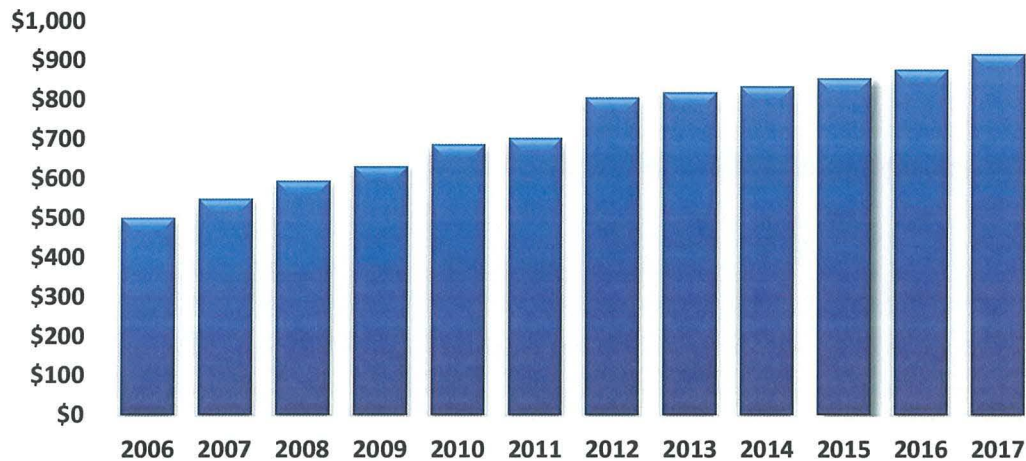
FINANCIAL ANALYSIS OF PWC

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

FIGURE A-1

Net Position Trend Analysis – Enterprise Funds

Net Position *(in millions of dollars)*



NET POSITION

PWC continues to report a positive net position at the end of FY17. A summary of PWC's Statement of Net Position is presented in figure A-2. Net position increased \$39.8 million to \$916.8 million in FY17, up from \$877.0 million in FY16. By far, the largest portion of PWC's net position, \$639.2 million (70.0%) reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets.

PWC's total assets exceeded \$1.3 billion in FY17. Current and Other Assets were \$391.0 million, a decrease of \$17.2 million or 4.2%, resulting from bond proceeds spent on capital improvements. Operating cash reserves decreased from 133.70 days to 131.3 days. PWC's operating cash reserves policy is to have a minimum of 90 days and a target of 120 days cash in reserve.

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

	FY 2016	FY 2017	Total Dollar Change	Total Percentage Change
Current and Other Assets	\$ 408.2	\$ 391.0	\$ (17.2)	-4.2%
Capital Assets	862.7	893.4	30.7	3.6%
Total Assets	\$ 1,270.9	\$ 1,284.4	\$ 13.5	1.1%
Deferred Charge on Refunding	6.0	5.3	(0.7)	-11.7%
Regulatory Asset	-	15.7	15.7	100.0%
Resources Related to Pensions	6.4	15.6	9.2	143.8%
Deferred Outflows of Resources	\$ 12.4	\$ 36.6	\$ 24.2	195.2%
Long-term Liabilities Outstanding	327.4	328.1	0.7	0.2%
Other Liabilities	77.7	75.7	(2.0)	-2.6%
Total Liabilities	\$ 405.1	\$ 403.8	\$ (1.3)	-0.3%
Resources Related to Pensions	1.3	0.4	(0.9)	-69.2%
Deferred Inflows of Resources	\$ 1.3	\$ 0.4	\$ (0.9)	-69.2%
Net Investment in Capital Assets	622.7	639.2	16.5	2.6%
Restricted	9.2	148.2	139.0	1510.9%
Unrestricted	245.1	129.4	(115.7)	-47.2%
Total Net Position	\$ 877.0	\$ 916.8	\$ 39.8	4.5%

Deferred Outflows of Resources increased by \$24.2 million or 195.2 percent. This is primarily due to an increase in Resources Related to Pensions of \$9.2 million and Coal Ash Regulatory asset of \$15.7 million (see Note 5).

Restricted Net Position of \$148.2 million includes externally restricted net position of \$9.7 million (those established by debt covenants, enabling legislation, or other legal requirements) that represent a small portion of the PWC's net position and are comprised of funds set aside for the payment of debt service on outstanding bonds as required by the Bond Order. The remaining \$138.5 million of Restricted Net Position is internally restricted by the Commission and is set aside for various earmarked operations of PWC (see Note 7). The \$129.4 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, PWC's total revenues increased by \$12.7 million, or 4.1%, while total expenses increased only \$0.7 million, or 0.2%. This resulted in a \$31.1 million Income before Capital Contributions and Transfers, up \$12.0 million compared to last year. The loss on disposal of assets is less than the prior year as the multi-year conversion to AMI meters came to a close in FY17 with fewer meters retired than in the prior year.

Looking more closely at revenues, the \$12.7 million increase arises from increases in charges for utility services of \$6.7 million, operating revenue of \$4.4 million and non-operating revenue of \$1.1 million. Each utility will be discussed individually on the following pages.

Prior years' annual rate increases coupled with building up the Electric Rate Stabilization Fund (ERSF) was planned by management as a means to protect the customers from the impacts of a one-time sizable rate adjustment when the purchase power contract became effective in July 1, 2012 (see Note 14D to the financial statements). The Electric Rate Stabilization Fund has a net position of \$43.6 million, of which approximately \$29.6 million will be used over the next several years to supplement the Electric Fund as rates are adjusted to meet its ongoing obligations. The remaining \$14.0 million represents PWC's target to maintain an on-going balance in this fund of at least 10% of power supply cost. The minimum annual transfer into this fund is \$250,000 and this amount was transferred in FY17.

In addition to the ERSF, PWC is preparing for potential coal ash costs allocated from its purchase power provider, Duke Energy Progress (DEP). PWC will be responsible for its share of prior costs accumulated by DEP from January 2015 in addition to current costs on an annual basis. A regulatory asset of \$15.7 million was established in FY17 for the purpose of recognizing these prior costs over the mutually agreed upon period of July 2017 through- December 2019. DEP will begin invoicing PWC July 2017 and 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 has restricted approximately \$28.3 million as of June 30, 2017 in a Coal Ash Reserve and intends to fund and manage this reserve along with funds in the ERSF to mitigate these potential costs (see Note 14-E for more details).

The Water and Wastewater Fund also maintains a Water/Wastewater Rate Stabilization Fund (WRSF) to stabilize water and wastewater rates and mitigate large one-time rate hikes. In FY17, \$4.9 million was used to refund Hope Mills' customer claims (see note 18) leaving a net position at June 30, 2017 of \$0.3 million. Like the ERSF, the minimum annual transfer into this fund is \$250,000 and this amount was transferred in FY17.

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

	FY 2016	FY 2017	Total Dollar Change	Total Percent Change
Operating Revenues				
Charges for Utility Services	\$ 277.4	\$ 284.1	\$ 6.7	2.4%
Other Operating Revenue	25.0	29.4	4.4	17.6%
Charges for Fleet Services	8.7	9.2	0.5	5.7%
Non-operating Revenues				
Intergovernmental	0.5	1.5	1.0	200.0%
Interest on Investments	1.7	1.8	0.1	5.9%
Total Revenue	\$ 313.3	\$ 326.0	\$ 12.7	4.1%
 Power Supply and Generation Expense	 141.1	 141.8	 0.7	 0.5%
Electric Operating Expense	15.4	15.1	(0.3)	-1.9%
Water/Wastewater Operating Expense	29.3	30.9	1.6	5.5%
General and Administrative Expense	35.1	33.4	(1.7)	-4.8%
Fleet maintenance Expense	8.5	9.0	0.5	5.9%
Depreciation Expense	37.0	39.1	2.1	5.7%
Non-operating Expense				
(Gain) Loss on Sale of Assets	8.9	4.7	(4.2)	-47.2%
Payment in lieu of taxes	9.5	10.0	0.5	5.3%
Intergovernmental Expense	-	1.2	1.2	100.0%
Interest Expense	8.0	9.0	1.0	12.5%
Amortization/Finance Cost	1.4	0.7	(0.7)	-50.0%
Total Expenses	\$ 294.2	\$ 294.9	\$ 0.7	0.2%
 Income before Capital Contributions and Transfers	 19.1	 31.1	 12.0	 62.8%
 Special Item- Hope Mills	 (7.2)	 1.6	 8.8	 -122.2%
Capital Contributions	10.4	7.1	(3.3)	-31.7%
Change in Net Position	22.3	39.8	17.5	78.5%
 Beginning Net Position	 854.7	 877.0	 22.3	 2.6%
 Ending Net Position	 <u>\$ 877.0</u>	 <u>\$ 916.8</u>	 <u>\$ 39.8</u>	 <u>4.5%</u>

Electric operating revenues increased \$4.1 million, or 1.9% to \$225.8 million. Although electric sales revenue increased by \$1.9 million, a Wholesale Power Cost Adjustment (WPCA) of \$1.1 million was credited to customers in the current year producing a net sales revenue increase of \$0.8 million. The WPCA was introduced in July 2014 to recover prior year payments to DEP over and above that recovered in rates and vice versa to give back any over recovery in rates due to decrease in power cost. In April 2017, PWC approved a WPCA credit over the estimated 12 months. Other major contributors to the increase in operating revenues were the Joint Use Utility Pole (JUUP) and the 3% Sales Tax Discount revenues both increasing by \$2.3 million and \$1.0 million, respectively. The 3% Sales Tax Discount is a function of revenues and rates while JUUP increase was due to catch up billings to local companies after the settlement of a rate dispute. The \$1.9 million increase in sales revenue was largely residential whose kWh sales were relatively flat and made whole by an average 3.0% rate increase effective the last 2 months of the fiscal year. The residential class represents 49% of electric sales revenue in total. Non-residential kWh sales were down slightly while industrial kWh sales declined 5.0%. Certain key industrial customers contributed to the overall Industrial sales decrease for various reasons including production cut-backs due to major upgrades, equipment repairs and installation of more efficient heating and cooling systems. Again the rate changes helped offset these sales declines with an increase in Non-residential sales revenue of \$0.6 million and a decrease in Industrial sales revenue of \$0.6 million. Even though the residential kWh sales were relatively similar to the prior year, both fiscal years 2016 and 2017 experienced extremely mild winter months with heating degree day declines of 26% in 2016 and then another 8% in 2017. Heating degree days for FY17 were 22% lower than the 5 year average. However, warmer temperatures throughout various months of the year helped the lower winter sales with cooling degree days 19.0% higher than last year and 20.0% higher than the 5 year average. Overall, sales decreased 34,100 MWh from 2,031,400 to 1,997,300 MWh. Figure A-4 below illustrates the percentage changes by major customer classes.

FIGURE A-4

Percent Change in Sales by Major Customer Class
Electric

	Average	kWh	Sales
	Customers	kWh/cust	Sales
			Revenue
Residential	0.2%	-0.1%	0.1%
Non-Residential	1.7%	-2.9%	-1.2%
Large User	0.0%	-4.9%	-4.9%

Water and wastewater operating revenues collectively increased \$5.8 million and is mainly attributable to increases in water and wastewater sales revenues and insurance recoveries from hurricane damage in October 2016. 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 was retroactive to 2007 and the FY16 refunds lowered the prior year operating revenues by \$1.6 million for both systems combined. This adjustment 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 \$2.2 million, or 6.0%. The residential class represents over 65% of water sales revenue in total. By far, the increase is due to rate adjustments effective May 1, 2016 and April 1, 2017 of 7% and 8%, respectively, for an average 4,000 residential customer. Gallon sales per customer for the residential class declined 3.3% while the non-residential and large users both had an increase in gallon sales of 3.2% and 2.1% respectively. 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 160% to 165% in May 2016 and to 170% in April 2017. Rate changes also caused the Irrigation revenues to increase over the prior year by 3.5% while both the customer and gallon sales decreased by 2.1% and 4.1%, respectively. Year to date rainfall in FY16 was 47.5", slightly higher than 45.3" of the prior year. Key watering months of FY16 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

Water				
	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	1.0%	-3.3%	-2.3%	4.8%
Non-Residential	0.1%	3.1%	3.2%	6.8%
Large User	0.0%	2.1%	2.1%	7.3%
Wholesale	0.0%	-2.9%	-2.9%	-0.1%
Irrigation	-2.1%	-2.1%	-4.1%	3.5%

Wastewater System: Wastewater sales revenue (excluding customer refunds) increased \$2.1 million, or 5.0% for all customer classes combined. The residential class represents 70% of wastewater sales revenue in total. Wastewater BFC, volume rates and outside City differential increased simultaneously with the water rates increasing an average 4,000 gallon per month residential bill 5% and 8% in May 2016 and April 2017, respectively. Wastewater sales trend closely to water with a decrease in gallon sales for residential and increase in non-residential classes. Hoke County brought its new wastewater treatment plant online mid FY16 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 \$90,000. 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.

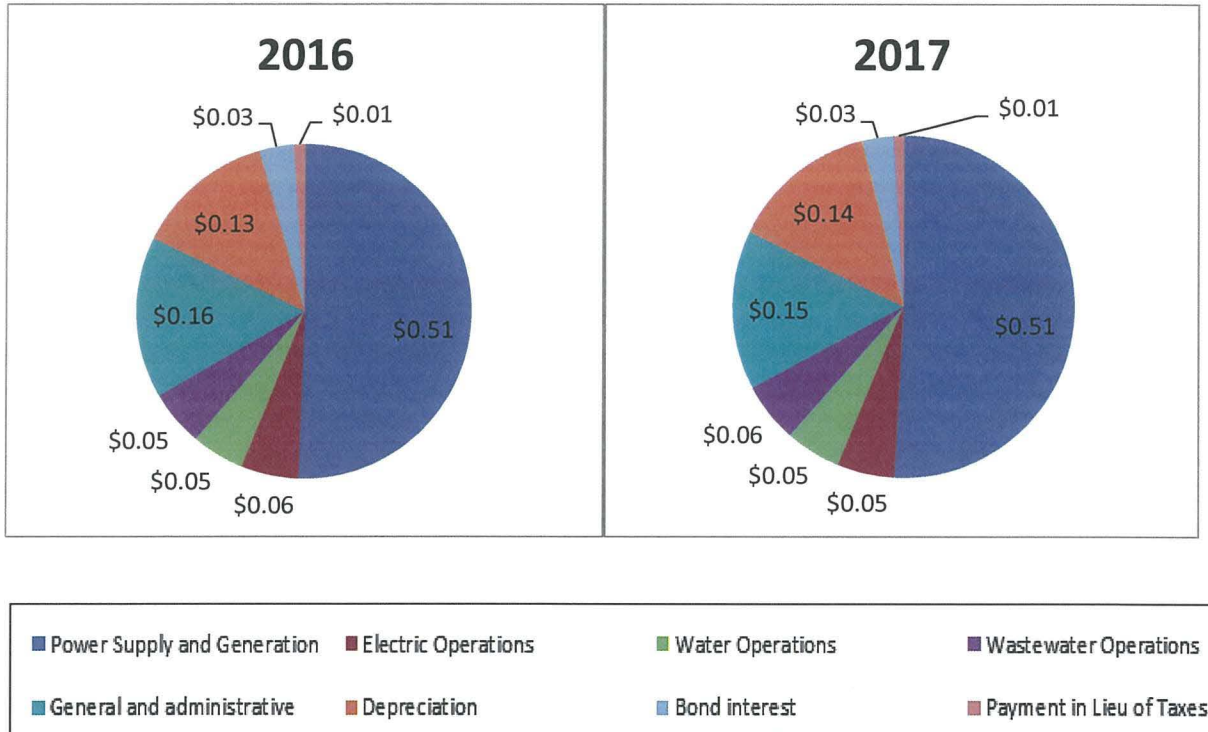
FIGURE A-5B
Percent Change in Sales by Major Customer Class

Wastewater				
	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	1.1%	-3.1%	-2.0%	3.4%
Non-Residential	0.4%	3.2%	3.6%	6.3%
Industrial	0.0%	-0.1%	-0.1%	4.1%
Wholesale	0.0%	-18.1%	-18.1%	-16.0%

Electric Operating Expenses excluding Power Supply and Generation Expenses decreased slightly by \$0.3 million or 1.9% and Water and Wastewater Operating Expenses increased \$1.6 million, or 5.5%, due to increased maintenance expenses related to Hurricane Matthew.

Figure A-6 provides the dollar breakdown of expenses in 2016 and 2017 to better illustrate the changes.

FIGURE A-6
Dollar Breakdown of Expenses



Power Supply and Generation Expenses increased by \$0.7 million to \$141.8 million in FY17 up from \$141.1 million in FY16. This net increase is comprised of several factors increasing purchased power by \$0.4 million and a slight increase in generation expenses. DEP reduced its energy prices charged to PWC as a result of continued lower gas prices while demand charges remained fairly stable. This resulted in a reduction in PWC's cost by approximately \$5.5 million. Energy purchases decreased by 11,300 MWh and the average coincident peak billing demand increased 186 MW (or 4.4%). This resulted in an additional reduction in energy costs of \$250,000 and an increase in demand charges of \$3.1 million. Contractual true-up charges at the end of the fiscal year were \$1.1 million as compared to credits received in the prior year of \$1.7 million. This resulted in an overall increase in costs of \$2.8 million. Total power purchased was 2.10 billion kWh, a 0.5% decrease from the prior year. PWC's system peak demand for FY17 of 453.0 MW occurred in January 2017, significantly lower than the all-time system peak of 499.0 MW recorded in February 2015 (see note 14D of the financial statements for more information on the purchase power contract with DEP).

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

FIGURE A-7

**Power Supply & Generation Expenses
(Dollars in Millions)**

	FY 2016	FY 2017	Total Dollar Change	Total Percent Change
Purchased Power - DEP	\$ 132.40	\$ 129.80	\$ (2.60)	-1.96%
Purchased Power - True Up	(1.70)	1.10	2.80	-164.71%
Purchased Power - SEPA	0.50	0.50	-	0.00%
Transmission	6.00	6.20	0.20	3.33%
Other Generation Expenses	3.90	4.20	0.30	7.69%
Total	\$ 141.10	\$ 141.80	\$ 0.70	0.50%

CAPITAL CONTRIBUTIONS

Capital contributions include cash and non-cash contributions and grants from various sources such as developers, customer assessments, and state and federal agencies. Figure A-8 details the changes in capital contributions.

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

	FY 2016	FY 2017	Total Dollar Change	Total Percent Change
Developers	\$ 5.20	\$ 3.60	\$ (1.60)	-30.77%
City & County	0.26	0.03	(0.23)	-88.46%
NCDOT	2.17	1.00	(1.17)	-53.92%
Federal & State- FEMA	-	1.00	1.00	0.00%
Federal	0.03	-	(0.03)	-100.00%
Facility Investment Fee	1.44	1.10	(0.34)	-23.61%
FIF Credits Awarded/Applied/Expired	1.30	0.40	(0.90)	-69.23%
Total	\$ 10.40	\$ 7.13	\$ (3.27)	-31.44%

At June 30, 2017, capital contributions were \$7.1 million, down \$3.3 million from FY16. This decrease is primarily the result of a \$1.6 million decrease in contributions from developers, a \$1.2 million decrease in North Carolina Department of Transportation (NCDOT), and a \$0.9 million decrease in FIF Credits Awarded/Applied/Expired. Approximately \$1.3 million in FIF credits expired in FY16 which primarily included FIF credits for the Hwy 87 W/S extension project for \$1.1 million. In FY17, only \$0.4 million in FIF credits expired.

PAYMENTS IN LIEU OF TAXES AND INTERGOVERNMENTAL ACTIVITY

PWC annually transfers from its Electric Fund to the City's General Fund a Payment in Lieu of Taxes (PILOT). During negotiations to change the formula, in FY16 both parties mutually agreed to an alternate formula of 5.2% of certain Electric retail sales revenue of the most recent audited fiscal year. PWC's Charter has since amended the PILOT formula for FY17 and thereafter to 2.45% of the total Net Position of the Electric Fund as reported on the Statement of Net Position of PWC's most recent audited financial report. In addition to the PILOT, there are additional intergovernmental revenues and expenses pursuant to reporting requirements between the City and PWC discussed below. The net transfers to the City increased for FY17 by \$0.68 million. (See Figure A-9).

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

	FY 2016	FY 2017	Dollar Change	Percent Change
Intergovernmental Expense				
Payment in lieu of taxes (PILOT)	\$ 9.55	\$ 10.00	\$ 0.45	4.71%
Economic Development - City	-	1.20	1.20	100.00%
Intergovernmental Revenues				
Additional -				
Assessments	-	1.20	1.20	100.00%
Assessment Interest	0.41	0.30	(0.11)	-26.83%
Interest Differential	0.12	-	(0.12)	-100.00%
Total Intergovernmental Revenue	<u>\$ 0.53</u>	<u>\$ 1.50</u>	<u>\$ 0.97</u>	<u>183.02%</u>
Net Pilot and Intergovernmental Activity	<u>\$ 9.02</u>	<u>\$ 9.70</u>	<u>\$ 0.68</u>	<u>7.54%</u>

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

- **Assessments** – The City's assessments and the interest related to those assessments are submitted to PWC to assist in the costs of providing utility services to the assessed properties. PWC administers the complete assessment collection program on behalf of the City.
- **Economic Development** – Pursuant to a mutual agreement effective July 1, 2016, PWC will transfer \$6.0 million to the City for Economic Development in \$1.2 million annual amounts over 5 years payable in equal monthly installments.
- **Interest Differential** – Under a prior agreement, the City paid PWC the difference in the assessment interest rate paid by the customers and the agreed upon interest rate as stated in the agreement. The agreement was amended and the City's liability ended in FY16.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during FY17:

Major capital asset expenditures include:	
\$ 11.5 million	Water and Wastewater System Rehabilitation
\$ 11.1 million	Installation of Water and Wastewater Mains and Laterals in Annexed Areas
\$ 4.3 million	Purchase and Installation of AMI electric and water meters
\$ 4.1 million	NCDOT – Water Distributions System
\$ 3.7 million	Reliability Improvements to the PO Hoffer Water Treatment Plant
\$ 3.5 million	Water and Wastewater System Improvements
\$ 2.6 million	Conversion of Street Lighting to LED lights
\$ 2.3 million	Substation Rebuild
\$ 1.5 million	Improvements to the Rockfish Creek Wastewater Treatment Plant
\$ 1.5 million	Sub-Transmission Pole Replacement
\$ 1.2 million	Electric Underground Distribution Infrastructure Installations - New
\$ 1.2 million	NCDOT – Electric Distribution System
\$ 1.0 million	Conservation Load Reduction (CRV)
\$ 1.0 million	Purchase of Padmount and Overhead Transformers
\$ 1.0 million	Electric Underground Infrastructure Replacement

Capital spending for the Electric System was \$24.2 million, an increase of \$0.1 million attributable to an increase in expenditures for the LED Conversion Project, the POD II Rebuild, Overhead Infrastructure Improvements and Underground Distribution Infrastructure Replacements. In addition, the purchase and installation of electric meters for the Connect Project decreased by \$4.2 million because the project closed in FY17.

Capital spending for the Water and Wastewater System was \$50.8 million, a decrease of \$9.9 million from FY16. This change is attributed to a decrease in expenditures for the purchase and installation of water meters for the Connect Project and for the NCDOT Capital Project Fund because no large projects were completed in FY17.

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At June 30, 2017, PWC has an investment of \$1.578 billion in a broad range of infrastructure as shown in Figure A-10.

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

	FY 2016	FY 2017	Total Dollar Change	Total Percent Change
Land	\$ 16.8	\$ 17.2	\$ 0.4	2.4%
Buildings	55.4	55.7	0.3	0.5%
Machinery, Equipment and Vehicles	47.7	49.2	1.5	3.1%
Electric System	438.1	455.2	17.1	3.9%
Water System	347.8	367.9	20.1	5.8%
Wastewater System	481.1	526.2	45.1	9.4%
Office Equipment and Intangibles	49.4	52.7	3.3	6.7%
Construction in Progress	76.7	54.0	(22.7)	-29.6%
Subtotal	1,513.0	1,578.1	65.1	4.3%
Accumulated Depreciation	(650.3)	(684.7)	(34.4)	5.3%
Net Property, Plant and Equipment	\$ 862.7	\$ 893.4	\$ 30.7	3.6%

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

The \$22.7 million decrease in Construction in Progress is primarily attributed to the completion of various projects to include the installation of electric and water smart meters, reliability improvements to the PO Hoffer Water Treatment Plant, installation of water and wastewater mains and laterals in annexed areas and some of the projects associated with the Series 2014 Water/Wastewater Revenue Bond capital project fund which include the Cape Fear River Trestle water and sewer main relocation and North Fayetteville water system improvements.

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, PWC had \$288.8 million in long-term debt (before loss on defeasance and reacquired debt, premiums, and discounts, see Note 10E in the financial statements). This is a decrease of \$17.8 million or 5.8% from \$306.6 million in FY16. The decrease is due to principal payments of \$18.9 million offset by proceeds received from state loans of \$1.1 million.

As can be seen in Figure A-11, the PWC's total weighted average coupon rate and true interest cost on its outstanding debt is 3.74 % and 2.72%, respectively, as of June 30, 2017. The Commission constantly monitors market conditions and opportunities to lower its borrowing costs. Over the past several years, the PWC has taken advantage of refunding and low interest NC State Revolving Loans (NCSRL) to achieve the best possible interest rates on its outstanding debt.

FIGURE A-11
Average Coupon Rate 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	\$ 112.6	3.84%	2.47%
Revenue Bonds, Series 2014	110.3	3.97%	3.27%
Revenue Refunding Bonds, Series 2009A	36	5.00%	3.31%
Revenue Bonds, Series 2009B	3.6	4.00%	3.31%
Revenue Bonds, Series 2008	0.6	4.00%	3.88%
GO Refunding Bonds, Series 2009	0.7	4.00%	2.16%
2014 NCSRL - Person Street Sanitary Sewer	2	2.00%	2.00%
2013 NCSRL - Hoffer Construction Phase 1	15.2	0.00%	0.00%
2013 NCSRL - Outfall Rehab (Large Diameter Rehab)	3.3	2.00%	2.00%
2012 NCSLR - Clearwell/Ferric Conversion	4.2	0.00%	0.00%
2012 NCSLR - Edgewater Project	0.3	2.00%	2.00%
Total	\$ 288.8	3.74%	2.72%

One area that demonstrates PWC's financial strength is its ability to maintain strong debt coverage ratios, with its revenue bond coverage at 3.64, exceeding the minimum requirement of 1.10. Figure A-12 demonstrates PWC's coverage ratio.

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

	FY 2016	FY 2017	Percent Change
Change in Net Position (Figure A-3)	22.3	39.7	78.0%
Adjustments			
Bond Interest Expense	8.0	9.0	12.5%
Depreciation and Amortization	37.6	39.6	5.3%
Transfers (In)/Out	9.4	11.2	19.1%
Capital Contributions and Assessments	(10.4)	(8.4)	-19.2%
(Gain)/Loss on Sale of Assets	8.9	4.7	-47.2%
Facility Investment Fees	1.4	1.1	-21.4%
Assessments Collected	0.4	0.3	-25.0%
Special Item-Hope Mills	7.1	(1.6)	-122.5%
(Gain)/Loss on Investment Valuation	(0.1)	0.6	-700.0%
Income Available for Debt Service	<u>84.6</u>	<u>96.2</u>	<u>13.7%</u>
<u>Senior Lien Debt Coverage</u>			
Revenue Bond Debt Service ¹	<u>21.3</u>	<u>26.4</u>	<u>23.9%</u>
Senior Lien Debt Service Coverage	<u>3.97</u>	<u>3.64</u>	<u>-8.3%</u>
<u>Total System Debt Coverage</u>			
Total System Debt Service ¹	<u>24.20</u>	<u>28.30</u>	<u>16.9%</u>
Total System Debt Service Coverage	<u>3.50</u>	<u>3.39</u>	<u>-3.1%</u>

¹ Net of capitalized interest from bond proceeds of \$1.8 million in FY 16 and \$0.9 million in FY 17

In addition to long-term debt, PWC's long-term obligations include a liability for compensated absences (the estimated amount of vacation and sick leave to ultimately be paid), which increased to \$3.8 million. Additional information on PWC's long-term liabilities can be found in Note 10 of the financial statements.

SPECIAL ITEM

In May 2016, 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. PWC estimated claims to total approximately \$8.8 million and recorded this liability in FY16. During FY17, PWC paid \$5.5 million towards this liability and adjusted the year-end balance downward by \$1.6 million to \$1.7 million representing the balance for the statutory limitation period for claims. The final claims remaining will be paid to the entitled customers during FY18 and any unclaimed amounts will be escheated to the State of North Carolina. Please refer to Note 18 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.

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

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Basic Financial Statements

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

June 30, 2017

	Electric Fund	Water and Wastewater Fund	Total Utilities	Fleet Maintenance Fund	Total PWC
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 11,433,452	\$ 149,765	\$ 11,583,217	\$ -	\$ 11,583,217
Investments	69,642,878	28,334,667	97,977,545	-	97,977,545
Receivables	29,506,499	15,800,538	45,307,037	1,156,199	46,463,236
Internal balances	(209,456)	(1,910,964)	(2,120,420)	2,120,420	-
Less allowance for doubtful accounts	(262,245)	(92,949)	(355,194)	-	(355,194)
Net receivables	29,034,798	13,796,625	42,831,423	3,276,619	46,108,042
Inventories	13,339,770	2,336,846	15,676,616	824	15,677,440
Other current assets	1,943,367	730,114	2,673,481	-	2,673,481
Total current unrestricted assets	125,394,265	45,348,017	170,742,282	3,277,443	174,019,725
Current restricted assets					
Cash and cash equivalents	76,871,839	84,693,882	161,565,721	-	161,565,721
Investments	43,311,254	9,098,684	52,409,938	-	52,409,938
Collateral pledged in lieu of deposits	420,921	-	420,921	-	420,921
Receivables	205,137	2,080,114	2,285,251	-	2,285,251
Total current restricted assets	120,809,151	95,872,680	216,681,831	-	216,681,831
Total current assets	246,203,416	141,220,697	387,424,113	3,277,443	390,701,556
Noncurrent assets					
Other assets	293,550	84,979	378,529	89	378,618
Capital assets:					
Land and land rights	6,559,196	10,634,347	17,193,543	-	17,193,543
Construction in process	21,806,740	32,129,528	53,936,268	119,964	54,056,232
Electric utility system	196,966,545	-	196,966,545	-	196,966,545
Water system	-	231,008,026	231,008,026	-	231,008,026
Sewer system	-	330,384,496	330,384,496	-	330,384,496
Buildings	23,517,035	2,759,682	26,276,717	1,683,842	27,960,559
Equipment and machinery	8,234,192	2,542,653	10,776,845	81,165	10,858,010
Computer equipment	1,033,715	886,594	1,920,309	1,219	1,921,528
Intangibles	8,699,260	6,425,271	15,124,531	26,917	15,151,448
Vehicles	3,446,542	4,018,879	7,465,421	149,735	7,615,156
Office equipment	222,993	25,112	248,105	-	248,105
Capital assets, net	270,486,218	620,814,588	891,300,806	2,062,842	893,363,648
Total noncurrent assets	270,779,768	620,899,567	891,679,335	2,062,931	893,742,266
Total assets	516,983,184	762,120,264	1,279,103,448	5,340,374	1,284,443,822
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized bond refunding charges	283,353	5,022,369	5,305,722	-	5,305,722
Regulatory asset - coal ash	15,693,819	-	15,693,819	-	15,693,819
Contribution to pension plan in current fiscal year	6,691,514	7,780,831	14,472,345	1,089,317	15,561,662
Total deferred outflows of resources	22,668,686	12,803,200	35,471,886	1,089,317	36,561,203

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

Statement of Net Position

June 30, 2017

	Electric Fund	Water and Wastewater Fund	Total Utilities	Fleet Maintenance Fund	Total PWC
LIABILITIES					
Current liabilities to be paid from unrestricted current assets					
Current portion of long-term liabilities	\$ 3,549,365	\$ 17,848,816	\$ 21,398,181	\$ 98,373	\$ 21,496,554
Accounts payable and accrued expenses	21,748,421	11,853,572	33,601,993	1,395,815	34,997,808
Total current liabilities to be paid from unrestricted current assets	25,297,786	29,702,388	55,000,174	1,494,188	56,494,362
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	8,116,749	11,069,212	19,185,961	-	19,185,961
Total current liabilities to be paid from restricted current assets	8,116,749	11,069,212	19,185,961	-	19,185,961
Total current liabilities	33,414,535	40,771,600	74,186,135	1,494,188	75,680,323
Noncurrent liabilities					
Long-term liabilities	43,229,163	259,987,710	303,216,873	693,900	303,910,773
Net pension liability	5,037,751	5,992,206	11,029,957	954,454	11,984,411
Other liabilities	11,323,517	51,806	11,375,323	-	11,375,323
Unearned deposits	6,908	835,547	842,455	-	842,455
Total noncurrent liabilities	59,597,339	266,867,269	326,464,608	1,648,354	328,112,962
Total liabilities	93,011,874	307,638,869	400,650,743	3,142,542	403,793,285
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	180,572	209,969	390,541	29,395	419,936
Total deferred inflows of resources	180,572	209,969	390,541	29,395	419,936
NET POSITION					
Net investment in capital assets	242,691,390	394,403,061	637,094,451	2,062,842	639,157,293
Restricted for -					
Renewable energy	6,593,822	-	6,593,822	-	6,593,822
Debt service	299	1,995,013	1,995,312	-	1,995,312
Other internal restrictions	93,120,275	46,491,850	139,612,125	-	139,612,125
Unrestricted Net Position	104,053,638	24,184,702	128,238,340	1,194,912	129,433,252
Total Net Position	\$ 446,459,424	\$ 467,074,626	\$ 913,534,050	\$ 3,257,754	\$ 916,791,804

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, 2017

	Electric Fund	Water and Wastewater Fund	Total Utilities	Fleet Maintenance Fund	Total PWC
Operating revenues					
Residential, commercial and industrial sales - electric	\$ 189,216,095	\$ 78,888,611	\$ 268,104,706	\$ -	\$ 268,104,706
Other charges for services	36,611,923	8,824,249	45,436,172	9,181,001	54,617,173
Total operating revenues	<u>225,828,018</u>	<u>87,712,860</u>	<u>313,540,878</u>	<u>9,181,001</u>	<u>322,721,879</u>
Operating expenses					
Power supply and generation	141,770,054	-	141,770,054	-	141,770,054
Electric operation	15,148,402	-	15,148,402	-	15,148,402
Water operations	-	14,898,419	14,898,419	-	14,898,419
Wastewater operations	-	16,007,573	16,007,573	-	16,007,573
General and administrative	16,877,170	16,506,956	33,384,126	-	33,384,126
Depreciation	16,152,792	22,733,251	38,886,043	187,727	39,073,770
Fleet maintenance expense	-	-	-	8,993,274	8,993,274
Total operating expenses	<u>189,948,418</u>	<u>70,146,199</u>	<u>260,094,617</u>	<u>9,181,001</u>	<u>269,275,618</u>
Operating income	<u>35,879,600</u>	<u>17,566,661</u>	<u>53,446,261</u>	<u>-</u>	<u>53,446,261</u>
Nonoperating revenue (expense)					
Intergovernmental revenue	-	1,463,287	1,463,287	-	1,463,287
Intergovernmental expense	(1,200,000)	-	(1,200,000)	-	(1,200,000)
Payment in lieu of taxes	(9,966,765)	-	(9,966,765)	-	(9,966,765)
Interest earned on investments	1,257,684	481,360	1,739,044	-	1,739,044
Gain (loss) on disposal of assets	(1,995,747)	(2,723,693)	(4,719,440)	-	(4,719,440)
Interest expense	(1,353,372)	(7,596,818)	(8,950,190)	-	(8,950,190)
Amortization	(175,081)	(502,715)	(677,796)	-	(677,796)
Finance costs	(8,040)	(63,840)	(71,880)	-	(71,880)
Total nonoperating revenue (expense)	<u>(13,441,321)</u>	<u>(8,942,419)</u>	<u>(22,383,740)</u>	<u>-</u>	<u>(22,383,740)</u>
Income (loss) before transfers and contributions	<u>22,438,279</u>	<u>8,624,242</u>	<u>31,062,521</u>	<u>-</u>	<u>31,062,521</u>
Contributions	1,109,808	6,012,147	7,121,955	-	7,121,955
Special Item-Hope Mills (Note 18)	-	1,593,935	1,593,935	-	1,593,935
Transfers in	-	2,666,116	2,666,116	119,964	2,786,080
Transfers out	(2,726,098)	(59,982)	(2,786,080)	-	(2,786,080)
Change in Net Position	<u>20,821,989</u>	<u>18,836,458</u>	<u>39,658,447</u>	<u>119,964</u>	<u>39,778,411</u>
Total Net Position - beginning	<u>425,637,435</u>	<u>448,238,168</u>	<u>873,875,603</u>	<u>3,137,790</u>	<u>877,013,393</u>
Total Net Position - ending	<u>\$ 446,459,424</u>	<u>\$ 467,074,626</u>	<u>\$ 913,534,050</u>	<u>\$ 3,257,754</u>	<u>\$ 916,791,804</u>

Note: The transfers within funds have been eliminated for FY 2017; \$6,281,894 for Electric & \$75,075,091 for Water/Wastewater.

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

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FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Cash Flows
Year ended June 30, 2017

	Electric Fund	Water and Wastewater Fund	Total Utilities	Fleet Maintenance Fund	Total PWC
Cash flows from operating activities					
Cash received from customers	\$ 224,774,006	\$ 88,987,814	\$ 313,761,820	\$ 9,067,098	\$ 322,828,918
Cash paid to customers	-	(7,077,030)	(7,077,030)	-	(7,077,030)
Cash paid for goods and services	(14,181,577)	(15,086,468)	(29,268,045)	(6,272,169)	(35,540,214)
Cash paid to or on behalf of employees for services	(38,696,333)	(34,893,875)	(73,590,208)	(2,794,647)	(76,384,855)
Cash paid for power supply and generation	(126,076,235)	-	(126,076,235)	-	(126,076,235)
Net cash provided (used) by operating activities	<u>45,819,861</u>	<u>31,930,441</u>	<u>77,750,302</u>	<u>282</u>	<u>77,750,584</u>
Cash flows from noncapital financing activities					
Cash received from intergovernmental agreements	-	1,463,287	1,463,287	-	1,463,287
Cash paid for intergovernmental agreements	(11,166,765)	-	(11,166,765)	-	(11,166,765)
Transfers in	-	2,666,116	2,666,116	119,964	2,786,080
Transfers out	(2,726,098)	(59,982)	(2,786,080)	-	(2,786,080)
Net cash provided (used) by noncapital financing activities	<u>(13,892,863)</u>	<u>4,069,421</u>	<u>(9,823,442)</u>	<u>119,964</u>	<u>(9,703,478)</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	169,074	131,464	300,538	-	300,538
Proceeds from debt issuance	-	1,115,543	1,115,543	-	1,115,543
Contributed capital received	1,109,808	1,185,371	2,295,179	-	2,295,179
Acquisition and construction of capital assets	(19,595,361)	(44,464,104)	(64,059,465)	(120,246)	(64,179,711)
Principal payments on long-term debt	(2,365,021)	(16,551,007)	(18,916,028)	-	(18,916,028)
Interest payments and other finance costs on long-term debt	(1,361,412)	(7,660,658)	(9,022,070)	-	(9,022,070)
Net cash used by capital and related financing activities	<u>(22,042,912)</u>	<u>(66,243,391)</u>	<u>(88,286,303)</u>	<u>(120,246)</u>	<u>(88,406,549)</u>
Cash flows from investing activities					
Interest earned on investments	1,257,684	481,360	1,739,044	-	1,739,044
Net change in investments	(25,410,470)	(9,712,395)	(35,122,865)	-	(35,122,865)
Net cash provided (used) in investing activities	<u>(24,152,786)</u>	<u>(9,231,035)</u>	<u>(33,383,821)</u>	<u>-</u>	<u>(33,383,821)</u>
Net increase in cash and cash equivalents	<u>(14,268,700)</u>	<u>(39,474,564)</u>	<u>(53,743,264)</u>	<u>-</u>	<u>(53,743,264)</u>
Cash and cash equivalents					
Beginning of year	<u>102,573,991</u>	<u>124,318,211</u>	<u>226,892,202</u>	<u>-</u>	<u>226,892,202</u>
End of year	<u>\$ 88,305,291</u>	<u>\$ 84,843,647</u>	<u>\$ 173,148,938</u>	<u>\$ -</u>	<u>\$ 173,148,938</u>

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

Statement of Cash Flows
Year ended June 30, 2017

	Electric Fund	Water and Wastewater Fund	Total Utilities	Fleet Maintenance Fund	Total PWC
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 35,879,600	\$ 17,566,661	\$ 53,446,261	\$ -	\$ 53,446,261
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	16,152,792	22,733,251	38,886,043	187,727	39,073,770
Allowance for uncollectible accounts	(84,946)	32,629	(52,317)	-	(52,317)
Special item- Hope Mills (Note 17)	-	1,593,935	1,593,935	-	1,593,935
 Change in assets and liabilities					
(Increase) decrease in receivables	(908,103)	1,242,325	334,222	(113,903)	220,319
(Increase) decrease in internal balances	(1,876,312)	2,047,248	170,936	(170,936)	-
(Increase) decrease in inventories	(681,990)	(781,037)	(1,463,027)	(824)	(1,463,851)
(Increase) decrease in deferred outflows-other	(15,651,317)	687,087	(14,964,230)	-	(14,964,230)
(Increase) decrease in deferred outflows-pension related	(3,926,611)	(4,565,827)	(8,492,438)	(639,216)	(9,131,654)
(Increase) decrease in other current assets	(608,579)	(194,739)	(803,318)	-	(803,318)
(Increase) decrease in other assets	(1,891,005)	734,865	(1,156,140)	(13)	(1,156,153)
(Increase) decrease in pension asset	1,650,651	52,781	1,703,432	-	1,703,432
Increase (decrease) in pension liability	4,069,239	(4,731,677)	(662,438)	-	(662,438)
Increase (decrease) in unearned deposits	158	(4,287)	(4,129)	-	(4,129)
Increase (decrease) in accounts payable and accrued expenses	6,353,770	756,824	7,110,594	801,013	7,911,607
Increase (decrease) in other liabilities	11,740,596	-	11,740,596	-	11,740,596
(Increase) decrease in deferred inflows-pension related	(382,869)	(445,195)	(828,064)	(62,328)	(890,392)
Increase (decrease) in accrued vacation	(115,842)	(74,479)	(190,321)	18,131	(172,190)
Increase (decrease) in accrued sick leave	(3,899,371)	(4,719,924)	(8,619,295)	(19,369)	(8,638,664)
Total adjustments	<u>9,940,261</u>	<u>14,363,780</u>	<u>24,304,041</u>	<u>282</u>	<u>24,304,323</u>
Net cash provided by (used in) operating activities	<u>\$ 45,819,861</u>	<u>\$ 31,930,441</u>	<u>\$ 77,750,302</u>	<u>\$ 282</u>	<u>\$ 77,750,584</u>
 Noncash investing, capital, and financing activities:					
Contributed capital assets	\$ -	\$ 4,480,933	\$ 4,480,933	\$ -	\$ 4,480,933
FIF credits applied	\$ -	\$ 345,843	\$ 345,843	\$ -	\$ 345,843
Adjustment to market for long term investments	\$ (180,896)	\$ (95,129)	\$ (276,025)	\$ -	\$ (276,025)
 Reconciliation to cash and cash equivalents					
Unrestricted	\$ 11,433,452	\$ 149,765	\$ 11,583,217	\$ -	\$ 11,583,217
Restricted	76,871,839	84,693,882	161,565,721	-	161,565,721
Total	<u>\$ 88,305,291</u>	<u>\$ 84,843,647</u>	<u>\$ 173,148,938</u>	<u>\$ -</u>	<u>\$ 173,148,938</u>

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

Notes to the Financial Statements

June 30, 2017

Note 1 - Summary of significant accounting policies

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

Reporting entity

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

Basis of presentation

The Commission reports the following major enterprise funds:

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

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

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

Measurement focus and basis of accounting

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

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

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 1 – Summary of significant accounting policies (continued)

Measurement focus and basis of accounting (continued)

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

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

Use of estimates

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

Cash and investments

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

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

Internal balances

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

Receivables

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

Inventories

Inventories of supplies are carried at cost and inventories held for resale are carried at the lower of average cost or 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, 2017

Note 1 – Summary of significant accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items.

Capital assets

Capital assets purchased or constructed since 1958 are recorded at cost. Assets acquired prior to 1958 are carried on an estimated cost basis. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations.

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

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.

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

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 three items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year, a regulatory asset related to the Duke Coal Ash Settlement (See note 5), and unamortized bond refunding charges for Electric, Water and Wastewater Refunding bonds. 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, 2017

Note 1 – Summary of significant accounting policies (continued)

Pensions

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

Compensated absences

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

Unearned deposits

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

Statement of cash flows

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

Other post-employment benefits

Post-employment expenses are made from the Electric, Water Resources and Fleet Funds, which are maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due. The Net OPEB Obligation is recorded in accordance with GASB Statement Numbers 43 and 45.

Net Position

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

At June 30, 2017, the Electric fund had restricted assets and a resultant restricted net position of \$120,809,151 related to debt service, renewable energy and other internally restricted assets offset by \$13,139,089 of unspent bond proceeds and \$7,955,666 of other internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$99,714,396. The Water/Wastewater Fund had restricted assets of \$95,872,680 related to debt service, capital projects and other internally restricted assets offset by \$40,922,888 of unspent bond proceeds and \$6,462,929 of internally restricted liabilities related to those assets (see note 7), resulting in restricted

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

Notes to the Financial Statements (continued)

June 30, 2017

net position of \$48,486,863.

Note 1 – Summary of significant accounting policies (continued)

Implemented Pronouncements

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. 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. However there was no material impact during fiscal year 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 2017.

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 2017.

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 2017.

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 2017.

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 2017.

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

Notes to the Financial Statements (continued)

June 30, 2017

Upcoming Pronouncements

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. 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.

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

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

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

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017.

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

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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, 2017

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.

At June 30, 2017, the Commission had deposits in pooling method banks with a carrying amount of \$47,041,918 and a bank balance of \$37,424,911. Of the total bank balance, \$502,650 was covered by federal depository insurance and \$36,922,261 was covered by collateral under the pooling method.

At June 30, 2017, the Commission had \$10,092,840 in Certificate of Deposits.

At June 30, 2017, the Commission had \$4,800 in petty cash.

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 4 - Cash and investments (continued)

B - Investments

At June 30, 2017, the Commission had the following investments and maturities.

Investment Type	Valuation Measurement Method	Reported Value	Less than 6 Months	6 Mos - 1 Yr	1-5 Years	6-10 Years
U.S. Government agencies	Fair Value-Level 1	\$ 101,795,800	\$ 2,032,158	\$ 10,973,672	\$ 73,838,469	\$ 14,951,501
Commercial paper	Fair Value-Level 2	71,378,904	60,473,349	10,905,555	-	-
NC Capital Management Trust - Term Portfolio*	Fair Value-Level 1	6,778,127	6,778,127	-	-	-
NC Capital Management Trust - Government Portfolio	Amortized Cost	86,444,032	86,444,032	-	-	-
Total		\$266,396,863	\$ 155,727,666	\$21,879,227	\$ 73,838,469	\$ 14,951,501

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

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

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

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

Credit Risk. The Commission limits investments to the provisions of the G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Commission's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2017. The Commission's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 4 - Cash and investments (continued)

B – Investments (continued)

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

Concentration of Credit Risk. The Commission limits investments to avoid over-concentration in securities from a specific issuer or business sector. More than 5% of the Commission's investments are in Freddie Mac, Fannie Mae, DCAT commercial paper and Federal Home Loan Bank. These investments are 20%, 15%, 12% and 10%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

	Reported
Total investments	\$ 266,396,863
Cash	47,041,918
Plus Certificates of Deposit	10,092,840
Petty cash	<u>4,800</u>
Total cash and investments	323,536,421
Less: Investments with maturities of more than 3 months	(150,387,483)
Total cash and cash equivalents	<u><u>\$ 173,148,938</u></u>

Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 11,583,217
Cash and cash equivalents - restricted	<u>161,565,721</u>
Total cash and cash equivalents	<u><u>\$ 173,148,938</u></u>

Note 5 – Regulatory Deferrals

The Commission has taken regulatory action that results in differences between the recognition of expenses for rate-making purpose and their treatment under generally accepted accounting principles for non-regulated entities (see Note 1). This action resulted in a regulatory asset and changes to this balance, and its inclusion in rates, occur only at the direction of the Commission. PWC's regulatory asset relating to certain coal ash costs pursuant to an agreement with Duke Energy Progress (DEP) will be recovered over a period of fixed monthly charges through December 2019 (see Note 14 – Coal Ash). At June 30, 2017, this asset had a value of \$15,693,819 and is recorded as a deferred outflow of resources.

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 6 – Accounts Receivable

At June 30, 2017, the Commission's unrestricted receivable balances were as follows:

	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Fund	Total
Unrestricted:				
Accounts	\$ 23,107,974	\$ 9,867,241	\$ -	\$ 32,975,215
Sales taxes	3,671,824	182,079	84,781	\$ 3,938,684
Due from City - Assessments	-	5,151,228	-	\$ 5,151,228
Due from City - Assessments Interest	-	261,243	-	\$ 261,243
Accrued interest	546,137	134,380	-	\$ 680,517
Other	2,180,564	204,367	1,476,418	\$ 3,861,349
Total	<u>\$ 29,506,499</u>	<u>\$ 15,800,538</u>	<u>\$ 1,561,199</u>	<u>\$ 46,868,236</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, 2017

Note 7 - Restricted assets and restricted liabilities

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

	Internally Restricted		Externally Restricted	
	Electric	Water	Electric	Water
Restricted Assets and Restricted Liabilities:				
Cash and Cash Equivalents				
Investment Adjustment to Market	\$ 67,958		\$ -	\$ -
Rate Stabilization Fund Cash	17,911,783	322,813	-	-
NC Renewable Rider	-	-	6,593,822	-
Customer Deposits	7,528,870	2,592,125	-	-
Debt Service	1,975,300	11,266,474	299	1,995,013
Annexation Phase V Reserve Fund Cash	-	26,094,568	-	-
Health Insurance Reserve	1,500,000	1,500,000	-	-
Coal Ash Reserve	27,346,500	-	-	-
BWG Startup Costs	808,218	-	-	-
Construction Fund	-	-	13,139,089	40,922,889
Total restricted cash and cash equivalents	<u>\$ 57,138,629</u>	<u>\$ 41,775,980</u>	<u>\$ 19,733,210</u>	<u>\$ 42,917,902</u>
Investments	<u>\$ 43,311,254</u>	<u>\$ 9,098,684</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral pledges in lieu of deposits	<u>\$ 420,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receivables				
Accounts	\$ -	\$ 1,602,555	\$ -	\$ -
Sales taxes	-	452,741	-	-
Grants	23,817	24,818	-	-
Accrued interest	181,320	-	-	-
Total restricted receivables	<u>\$ 205,137</u>	<u>\$ 2,080,114</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts payable and accrued expenses				
Trade	\$ -	\$ 1,934,588	\$ -	\$ -
Meter Deposits	7,846,811	4,895,918	-	-
NCDOT	-	980,000	-	-
Other	269,937	3,258,707	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 8,116,748</u>	<u>\$ 11,069,213</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, 2017

Note 8 – Capital assets

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Electric Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 6,458,964	\$ 100,232	\$ -	\$ -	\$ 6,559,196
Construction in progress	23,748,132	22,187,302	(2,263,491)	(21,865,203)	21,806,740
Capital assets being depreciated:					
Electric utility system	438,152,326	291,012	(4,479,717)	21,278,384	455,242,005
Buildings	45,917,211	191,498	-	16,687	46,125,396
Equipment and machinery	18,330,057	792,530	(351,247)	144,350	18,915,690
Intangibles	20,983,194	702,419	-	319,776	22,005,389
Computer equipment	5,169,280	191,328	(60,741)	106,006	5,405,873
Vehicles	8,087,690	445,042	(142,180)	-	8,390,552
Office equipment	1,308,631	47,142	(33,754)	-	1,322,019
Total Capital assets being depreciated	<u>537,948,389</u>	<u>2,660,971</u>	<u>(5,067,639)</u>	<u>21,865,203</u>	<u>557,406,924</u>
Less accumulated depreciation for:					
Electric utility system	(249,058,385)	(11,906,434)	2,689,359	-	(258,275,460)
Buildings	(21,442,123)	(1,166,238)	-	-	(22,608,361)
Equipment and machinery	(10,327,353)	(691,280)	337,135	-	(10,681,498)
Intangibles	(12,027,076)	(1,279,053)	-	-	(13,306,129)
Computer equipment	(3,966,252)	(466,647)	60,741	-	(4,372,158)
Vehicles	(4,475,572)	(610,618)	142,180	-	(4,944,010)
Office equipment	(1,100,258)	(32,522)	33,754	-	(1,099,026)
Total accumulated depreciation:	<u>(302,397,019)</u>	<u>(16,152,792)</u>	<u>3,263,169</u>	<u>-</u>	<u>(315,286,642)</u>
Electric fund capital assets, net	<u>\$ 265,758,466</u>	<u>\$ 8,795,713</u>	<u>\$ (4,067,961)</u>	<u>\$ -</u>	<u>\$ 270,486,218</u>

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 10,302,120	\$ 13,946	\$ -	\$ 318,281	\$ 10,634,347
Construction in progress	53,015,390	49,444,610	(716,549)	(69,613,923)	32,129,528
Capital assets being depreciated:					
Water system	347,786,389	245,197	(3,909,158)	23,811,240	367,933,668
Sewer system	481,119,846	121,508	-	44,926,341	526,167,695
Buildings	5,970,249	78,238	-	31,828	6,080,315
Equipment and machinery	11,793,365	303,548	(86,035)	192,068	12,202,946
Intangibles	17,198,619	732,037	-	316,267	18,246,923
Computer equipment	4,559,769	279,556	(32,087)	17,898	4,825,136
Vehicles	7,943,271	1,003,669	(252,732)	-	8,694,208
Office equipment	479,298	-	(6,781)	-	472,517
Total Capital assets being depreciated	876,850,806	2,763,753	(4,286,793)	69,295,642	944,623,408
Less accumulated depreciation for:					
Water system	(128,546,645)	(9,511,009)	1,132,012		(136,925,642)
Sewer system	(185,282,318)	(10,500,881)	-	-	(195,783,199)
Buildings	(3,171,372)	(149,261)	-	-	(3,320,633)
Equipment and machinery	(9,253,097)	(493,056)	85,860	-	(9,660,293)
Intangibles	(10,805,505)	(1,016,147)	-	-	(11,821,652)
Computer equipment	(3,578,509)	(392,120)	32,087	-	(3,938,542)
Vehicles	(4,229,475)	(666,094)	220,240	-	(4,675,329)
Office equipment	(449,482)	(4,683)	6,760	-	(447,405)
Total accumulated depreciation:	(345,316,403)	(22,733,251)	1,476,959	-	(366,572,695)
Water and Sewer capital assets, net	\$ 594,851,913	\$ 29,489,058	\$ (3,526,383)	\$ -	\$ 620,814,588

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>Balance June 30, 2017</u>
Fleet Maintenance Fund:					
Capital assets not being depreciated:					
Construction in process	\$ -	\$ 119,964	\$ -	\$ -	119,964
Capital assets being depreciated:					
Buildings	3,464,604	-	(12)	-	3,464,592
Equipment and machinery	593,991	-	(1)	-	593,990
Intangibles	252,381	-	-	-	252,381
Computer equipment	41,086	-	-	-	41,086
Vehicles	408,483	1	-	-	408,484
Office equipment	7,245	-	(797)	-	6,448
Total Capital assets being depreciated	<u>4,767,790</u>	<u>1</u>	<u>(810)</u>	<u>-</u>	<u>4,766,981</u>
Less accumulated depreciation for:					
Buildings	(1,682,230)	(98,520)	-	-	(1,780,750)
Equipment and machinery	(485,588)	(27,531)	-	294	(512,825)
Intangibles	(196,100)	(29,364)	-	-	(225,464)
Computer equipment	(36,103)	(3,764)	-	-	(39,867)
Vehicles	(230,201)	(28,548)	-	-	(258,749)
Office equipment	(7,245)	-	797	-	(6,448)
Total accumulated depreciation:	<u>(2,637,467)</u>	<u>(187,727)</u>	<u>797</u>	<u>294</u>	<u>(2,824,103)</u>
Fleet Internal Service Fund capital assets, net	<u>\$ 2,130,323</u>	<u>\$ (67,762)</u>	<u>\$ (13)</u>	<u>\$ 294</u>	<u>\$ 2,062,842</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, 2017

Note 9 – Accounts Payable and Accrued Expenses

At June 30, 2017, the Commission's unrestricted accounts payable and accrued expenses balances were as follows:

Unrestricted:	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Fund	Total
Trade	\$ 1,703,032	\$ 4,098,935	\$ 1,554,946	\$ 7,356,913
Purchased power	11,391,464	-	-	11,391,464
Power supply true up adjustmen	1,638,243	-	-	1,638,243
Coal Ash liability	4,370,302	-	-	4,370,302
Payroll related	918,420	2,057,592	92,374	3,068,386
Interest	518,485	3,063,927	-	3,582,412
Incurred but not reported claims	847,688	847,688	-	1,695,376
Other	360,787	1,785,430	-	2,146,217
	<u>\$ 21,748,421</u>	<u>\$ 11,853,572</u>	<u>\$ 1,647,320</u>	<u>\$ 35,249,313</u>

Note 10 - Long-term debt

A - Defeased debt

In prior years, the Commission has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the Commission's liabilities. As of June 30, 2017, the amount of prior year defeased debt outstanding and removed from the Commission's liabilities amounted to \$36,640,000.

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 10 - Long-term debt (continued)

B - General obligation bonds

The City, for the benefit of the Commission, has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligation bonds outstanding for the year ended June 30, 2017 were as follows:

	<u>June 30, 2017</u>
\$4,403,885 General Obligation Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at 4.0%	<u>\$692,867</u>
Total General Obligation Bonds	692,867
Add: Unamortized Premium	<u>65,815</u>
Total	<u><u>\$758,682</u></u>

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, 2017 were as follows:

	<u>June 30, 2017</u>
\$17,025,000 Series 2008 Revenue Bonds due in various annual installments through March 1, 2018; interest at 4.0%.	\$ 600,000
\$114,155,000 Series 2009A Revenue Refunding Bonds due in various annual installments through March 1, 2024; interest at 5.0%.	35,970,000
\$36,710,000 Series 2009B Revenue Bonds due in various annual installments through March 1, 2019; interest at 4.0%.	3,590,000
\$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%.	110,330,000
\$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>112,630,000</u>
Total Revenue Bonds	263,120,000
Add: Unamortized Premium	23,594,321
Less: Unamortized Discount	<u>(1,913)</u>
Total	<u><u>\$286,712,408</u></u>

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 10 - Long-term debt (continued)

C - Revenue bonds (continued)

Maturities of bonds payable are as follows

Electric Fund:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ -	\$ -	\$ 2,501,104	\$ 1,555,454	\$ 2,501,104	\$ 1,555,454
2019	-	-	2,176,182	1,430,398	2,176,182	1,430,398
2020	-	-	2,394,042	1,321,589	2,394,042	1,321,589
2021	-	-	1,855,704	1,201,887	1,855,704	1,201,887
2022	-	-	1,707,825	1,109,102	1,707,825	1,109,102
2023-2027	-	-	7,496,704	4,371,992	7,496,704	4,371,992
2028-2032	-	-	7,401,800	3,021,238	7,401,800	3,021,238
2033-2037	-	-	8,189,542	1,674,286	8,189,542	1,674,286
2038-2041	-	-	4,458,941	299,078	4,458,941	299,078
	-	-	38,181,844	15,985,024	38,181,844	15,985,024
Add: Unamortized premium			2,927,280		2,927,280	

Total Electric	\$ -	\$ -	\$ 41,109,124	\$ 15,985,024	\$ 41,109,124	\$ 15,985,024
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Water and Wastewater Fund:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 175,526	\$ 27,715	\$ 15,263,896	\$ 9,107,647	\$ 15,439,422	\$ 9,135,362
2019	175,526	20,694	14,603,818	8,382,152	14,779,344	8,402,846
2020	170,907	13,673	14,175,958	7,667,961	14,346,865	7,681,634
2021	170,908	6,836	11,934,296	6,959,163	12,105,204	6,965,999
2022	-	-	10,462,175	6,362,448	10,462,175	6,362,448
2023-2027	-	-	44,383,296	24,620,508	44,383,296	24,620,508
2028-2032	-	-	42,238,200	16,757,212	42,238,200	16,757,212
2033-2037	-	-	45,675,458	9,283,239	45,675,458	9,283,239
2038-2041	-	-	26,201,059	1,805,622	26,201,059	1,805,622
	692,867	68,918	224,938,156	90,945,952	225,631,023	91,014,870
Add: Unamortized premium	65,815		20,667,041		20,732,856	
Less: Unamortized loss	-		(1,913)		(1,913)	

Total Water and Wastewater	\$ 758,682	\$ 68,918	\$ 245,603,284	\$ 90,945,952	\$ 246,361,966	\$ 91,014,870
Total Electric and Water and Wastewater	\$ 758,682	\$ 68,918	\$ 286,712,408	\$ 106,930,976	\$ 287,471,090	\$ 106,999,894

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 10 - Long-term debt (continued)

C - Revenue bonds (continued)

The Commission has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$357,110,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2016. Proceeds from the bonds provided financing for extensions, additions and capital improvements to or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the electric, water, and wastewater systems. The bonds are payable solely from electric, water and wastewater customer net revenues and are payable through 2041. The total principal and interest remaining to be paid on the bonds is \$370,050,976. Principal and interest paid for the current year and total customer revenues were \$27,270,462 and \$313,540,878, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$11,255,852 for the year ended June 30, 2017 and of that amount, \$1,103,883 was capitalized during the year.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage, and requires that a reserve fund be established and maintained for the 2008 Bonds. The reserve fund requirements have been met by the Commission through funding a reserve fund account with an investment in the full amount of the bond requirement. The Commission is in compliance with all such significant covenants at June 30, 2017.

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, 2017 were as follows:

June, 30 2017

\$382,788 State Revolving Loan due in annual Installments through May 1, 2033; interest at 2.0% paid semi-annually on May 1 and November 1.	\$ 306,230
\$5,299,942 State Revolving Loan due in annual installments through May 1, 2033; no interest.	4,243,485

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 10 - Long-term debt (continued)

D – Notes payable (continued)

\$3,901,648 State Revolving Loan due in annual installments through May 1, 2034; interest at 2.0% paid semi-annually on May 1 and November 1.	\$ 3,316,401
\$15,890,541 State Revolving Loan due in annual installments beginning May 1, 2017; no interest.	15,150,448
\$2,243,830 State Revolving Loan due in annual installments through May 1, 2035; interest at 2.0% paid semi-annually on May 1 and November 1	<u>2,019,447</u>
	<u>\$ 25,036,011</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, 2017

Note 10 - Long-term debt (continued)

D – Notes payable (continued)

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

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2018	\$ 591,631	\$ 112,842
2019	591,631	106,313
2020	591,631	99,785
2021	591,631	93,257
2022	591,631	86,729
2023-2027	2,958,156	335,719
2028-2032	2,958,156	172,512
2033-2035	1,011,096	25,549
	<u>\$ 9,885,563</u>	<u>\$ 1,032,706</u>

Total interest expense related to the notes payable obligations totaled \$114,194 for the year ended June 30, 2017 and of that amount, \$0 was capitalized during the year.

The Commission expects the estimated schedule of maturity for the \$15,890,541 loan to be as follows:

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2018	\$ 797,392	\$ -
2019	797,392	-
2020	797,392	-
2021	797,392	-
2022	797,392	-
2023-2027	3,986,960	-
2028-2032	3,986,960	-
2033-2036	3,189,568	-
	<u>\$ 15,150,448</u>	<u>\$ -</u>

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 10 - Long-term debt (continued)

E – Changes in long-term liabilities

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Electric Fund:					
Revenue bonds	\$ 40,546,865	\$ -	\$ 2,365,021	\$ 38,181,844	\$ 2,501,104
Compensated absences	1,720,178	2,819,616	2,768,437	1,771,357	1,048,260
Other post employment benefits	3,644,442	319,592	65,987	3,898,047	-
	<u>45,911,485</u>	<u>\$ 3,139,208</u>	<u>\$ 5,199,445</u>	<u>43,851,248</u>	<u>3,549,364</u>
Add: Unamortized premium	3,205,113			2,927,280	-
Total Electric long-term liabilities	<u>\$ 49,116,598</u>			<u>\$ 46,778,528</u>	<u>\$ 3,549,364</u>
Water and Wastewater Fund:					
General obligation bonds	\$ 1,068,013	\$ -	\$ 375,146	\$ 692,867	\$ 175,526
Revenue bonds	239,793,135	-	14,854,979	224,938,156	15,263,896
Notes payable	25,241,350	1,115,543	1,320,882	25,036,011	1,389,023
Compensated absences	1,731,552	2,861,475	2,751,920	1,841,107	1,020,371
Other post employment benefits	4,296,589	388,258	87,405	4,597,442	-
	<u>272,130,639</u>	<u>\$ 4,365,276</u>	<u>\$ 19,390,332</u>	<u>257,105,583</u>	<u>17,848,816</u>
Add: Unamortized premium	22,501,733			20,732,856	-
Less: Unamortized discount	<u>(3,061)</u>			<u>(1,913)</u>	<u>-</u>
Total Water and Wastewater long-term liabilities	<u>\$ 294,629,311</u>			<u>\$ 277,836,526</u>	<u>\$ 17,848,816</u>
Fleet Maintenance Internal Service Fund:					
Compensated absences	\$ 182,395	\$ 243,851	\$ 280,767	\$ 145,479	\$ 98,373
Other post employment benefits	611,116	52,433	16,755	646,794	-
Total Fleet long-term liabilities	<u>\$ 793,511</u>	<u>\$ 296,284</u>	<u>\$ 297,522</u>	<u>\$ 792,273</u>	<u>\$ 98,373</u>

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 10 - Long-term debt (continued)

F – Net investment in capital assets

	<u>Electric</u>	<u>Water</u>	<u>Fleet</u>
Capital Assets, Net	\$ 270,486,218	\$ 620,814,588	\$ 2,062,842
Less: Long-term debt related to capital assets	(38,181,844)	(250,667,034)	-
Less: Unamortized bond premium	(2,927,280)	(20,732,856)	-
Less: Deferred loss related to unspent bond proceeds	-	(475,647)	-
Less: Retainage related to capital assets	(108,146)	(483,160)	-
Add: Unamortized bond discount	-	1,913	-
Add: Unamortized bond refunding charges	283,353	5,022,369	-
Add: Unspent bond proceeds	13,139,089	40,922,888	-
Total Net Investment in Capital Assets	<u>\$ 242,691,390</u>	<u>\$ 394,403,061</u>	<u>\$ 2,062,842</u>

Note 11 – Retirement Plans

Local Governmental Employees' Retirement System

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

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

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

Notes to the Financial Statements (continued)

June 30, 2017

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Commission's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Commission's contractually required contribution rate for the year ended June 30, 2017, was 12.48% 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 \$4,791,848 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Commission reported a liability of \$11,984,411 for its proportionate share of the net pension liability. The net pension liability is presented in other long term liabilities in the accompanying financial statements. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Commission's proportion was 0.564%, which was a increase of 0.003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of \$4,174,089. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 225,166	\$ 419,936
Changes of assumptions	820,824	-
Net Difference between projected and actual earning on pension plans investments	6,625,865	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	3,097,959	-
Commission contributions subsequent to the measurement date	4,791,848	-
	<u>\$ 15,561,662</u>	<u>\$ 419,936</u>

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

Notes to the Financial Statements (continued)

June 30, 2017

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

\$4,791,848 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 inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	\$ 2,071,765
2019	2,071,684
2020	3,936,787
2021	2,269,631
2022	-
Thereafter	-
	<u>\$ 10,349,867</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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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, 2017

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

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, 2016 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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.

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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, 2017

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Commission's proportionate share of the net pension liability (asset)	\$28,444,575	\$11,984,401	\$(1,764,360)

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

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

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains and losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds, the 2009 GO Refunding Bonds and the 2016 Revenue Refunding Bonds have been adjusted for the loss from defeasance (net amortization) of \$5,305,722.

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

Note 13 - Risk management

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

A – Workers' Compensation

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

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 13 - Risk management (continued)

B – Health Insurance Claims

The Commission uses a third party administrator to process health insurance claims. At June 30, 2017 and 2016, a liability for incurred but not reported claims of \$1,695,376 and \$1,951,600 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>2017</u>	<u>2016</u>
Liability as of beginning of the year	\$ 1,951,600	\$ 1,694,510
Current year claims and changes in estimates	8,577,522	7,636,167
Actual claim payments	<u>(8,833,746)</u>	<u>(7,379,077)</u>
Liability as of end of the year	<u>\$ 1,695,376</u>	<u>\$ 1,951,600</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. For assets in Flood Zones A, V and B, a sublimit of \$30,000,000 applies to the loss event. The Commission's standard deductible is \$100,000 with the exception of a \$250,000 deductible set for combustion steam generators.

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.

Note 14 - Commitments and contingencies

A – Arbitrage

During the year ended June 30, 2017 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, 2017 and the estimated arbitrage rebate payable of \$51,806 has been accrued in the June 30, 2017 financial statements.

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

Notes to the Financial Statements (continued)

June 30, 2017

Note 14 - Commitments and contingencies (continued)

B – Capital Expenditures

The Commission has authorized expenditures totaling approximately \$258.9 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2017 cumulative expenditures to date totaled approximately \$170 million leaving an unexpended balance of \$88.9 million for projects that are expected to be completed at various dates through the year ending June 30, 2019.

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 December 31, 2023. Under this agreement, PWC generates and delivers energy to DEP pursuant to scheduled energy requests provided by DEP. DEP pays PWC for capacity, energy (including any fuel costs) and start costs.

Either party may challenge the correctness of any bill pursuant to the PSCA no later than 24 months after the payment date such bill was due. DEP provides PWC estimated energy and capacity rates each calendar year and calculates a true-up charge or credit, with interest, following the completion of DEP's calendar year period once the actual costs are known. Calendar year 2015 and 2016 are open for challenges and are currently under review. As of the date of these financial statements, any known adjustments not yet billed or credited have been recorded.

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

During the year ended June 30, 2017 the purchased power cost, including transmission cost and contractual true up (credits)/charges of \$1,085,130 to DEP was \$137,511,144.

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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, 2017

Note 14 - Commitments and contingencies (continued)

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). On April 26, 2017, DEP and PWC executed an amendment to the PSCA incorporating the recovery of CCR costs and in May 2017, DEP filed the amended contract with the Federal Energy Regulatory Commission (FERC). As of July 20, 2017, FERC accepted the contract with a July 1, 2017 effective date. Based on this acceptance and the terms of the contract, DEP will begin billing PWC for prior CCR costs (CCRCs) dating back to January 2015 in fixed monthly installments over a period of 24 months beginning January 2018. Another component of the charges related to coal ash recovery are Beneficial Reuse Costs (BRCs) and PWC will be billed accordingly for DEP's cost incurred from January 2017. Current and future costs going forward will be estimated in the energy and demand rates of the PSCA for BRCs and CCRCs, respectively, and are subject to true-up provisions of the PSCA. The prior BRCs and CCRCs for 2015, 2016 and 2017 have been recorded as a Regulatory Asset (see Note 5). DEP has shared with PWC the estimated cost to be recovered from PWC over the next 20 years, with the majority being due in the first 10 years. For this purpose, PWC has collected approximately \$28 million restricted for this purpose and intends to continue passing these costs to all customers through customer billings.

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 2017 to 2021. Minimum lease provisions at June 30, 2017 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2018	\$ 621,909
2019	300,932
2020	181,536
2021	<u>132,276</u>
Total	<u>\$ 1,236,653</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, 2017

Note 15 - Related party transactions/transfers out

The Commission operates as a component unit of the City of Fayetteville, North Carolina. As such, the Commission provides fleet maintenance, electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,815,723 in 2017. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions to/from the City amounted to \$9,703,478 in 2017. Balances due to/from the Commission were as follows:

	<u>June 30, 2017</u>
Receivables (due from the City of Fayetteville)	\$ 427,797
Assessments (due from the City of Fayetteville)	5,151,228
Assessments interest (due from the City of Fayetteville)	<u>261,242</u>
	<u>\$ 5,840,267</u>
Payables (due to the City of Fayetteville)	<u>\$ 122,019</u>

Note 16 - Other postemployment benefits

The Commission has a single-employer defined benefit 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, 2017:

Retirees	96
Active Employees	<u>611</u>
Total	<u>707</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 7.3 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, 2017

Note 16 - 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)	\$ 2,790,258
Interest on net OPEB obligation	342,086
Adjustment to annual required contribution	(475,550)
Annual OPEB cost (expense)	<u>2,656,794</u>
Contributions Made	(2,066,658)
Increase (decrease) in net OPEB obligation	<u>590,136</u>
Net OPEB obligation, beginning of the year	<u>8,552,147</u>
Net OPEB obligation, end of the year	<u><u>\$ 9,142,283</u></u>

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

YEAR ENDED JUNE 30	ANNUAL OPEB COST	PERCENTAGE OF OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2015	2,739,818	51.29%	\$ 7,304,993
2016	2,595,580	51.95%	8,552,147
2017	2,656,794	77.79%	9,142,283

As of June 30, 2017 the plan was not funded. The most recent actuarial valuation was June 30, 2017. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$34,277,830. 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, 2017 was \$38,396,209 and the ratio of the UAAL to the covered payroll was 89.27 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, 2017

Note 16 - Other postemployment benefits (continued)

In the June 30, 2017 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 7.00 to 5.00 percent annually. Both rates included a 2.50 percent inflation assumption. The UAAL is being amortized as a level dollar amortization on an open basis. The remaining amortization period was 30 years. There are no assets set aside for these benefits. The plan is funded on a pay-as-you-go basis.

Note 16 – Interfund Activity

Due From	Due To				
	Electric	Water	Annex V, 16/17	Capital Projects Funds	Total
Electric Fund:					
Water	\$ 285,804	\$ -	-	\$ -	\$ 285,804
Electric Rate Stabilization Fund	(25,750)	-	-	25,750	-
2014 Electric Connect Fund	2,606	-	-	(2,606)	-
2014 LED Lighting Fund	85,193	-	-	(85,193)	-
2014 Water Connect Fund	255	-	-	(255)	-
Fleet Maintenance Fund	(495,516)	-	-	-	(495,516)
Water Fund:					
Electric	-	(285,804)	-	-	(285,804)
Annex V Reserve Fund	-	(79,281)	-	79,281	-
2014 Water Connect Fund	-	24,063	-	(24,063)	-
2014 Water/Wastewater Fund	-	1,059,522	-	(1,059,522)	-
2013 P.O. Hoffer, Phase I Rev Loan Fund	-	1,611,589	-	(1,611,589)	-
Annex V, 16-17	-	333,080	(333,080)	-	-
Annex V, 18-19	-	63,440	-	(63,440)	-
Annex V, 20-21	-	2,844	-	(2,844)	-
2016 Water/Wastewater	-	(379,371)	-	379,371	-
Fleet Maintenance Fund	-	(1,624,904)	-	-	(1,624,904)
Due To total	\$ (147,408)	\$ 725,178	\$ (333,080)	\$ (2,365,110)	\$ (2,120,420)
Fleet Fund:					
Fleet Maintenance Fund	\$ 495,516.00	\$ 1,624,904.00		\$ -	\$ 2,120,420.00

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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, 2017

Note 17 – 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	\$ (59,982)	\$ -	\$ 59,982	\$ -	\$ -
transfer to Electric Rate Stabilization Fund	(473,273)	-	-	-	473,273
transfer to Series 2016 LED Lighting CPF	(1,386)	-	-	-	1,386
transfer to Annexation Ph V Reserve	(2,666,116)	-	-	2,666,116	-
transfer to Electric (from Series 2014 Electric Connect Fund)	3,348,860	-	-	-	(3,348,860)
transfer to Electric (from Series 2014 LED Lighting CPF Fund)	2,458,375	-	-	-	(2,458,375)
Water Fund:					
transfer to Fleet Maintenance Fund	-	(59,982)	59,982	-	-
transfer to Water Rate Stabilization Fund	-	(250,000)	-	-	250,000
transfer to Series 2014 Water & Wastewater Fund	-	(1,364,443)	-	-	1,364,443
transfer to Series 2016 Water & Wastewater Fund	-	(3,009,832)	-	-	-
transfer to Annexation V Reserve Fund	-	(3,074,739)	-	3,074,739	-
transfer to Water (from Water Rate Stabilization Fund)	-	4,918,000	-	-	(4,918,000)
transfer to Water (from Annexation V, 8-13)	-	575,749	-	-	(575,749)
transfer to Water (from Annexation V, 14&15)	-	931,287	-	-	(931,287)
transfer to Water (from Annexation V, 16&17)	-	16,951,540	-	-	(16,951,540)
transfer to Water (from 2013 PO HOFFER PH 1 SRL Fund)	-	789,480	-	-	(789,480)
transfer to Water (from Series 2014 Water Connect Bond Proceeds)	-	5,738,894	-	-	(5,738,894)
transfer to Water (from Series 2016 Water Connect Bond Proceeds)	-	3,000,000	-	-	(3,000,000)
transfer to Water (from Annexation V Reserve Fund)	-	2,493,564	-	(2,493,564)	-
transfer to Water (from NCDOT Prj Fund)	-	121,832	-	-	(121,832)
transfer to Water (from 2014 Water Wastewater)	-	22,349,368	-	-	(22,349,368)
transfer to Water (from 2016 Water Wastewater)	-	5,914,837	-	-	(5,914,837)
transfer to Annexation V Reserve (from Annex V Reserve, 16-17)	-	-	-	(234,567)	234,567
transfer to Annexation V Reserve 8-13 (from Annexation V Reserve)	-	-	-	(33)	33
transfer to Annexation V Reserve 18-19 (from Annexation V Reserve)	-	-	-	(1,767,726)	1,767,726
transfer to Annexation V Reserve 19-20 (from Annexation V Reserve)	-	-	-	(485,435)	485,435
	<u>\$ 2,606,478</u>	<u>\$ 56,025,555</u>	<u>\$ 119,964</u>	<u>\$ 759,530</u>	<u>\$ (62,521,359)</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.

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

Notes to the Financial Statements (concluded)

June 30, 2017

Note 18 – 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. In 2016 The PWC estimated claims related to prior fiscal years to total approximately \$7.2 million. This was in addition to the approximately \$1.5 million of claims related to fiscal year 2016 as described above. The total claim amount was booked as a liability for the fiscal year ended June 30, 2016. The actual amount of the claims that are to be paid to the customers noted above resulted in a \$1.6 million decrease to the original estimate. As such, the total claim liability has been reduced by \$1.6 million in 2017 to \$5.6 million. The final claims remaining are expected to be paid to the customers entitled thereto during the fiscal year ending June 30, 2018, and in accordance with the provisions of the bond order.

Note 19 – Restatement Applicable to Prior Year

The Commission has determined that the calculation of Net Investment in Capital Assets reported in the Electric and Water and Wastewater funds for the fiscal year ended June 30, 2016 had a misclassification of net position between Net Investment in Capital Assets and Unrestricted Net Position in each fund. The reclassification is necessary to increase Net Investment in Capital Assets at June 30, 2016 by \$17,046,370 and \$69,716,023 in the Electric and Water and Wastewater funds, respectively, and decreases the Unrestricted Net Position by \$17,046,370 and \$69,716,023 in the Electric and Water and Wastewater funds, respectively. There is no effect on the change in net position or total net position as of and for the year ended June 30, 2016 as a result of the reclassification.

Note 20 – Subsequent Events

The Commission has evaluated events subsequent to October 18, 2017 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

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

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Required Supplementary Information

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/13	-	\$ 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%
6/30/17	-	34,277,830	34,277,830	0.00%	38,396,209	89.27%

**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

Year Ended June 30	Annual Required Contribution	Actual Amount Contributed	Percentage of Annual Required Contribution
2013	\$ 2,140,755	\$ 1,135,031	53.02%
2015	2,832,992	1,405,232	49.60%
2017	2,790,258	2,066,658	74.07%

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, 2017
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*	7.0% - 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 Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PWC'S proportion of the net pension liability (asset) (%)	0.5647%	0.5617%	0.5597%	0.5439%
PWC's proportion of the net pension liability (asset) (\$)	\$ 11,984,401	\$ 2,521,055	\$ (3,301,280)	\$ 6,556,084
PWC's covered-employee payroll	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227	\$ 34,013,831
PWC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.55%	7.00%	-9.29%	19.27%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

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

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

Last Four Fiscal Years*

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

* Information is not available for years prior to 2014.

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

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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, 2017

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Total
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 11,433,452	\$ -	\$ -	\$ -	\$ 11,433,452
Investments	69,642,878	-	-	-	69,642,878
Receivables	29,506,499	-	-	-	29,506,499
Internal balances	(147,408)	25,750	(2,606)	(85,192)	(209,456)
Less allowance for doubtful accounts	(262,245)	-	-	-	(262,245)
Inventories	13,339,770	-	-	-	13,339,770
Other current assets	1,943,367	-	-	-	1,943,367
Total current unrestricted assets	125,456,313	25,750	(2,606)	(85,192)	125,394,265
Current restricted assets					
Cash and cash equivalents	45,753,009	17,979,741	3,303,646	9,835,443	76,871,839
Investments	17,883,277	25,427,977	-	-	43,311,254
Collateral	420,921	-	-	-	420,921
Receivables	73,227	131,910	-	-	205,137
Total current restricted assets	64,130,434	43,539,628	3,303,646	9,835,443	120,809,151
Total current assets	189,586,747	43,565,378	3,301,040	9,750,251	246,203,416
Noncurrent assets					
Other assets	293,550	-	-	-	293,550
Capital assets:					
Land and land rights	6,559,196	-	-	-	6,559,196
Construction in process	21,281,451	-	-	525,289	21,806,740
Electric utility systems	196,966,545	-	-	-	196,966,545
Buildings	23,517,035	-	-	-	23,517,035
Equipment and machinery	8,234,192	-	-	-	8,234,192
Computer programs	1,033,715	-	-	-	1,033,715
Intangibles	8,699,260	-	-	-	8,699,260
Vehicles	3,446,542	-	-	-	3,446,542
Office equipment	222,993	-	-	-	222,993
Capital assets, net	269,960,929	-	-	525,289	270,486,218
Total noncurrent assets	270,254,479	-	-	525,289	270,779,768
Total assets	459,841,226	43,565,378	3,301,040	10,275,540	516,983,184
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	283,353	-	-	-	283,353
Regulatory asset - coal ash	15,693,819	-	-	-	15,693,819
Contributions to pension plan in current fiscal year	6,691,514	-	-	-	6,691,514
Total deferred outflows of resources	22,668,686	-	-	-	22,668,686
LIABILITIES					
Current liabilities to be paid from unrestricted current assets					
Current portion of long-term liabilities	3,549,365	-	-	-	3,549,365
Accounts payable and accrued expenses	21,748,421	-	-	-	21,748,421
Total current liabilities to be paid from unrestricted current assets	25,297,786	-	-	-	25,297,786
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	7,955,666	-	138,399	22,684	8,116,749
Total current liabilities to be paid from restricted current assets	7,955,666	-	138,399	22,684	8,116,749
Total current liabilities	33,253,452	-	138,399	22,684	33,414,535
Noncurrent liabilities					
Long-term liabilities	43,229,163	-	-	-	43,229,163
Net pension liability	5,037,751	-	-	-	5,037,751
Other liabilities	11,323,517	-	-	-	11,323,517
Unearned deposits	6,908	-	-	-	6,908
Total noncurrent liabilities	59,597,339	-	-	-	59,597,339
Total liabilities	92,850,791	-	138,399	22,684	93,011,874
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	180,572	-	-	-	180,572
Total deferred inflows of resources	180,572	-	-	-	180,572
NET POSITION					
Net investment in capital assets	242,166,101	-	-	525,289	242,691,390
Restricted for -					
Renewable energy	6,593,822	-	-	-	6,593,822
Debt service	299	-	-	-	299
Other internal restrictions	49,580,647	43,539,628	-	-	93,120,275
Unrestricted Net Position	91,137,680	25,750	3,162,641	9,727,567	104,053,638
Total Net Position	\$ 389,478,549	\$ 43,565,378	\$ 3,162,641	\$ 10,252,856	\$ 446,459,424

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, 2017

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Total
Operating revenues					
Residential, commercial, and industrial service	\$ 189,216,095	\$ -	\$ -	\$ -	\$ 189,216,095
Other charges for services	36,611,923	-	-	-	36,611,923
Total operating revenues	<u>225,828,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,828,018</u>
Operating expenses					
Power supply and generation	141,770,054	-	-	-	141,770,054
Electric operation	15,148,402	-	-	-	15,148,402
General and administrative	16,877,170	-	-	-	16,877,170
Depreciation	16,152,792	-	-	-	16,152,792
Total operating expenses	<u>189,948,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,948,418</u>
Operating income	<u>35,879,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,879,600</u>
Nonoperating revenue (expense)					
Intergovernmental expense	(1,200,000)	-	-	-	(1,200,000)
Payment in lieu of taxes	(9,966,765)	-	-	-	(9,966,765)
Interest earned on investments	782,518	475,166	-	-	1,257,684
Gain (loss) on disposal of assets	(1,995,747)	-	-	-	(1,995,747)
Interest expense	(1,353,372)	-	-	-	(1,353,372)
Amortization	(175,081)	-	-	-	(175,081)
Finance costs	(8,040)	-	-	-	(8,040)
Total nonoperating revenue (expense)	<u>(13,916,487)</u>	<u>475,166</u>	<u>-</u>	<u>-</u>	<u>(13,441,321)</u>
Income before transfers and contributions	<u>21,963,113</u>	<u>475,166</u>	<u>-</u>	<u>-</u>	<u>22,438,279</u>
Contributions	1,109,808	-	-	-	1,109,808
Transfers in	5,807,236	473,272	-	1,386	6,281,894
Transfers out	(3,200,757)	-	(3,348,860)	(2,458,375)	(9,007,992)
Change in Net Position	<u>25,679,400</u>	<u>948,438</u>	<u>(3,348,860)</u>	<u>(2,456,989)</u>	<u>20,821,989</u>
Total Net Position - beginning	<u>363,799,149</u>	<u>42,616,940</u>	<u>6,511,501</u>	<u>12,709,845</u>	<u>425,637,435</u>
Total Net Position - ending	<u>\$ 389,478,549</u>	<u>\$ 43,565,378</u>	<u>\$ 3,162,641</u>	<u>\$ 10,252,856</u>	<u>\$ 446,459,424</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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017			2016
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Electric operations				
Residential, commercial, and industrial sales	\$ 196,156,200	\$ (6,940,105)	\$ 189,216,095	\$ 187,338,732
Other sales of electric	11,429,000	(294,595)	11,134,405	11,139,205
Wholesale power cost adjustment	(1,100,000)	(18,079)	(1,118,079)	29,917
City Services	1,389,100	25,389	1,414,489	1,360,608
Non-utility charges	1,703,900	(32,979)	1,670,921	1,951,992
Service charges	6,823,800	(386,014)	6,437,786	6,085,918
Miscellaneous	14,545,500	2,526,901	17,072,401	13,761,401
Total operating revenues	<u>230,947,500</u>	<u>(5,119,482)</u>	<u>225,828,018</u>	<u>221,667,773</u>
Non-operating revenues				
Interest earned on investments	1,000,000	(217,482)	782,518	790,228
Total non-operating revenues	<u>1,000,000</u>	<u>(217,482)</u>	<u>782,518</u>	<u>790,228</u>
Contributions				
Contributions	2,078,000	(968,192)	1,109,808	2,207,048
Total contributions	<u>2,078,000</u>	<u>(968,192)</u>	<u>1,109,808</u>	<u>2,207,048</u>
Transfers in				
Transfer from Electric Rate Stabilization Fund	-	-	-	6,920,000
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,920,000</u>
Budgetary appropriations				
Reserve for REPS	2,600,000	(41,968)	2,558,032	1,256,392
Reserve for Electric capital project	-	-	-	1,005,445
Transfer from WPCA reserve	-	-	-	2,225,255
Appropriated net position	11,764,800	(11,764,800)	-	-
Total budgetary appropriations	<u>14,364,800</u>	<u>(11,806,768)</u>	<u>2,558,032</u>	<u>4,487,092</u>
Total revenues	<u>\$ 248,390,300</u>	<u>\$ (18,111,924)</u>	<u>\$ 230,278,376</u>	<u>\$ 236,072,141</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 146,082,150	\$ 4,312,096	\$ 141,770,054	\$ 141,085,995
Administration	1,700,200	1,062,766	637,434	471,262
Apparatus repair shop	421,150	38,598	382,552	351,785
Electric meter shop	366,200	87,593	278,607	304,580
Construction and maintenance	9,018,900	998,470	8,020,430	8,271,135
Substation construction	2,531,000	437,308	2,093,692	2,130,875
Engineering	3,140,200	452,432	2,687,768	2,667,696
Fiber	244,100	34,616	209,484	266,603
SCADA	-	(2,472)	2,472	(1,702)
CT metering crews	362,100	68,864	293,236	297,435
Compliance	1,291,800	749,073	542,727	618,948
Overhead clearing	-	-	-	(340)
Total electric operations	<u>165,157,800</u>	<u>8,239,344</u>	<u>156,918,456</u>	<u>156,464,272</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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017			2016 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,118,200	\$ 231,874	\$ 886,326	\$ 1,070,667
Internal audit	53,350	3,369	49,981	2,350
Communications and community relations	722,400	10,075	712,325	705,625
Financial administration	236,450	24,676	211,774	169,954
Human resources	905,350	(671)	906,021	826,022
Accounting	483,450	53,357	430,093	406,034
Accounts receivable	715,700	16,362	699,338	693,311
Payroll	63,200	55	63,145	62,282
Customer accounts	1,826,150	16,380	1,809,770	1,806,040
Utility field services	1,103,000	167,726	935,274	1,128,508
Corporate development	856,000	99,764	756,236	653,580
Risk management	963,500	271,836	691,664	571,079
Collections	1,542,750	654,389	888,361	1,604,799
Capital Projects	408,400	75	408,325	366,140
Rates	215,900	60,655	155,245	200,761
Budget	138,700	16,205	122,495	138,170
Purchasing	271,350	36,458	234,892	282,058
Warehouse	443,200	19	443,181	380,896
Fleet maintenance	1,648,150	650,252	997,898	906,032
Facilities maintenance	340,450	(4,685)	345,135	285,363
Customer programs and call center	662,850	70	662,780	512,594
Corporate services administration	142,700	(8,408)	151,108	168,218
Development and marketing	595,600	93	595,507	459,136
Telecommunications systems	1,616,900	136,401	1,480,499	1,400,815
Information systems	3,808,700	1,760,176	2,048,524	2,844,690
Medical insurance	4,126,500	(437,856)	4,564,356	4,679,898
Other	4,700,550	2,355,315	2,345,235	3,004,859
Allocated rent and fiber clearing	(1,387,800)	660,188	(2,047,988)	(2,102,465)
Overhead clearing	(5,112,200)	(428,506)	(4,683,694)	(4,223,211)
Total general and administrative	23,209,450	6,345,644	16,863,806	19,004,205
Total operating expenditures	188,367,250	14,584,988	173,782,262	175,468,477
Non-operating expenditures				
Intergovernmental expense	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -
Payment in lieu of taxes	9,966,800	35	9,966,765	9,487,800
Loss on asset disposal	-	(1,995,746)	1,995,746	1,697,261
Interest expense	1,634,300	45,598	1,588,702	899,570
Finance costs	17,900	9,860	8,040	101,321
Total non-operating expenditures	12,819,000	(1,940,253)	14,759,253	12,185,952

**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, 2017
(with comparative actual amounts for the year ended June 30, 2016)**

	2017			2016
	Budget	Variance Positive (Negative)	Actual	Actual
Transfers out				
Transfers to Electric Rate Stabilization Fund	\$ 473,300	\$ 27	\$ 473,273	\$ 809,227
Transfers to Annexation V Reserve Fund	2,666,100	(16)	2,666,116	3,101,200
Transfers to Fleet Maintenance Fund	60,000	18	59,982	27,493
Total transfers out	<u>3,199,400</u>	<u>29</u>	<u>3,199,371</u>	<u>3,937,920</u>
Budgetary appropriations				
Inventory increase (decrease)	-	(136,636)	136,636	(121,554)
Vehicle and equipment increase (decrease)	-	365,658	(365,658)	(685,659)
Debt principal payments	2,315,700	(49,321)	2,365,021	1,658,154
Transfer to REPS Reserve	2,212,800	8,037	2,204,763	2,201,464
BWGP Start up Cost Reserve	100,000	(32,391)	132,391	8,364
Capital outlay	22,029,650	1,949,180	20,080,470	15,600,240
Transfer to WPCA Reserve	-	-	-	12,500
Transfer to Coal Ash Reserve	17,346,500	-	17,346,500	10,000,000
Total budgetary appropriations	<u>44,004,650</u>	<u>2,104,527</u>	<u>41,900,123</u>	<u>28,673,509</u>
Total expenditures	<u>\$ 248,390,300</u>	<u>\$ 14,749,291</u>	<u>\$ 233,641,009</u>	<u>\$ 220,265,858</u>
Reconciliation of change in Net Position				
Total revenues		\$ (18,111,924)	\$ 230,278,376	\$ 236,072,141
Total expenditures		<u>14,749,291</u>	<u>233,641,009</u>	<u>220,265,858</u>
Subtotal		<u>\$ (3,362,633)</u>	<u>(3,362,633)</u>	<u>15,806,283</u>
Reconciling items:				
Budgetary appropriations			39,342,091	24,186,417
Depreciation			(16,152,792)	(15,786,978)
Amortization for refunding			60,249	(175,081)
OPEB expense			(253,604)	(527,879)
LGERS expense			240,240	1,082,672
Series 2014 Electric Connect Bond Proceeds			-	(1,167,269)
Series 2016 Electric Connect Bond Proceeds			-	(5,463,000)
Series 2016 LED Conversion Bond Proceeds			(1,386)	(10,000,000)
Transfer of assets (to)/from the 2014 Electric Connect Capital Project Fund			3,348,860	8,049,310
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			2,458,375	3,197,481
Transfer of assets (to)/from the Clean Fuel Adv Tech Grant Fund			-	34,375
Total reconciling items			<u>29,042,033</u>	<u>3,430,048</u>
Change in Net Position			<u>\$ 25,679,400</u>	<u>\$ 19,236,331</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, 2017

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	5,060,000	4,611,688	475,166	5,086,854
Total revenues	<u>9,229,725</u>	<u>8,781,413</u>	<u>475,166</u>	<u>9,256,579</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>9,229,725</u>	<u>8,781,413</u>	<u>475,166</u>	<u>9,256,579</u>
Other financing sources (uses)				
Transfer from Electric Fund	69,377,155	69,127,200	250,000	69,377,200
Transfer from Electric Fund - WPCA	3,831,700	3,861,615	-	3,861,615
Transfer from Electric Fund - True-up credits	753,173	459,212	223,272	682,484
Transfer to Electric Fund	(35,850,900)	(35,850,900)	-	(35,850,900)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,600)	-	(3,761,600)
Appropriated Net Position	(43,579,253)	-	-	-
Total other financing sources (uses)	<u>(9,229,725)</u>	<u>33,835,527</u>	<u>473,272</u>	<u>34,308,799</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 42,616,940</u>	<u>948,438</u>	<u>\$ 43,565,378</u>
Reconciling items:				
Change in Net Position			<u>\$ 948,438</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 4,985	\$ 18,579	\$ 23,564
Total revenues	<u>-</u>	<u>4,985</u>	<u>18,579</u>	<u>23,564</u>
Expenditures				
Construction	-	15,454,387	1,532,849	16,987,236
Engineering	-	112,439	-	112,439
Other	-	112,005	-	112,005
Total expenditures	<u>20,350,800</u>	<u>15,678,831</u>	<u>1,532,849</u>	<u>17,211,680</u>
Revenues under expenditures	<u>(20,350,800)</u>	<u>(15,673,846)</u>	<u>(1,514,270)</u>	<u>(17,188,116)</u>
Other financing sources				
2014 Revenue Bond Proceeds	14,887,800	14,887,757	-	14,887,757
2016 Revenue Bond Proceeds	5,463,000	5,463,000	-	5,463,000
Total other financing sources	<u>20,350,800</u>	<u>20,350,757</u>	<u>-</u>	<u>20,350,757</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 4,676,911</u>	<u>(1,514,270)</u>	<u>\$ 3,162,641</u>
Reconciling items:				
Capital outlay			1,514,270	
Transfer of assets (to)/from the Electric Fund			(3,348,860)	
Change in Net Position			<u>\$ (3,348,860)</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 5,332	\$ 40,383	\$ 45,715
Total revenues	<u>-</u>	<u>5,332</u>	<u>40,383</u>	<u>45,715</u>
Expenditures				
Construction	-	4,116,053	2,595,085	6,711,138
Total expenditures	<u>18,402,989</u>	<u>4,116,053</u>	<u>2,595,085</u>	<u>6,711,138</u>
Revenues under expenditures	<u>(18,402,989)</u>	<u>(4,110,721)</u>	<u>(2,554,702)</u>	<u>(6,665,423)</u>
Other financing sources				
Transfer from Electric REPS Reserve	3,500,000	1,490,000	-	1,490,000
2014 Revenue Bond Proceeds	4,901,603	4,901,603	-	4,901,603
2016 Revenue Bond Proceeds	10,001,386	10,000,000	1,386	10,001,386
Total other financing sources	<u>18,402,989</u>	<u>16,391,603</u>	<u>1,386</u>	<u>16,392,989</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 12,280,882</u>	<u>(2,553,316)</u>	<u>\$ 9,727,566</u>
Reconciling items:				
Capital outlay			2,554,702	
Transfer of assets (to)/from the Electric Fund			(2,458,375)	
Change in Net Position			<u>\$ (2,456,989)</u>	

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

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2017

	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	Series 2014 Water/Wastewater Capital Project Fund
ASSETS							
Current unrestricted assets							
Cash and cash equivalents	\$ 149,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	28,334,667	-	-	-	-	-	-
Receivables	15,800,538	-	-	-	-	-	-
Internal balances	725,177	-	79,281	-	-	(24,318)	(1,059,522)
Less Allowance for doubtful accounts	(92,949)	-	-	-	-	-	-
Inventories	2,336,846	-	-	-	-	-	-
Other current assets	730,114	-	-	-	-	-	-
Total current unrestricted assets	47,984,158	-	79,281	-	-	(24,318)	(1,059,522)
Current restricted assets							
Cash and cash equivalents	17,353,613	322,813	26,094,568	-	-	2,418,185	6,740,141
Investments	7,213,072	-	-	-	-	-	-
Receivables	24,818	-	-	-	-	-	248,783
Total current restricted assets	24,591,503	322,813	26,094,568	-	-	2,418,185	6,988,924
Total current assets	72,575,661	322,813	26,173,849	-	-	2,393,867	5,929,402
Noncurrent assets							
Other assets	84,979	-	-	-	-	-	-
Capital Assets:							
Land and land rights	10,634,318	-	-	-	-	-	29
Construction in process	18,087,953	-	-	-	-	-	8,717,538
Water system	231,008,026	-	-	-	-	-	-
Sewer system	330,384,496	-	-	-	-	-	-
Buildings	2,759,682	-	-	-	-	-	-
Equipment and machinery	2,542,653	-	-	-	-	-	-
Computer equipment	886,594	-	-	-	-	-	-
Intangibles	6,425,271	-	-	-	-	-	-
Vehicles	4,018,879	-	-	-	-	-	-
Office equipment	25,112	-	-	-	-	-	-
Capital assets, net	606,772,984	-	-	-	-	-	8,717,567
Total noncurrent assets	606,857,963	-	-	-	-	-	8,717,567
Total assets	679,433,624	322,813	26,173,849	-	-	2,393,867	14,646,969
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	5,022,369	-	-	-	-	-	-
Contributions to pension plan in current fiscal year	7,780,831	-	-	-	-	-	-
Total deferred outflows of resources	12,803,200	-	-	-	-	-	-

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

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2017

2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,765
-	-	-	-	-	-	-	28,334,667
-	-	-	-	-	-	-	15,800,538
(1,611,589)	(333,080)	(63,440)	-	379,371	(2,844)	-	(1,910,964)
-	-	-	-	-	-	-	(92,949)
-	-	-	-	-	-	-	2,336,846
-	-	-	-	-	-	-	730,114
(1,611,589)	(333,080)	(63,440)	-	379,371	(2,844)	-	45,348,017
-	5,391,729	-	-	25,221,033	-	1,151,800	84,693,882
-	-	-	1,885,612	-	-	-	9,098,684
1,615,774	110,281	31,419	-	49,039	-	-	2,080,114
1,615,774	5,502,010	31,419	1,885,612	25,270,072	-	1,151,800	95,872,680
4,185	5,168,930	(32,021)	1,885,612	25,649,443	(2,844)	1,151,800	141,220,697
-	-	-	-	-	-	-	84,979
-	-	-	-	-	-	-	10,634,347
-	-	3,591,323	-	1,161,597	571,117	-	32,129,528
-	-	-	-	-	-	-	231,008,026
-	-	-	-	-	-	-	330,384,496
-	-	-	-	-	-	-	2,759,682
-	-	-	-	-	-	-	2,542,653
-	-	-	-	-	-	-	886,594
-	-	-	-	-	-	-	6,425,271
-	-	-	-	-	-	-	4,018,879
-	-	-	-	-	-	-	25,112
-	-	3,591,323	-	1,161,597	571,117	-	620,814,588
-	-	3,591,323	-	1,161,597	571,117	-	620,899,567
4,185	5,168,930	3,559,302	1,885,612	26,811,040	568,273	1,151,800	762,120,264
-	-	-	-	-	-	-	5,022,369
-	-	-	-	-	-	-	7,780,831
-	-	-	-	-	-	-	12,803,200

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

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2017

	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	Series 2014 Water/Wastewater Capital Project Fund
LIABILITIES							
Current liabilities to be paid from unrestricted current assets							
Current portion of long-term liabilities	\$ 17,848,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	11,853,572	-	-	-	-	-	-
Total current liabilities to be paid from unrestricted current assets	29,702,388	-	-	-	-	-	-
Current liabilities to be paid from restricted current assets							
Accounts payable and accrued expenses	5,039,221	-	-	-	-	13,963	1,250,671
Total current liabilities to be paid from restricted current assets	5,039,221	-	-	-	-	13,963	1,250,671
Total current liabilities	34,741,609	-	-	-	-	13,963	1,250,671
Noncurrent liabilities							
Long-term liabilities	244,097,169	-	-	-	-	-	-
Net pension liability	5,992,206	-	-	-	-	-	-
Other liabilities	51,806	-	-	-	-	-	-
Unearned deposits	835,547	-	-	-	-	-	-
Total noncurrent liabilities	250,976,728	-	-	-	-	-	-
Total liabilities	285,718,337	-	-	-	-	13,963	1,250,671
DEFERRED INFLOWS OF RESOURCES							
Pension deferral	209,969	-	-	-	-	-	-
Total deferred inflows of resources	209,969	-	-	-	-	-	-
NET POSITION							
Net investment in capital assets	380,786,346	-	-	-	-	-	8,396,526
Restricted for -							
Capital Projects	-	-	-	-	-	-	-
Debt service	1,995,013	-	-	-	-	-	-
Other internal restrictions	17,557,269	322,813	26,094,568	-	-	-	-
Unrestricted Net Position	5,969,890	-	79,281	-	-	2,379,904	4,999,772
Total Net Position	\$ 406,308,518	\$ 322,813	\$ 26,173,849	\$ -	\$ -	\$ 2,379,904	\$ 13,396,298

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

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2017

2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,848,816
-	-	-	-	-	-	-	11,853,572
-	-	-	-	-	-	-	29,702,388
4,186	1,123,066	506,329	980,000	2,068,939	82,837	-	11,069,212
4,186	1,123,066	506,329	980,000	2,068,939	82,837	-	11,069,212
4,186	1,123,066	506,329	980,000	2,068,939	82,837	-	40,771,600
15,890,541	-	-	-	-	-	-	259,987,710
-	-	-	-	-	-	-	5,992,206
-	-	-	-	-	-	-	51,806
-	-	-	-	-	-	-	835,547
15,890,541	-	-	-	-	-	-	266,867,269
15,894,727	1,123,066	506,329	980,000	2,068,939	82,837	-	307,638,869
-	-	-	-	-	-	-	209,969
-	-	-	-	-	-	-	209,969
-	-	3,527,108	-	1,121,964	571,117	-	394,403,061
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,995,013
1,611,588	-	-	905,612	-	-	-	46,491,850
(17,502,130)	4,045,864	(474,135)	-	23,620,137	(85,681)	1,151,800	24,184,702
\$ (15,890,542)	\$ 4,045,864	\$ 3,052,973	\$ 905,612	\$ 24,742,101	\$ 485,436	\$ 1,151,800	\$ 467,074,626

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, 2017

	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	Series 2014 Water/Wastewater Capital Project Fund
Operating revenues							
Residential, commercial, and industrial sales	\$ 78,888,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	7,672,449	-	-	-	-	-	-
Total operating revenues	<u>86,561,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses							
Water operations	14,898,419	-	-	-	-	-	-
Wastewater operations	16,007,573	-	-	-	-	-	-
General and administrative	16,506,956	-	-	-	-	-	-
Depreciation	22,733,251	-	-	-	-	-	-
Total operating expenses	<u>70,146,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	<u>16,414,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating revenue (expense)							
Intergovernmental revenue	1,463,287	-	-	-	-	-	-
Interest earned on investments	384,395	(13,786)	110,751	-	-	-	-
Gain (loss) on disposal of assets	(2,723,693)	-	-	-	-	-	-
Interest expense	(7,596,818)	-	-	-	-	-	-
Amortization	(502,715)	-	-	-	-	-	-
Finance costs	(63,840)	-	-	-	-	-	-
Total nonoperating revenue (expense)	<u>(9,039,384)</u>	<u>(13,786)</u>	<u>110,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers and contributions	<u>7,375,477</u>	<u>(13,786)</u>	<u>110,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Contributions	6,012,147	-	-	-	-	-	-
Special Item-Hope Mills	1,593,935	-	-	-	-	-	-
Transfers in	63,784,551	250,000	3,907,662	32	-	-	1,364,442
Transfers out	<u>(7,758,996)</u>	<u>(4,918,000)</u>	<u>(3,148,133)</u>	<u>(575,749)</u>	<u>(931,287)</u>	<u>(8,738,894)</u>	<u>(19,278,474)</u>
Change in Net Position	<u>71,007,114</u>	<u>(4,681,786)</u>	<u>870,280</u>	<u>(575,717)</u>	<u>(931,287)</u>	<u>(8,738,894)</u>	<u>(17,914,032)</u>
Total Net Position - beginning	<u>335,301,404</u>	<u>5,004,599</u>	<u>25,303,569</u>	<u>575,717</u>	<u>931,287</u>	<u>11,118,798</u>	<u>31,310,330</u>
Total Net Position - ending	<u>\$ 406,308,518</u>	<u>\$ 322,813</u>	<u>\$ 26,173,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,379,904</u>	<u>\$ 13,396,298</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, 2017

2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,888,611
-	-	-	-	-	-	1,151,800	8,824,249
-	-	-	-	-	-	1,151,800	87,712,860
-	-	-	-	-	-	-	14,898,419
-	-	-	-	-	-	-	16,007,573
-	-	-	-	-	-	-	16,506,956
-	-	-	-	-	-	-	22,733,251
-	-	-	-	-	-	-	70,146,199
-	-	-	-	-	-	1,151,800	17,566,661
-	-	-	-	-	-	-	1,463,287
-	-	-	-	-	-	-	481,360
-	-	-	-	-	-	-	(2,723,693)
-	-	-	-	-	-	-	(7,596,818)
-	-	-	-	-	-	-	(502,715)
-	-	-	-	-	-	-	(63,840)
-	-	-	-	-	-	-	(8,942,419)
-	-	-	-	-	-	1,151,800	8,624,242
-	-	-	-	-	-	-	6,012,147
-	-	-	-	-	-	-	1,593,935
-	101,275	1,767,727	3,070,250	3,009,832	485,436	-	77,741,207
(789,480)	(16,818,247)	-	(3,192,082)	(8,985,731)	-	-	(75,135,073)
(789,480)	(16,716,972)	1,767,727	(121,832)	(5,975,899)	485,436	1,151,800	18,836,458
(15,101,062)	20,762,836	1,285,246	1,027,444	30,718,000	-	-	448,238,168
\$ (15,890,542)	\$ 4,045,864	\$ 3,052,973	\$ 905,612	\$ 24,742,101	\$ 485,436	\$ 1,151,800	\$ 467,074,626

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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017			2016
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Water operations				
Residential, commercial, and industrial sales	\$ 34,698,600	\$ 1,165,539	\$ 35,864,139	\$ 33,688,288
Other sales of water	2,966,200	144,259	3,110,459	2,362,384
Connection fees	210,000	87,232	297,232	247,239
City services	269,800	17,927	287,727	285,865
Total water operations	38,144,600	1,414,957	39,559,557	36,583,776
Wastewater operations				
Residential, commercial, and industrial sales	41,922,800	1,101,672	43,024,472	40,853,615
Other sales of wastewater	359,700	270,310	630,010	(215,894)
Connection fees	180,000	(56,409)	123,591	171,375
City services	92,500	30,599	123,099	125,163
Total wastewater operations	42,555,000	1,346,172	43,901,172	40,934,259
Other operating revenues				
Non-utility charges	1,103,400	129,092	1,232,492	1,292,345
Service charges	1,955,400	(114,934)	1,840,466	1,844,611
Miscellaneous	268,600	(241,227)	27,373	85,746
Total other operating revenues	3,327,400	(227,069)	3,100,331	3,222,702
Total operating revenues	84,027,000	2,534,060	86,561,060	80,740,737
Non-operating revenues				
Intergovernmental revenue	1,603,000	(139,713)	1,463,287	413,949
Gain (loss) on asset disposal	-	(2,723,693)	(2,723,693)	(7,180,642)
Interest earned on investments	650,000	(265,605)	384,395	460,470
Total non-operating revenues	2,253,000	(3,129,011)	(876,011)	(6,306,223)
Contributions				
Contributions	1,923,200	(737,829)	1,185,371	1,706,889
Total contributions	1,923,200	(737,829)	1,185,371	1,706,889
Transfers in				
Transfer from Annexation Phase V Reserve Fund	2,835,800	(342,236)	2,493,564	2,234,362
Transfer from Water Rate Stabilization Fund	4,918,000	-	4,918,000	-
Total transfers in	7,753,800	(342,236)	7,411,564	2,234,362
Budgetary appropriations				
Department of Transportation financing	-	-	-	(3,456,159)
Reserve for NCDOT projects	-	-	-	5,486,858
Reserve for W/WW capital projects	1,517,000	(972,475)	544,525	1,406,125
Appropriation of Net Position	4,736,900	(3,870,943)	865,957	-
Total budgetary appropriations	6,253,900	(4,843,418)	1,410,482	3,436,824
Total revenues	\$ 102,210,900	\$ (6,518,434)	\$ 95,692,466	\$ 81,812,589
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,964,350	\$ 488,789	\$ 1,475,561	\$ 1,424,743
Water meter shop	234,100	99,998	134,102	147,793
Water maintenance and repair	5,275,650	727	5,274,923	4,739,180
Contract system maintenance	99,540	9	99,531	64,683
P. O. Hoffer water treatment plant	5,137,240	478,700	4,658,540	4,503,619
Glenville Lake water treatment plant	2,675,540	226,970	2,448,570	2,642,732
Environmental system protection	243,550	15,404	228,146	181,483
Laboratory	283,250	11,732	271,518	250,571
Environmental	116,450	6	116,444	111,581
Watersheds	191,200	116	191,084	158,812
Overhead clearing	-	-	-	137
Total water operations	16,220,870	1,322,451	14,898,419	14,225,334

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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

		2017 Variance Positive (Negative)		2016 Actual
	Budget		Actual	
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,964,350	\$ 488,789	\$ 1,475,561	\$ 1,424,743
Sewer maintenance and repair	7,636,790	308	7,636,482	7,129,044
Contract system maintenance	66,360	6	66,354	43,122
Cross Creek WW treatment plant	2,842,440	138	2,842,302	2,717,075
Rockfish Creek WW treatment plant	3,035,940	173	3,035,767	2,950,440
Residuals management	343,600	8,601	334,999	263,303
Environmental system protection	243,550	15,404	228,146	181,483
Laboratory	283,250	11,732	271,518	250,571
Environmental	116,450	6	116,444	111,581
Total wastewater operations	<u>16,532,730</u>	<u>525,157</u>	<u>16,007,573</u>	<u>15,071,362</u>
General and administrative				
Executive	662,000	274,837	387,163	514,516
Internal audit	53,350	3,369	49,981	2,350
Communications and community relations	716,500	12,764	703,736	690,064
Financial administration	236,450	24,676	211,774	167,304
Human resources	891,850	(194)	892,044	817,521
Accounting	483,750	61,449	422,301	403,692
Accounts receivable	715,700	18,393	697,307	641,876
Payroll	62,900	(3)	62,903	61,342
Customer accounts	1,826,150	23,703	1,802,447	1,795,212
Utility field service	1,194,900	241,285	953,615	1,179,879
Corporate development	856,000	110,586	745,414	654,555
Risk management	937,000	321,524	615,476	482,601
Collections	679,250	7,145	672,105	822,624
Capital projects	405,200	66	405,134	363,676
Rates	165,900	43,677	122,223	139,310
Budget	138,700	13,585	125,115	136,951
Purchasing	271,350	40,564	230,786	278,274
Warehouse	422,500	31,586	390,914	361,802
Fleet maintenance	1,648,950	52,883	1,596,067	1,372,057
Facilities maintenance	339,650	1,446	338,204	281,404
Customer programs administration and call center	641,550	102	641,448	475,112
Corporate services administration	142,700	12,233	130,467	154,250
Development and marketing	375,100	158,538	216,562	248,112

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, 2017
 (with comparative actual amounts for the year ended June 30, 2016)

	2017			2016
	Budget	Variance Positive (Negative)	Actual	Actual
General and administrative (continued)				
Telecommunications systems	\$ 1,616,900	\$ 179,365	\$ 1,437,535	\$ 1,376,543
Information systems	3,808,700	1,770,423	2,038,277	2,760,448
Medical insurance	5,043,500	378,245	4,665,255	4,801,996
Other	1,583,000	254,399	1,328,601	1,117,001
Overhead clearing	(4,143,100)	1,254,303	(5,397,403)	(4,837,201)
Total general and administrative	21,776,400	5,290,949	16,485,451	17,263,271
Total operating expenditures	54,530,000	7,138,557	47,391,443	46,559,967
Non-operating expenditures				
Payment in lieu of taxes	-	-	-	60,000
Interest expense	9,744,200	1,066,740	8,677,460	7,089,468
Finance costs	34,900	(28,940)	63,840	643,877
Total non-operating expenditures	9,779,100	1,037,800	8,741,300	7,793,345
Special items				
Special item-Hope Mills	-	1,593,935	(1,593,935)	7,148,131
Total special items	-	1,593,935	(1,593,935)	7,148,131
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	3,144,900	70,161	3,074,739	3,570,911
Transfer to NCDOT Fund	-	-	-	5,155,694
Transfer to Fleet Maintenance Fund	60,000	18	59,982	27,493
Total transfers out	3,454,900	70,179	3,384,721	9,004,098
Budgetary appropriations				
Inventory increase (decrease)	-	394,393	(394,393)	(136,691)
Vehicle and equipment increase (decrease)	-	477,435	(477,435)	(766,712)
Debt principal payments	16,707,000	155,993	16,551,007	(73,423,081)
NCDOT project payments	-	-	-	331,163
Capital outlay	17,739,900	1,281,941	16,457,959	14,184,727
Total budgetary appropriations	34,446,900	2,309,762	32,137,138	(59,810,594)
Total expenditures	\$ 102,210,900	\$ 12,150,233	\$ 90,060,667	\$ 10,694,947

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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017		2016
	Variance Positive (Negative)		Actual
Reconciliation of change in Net Position	Budget	Actual	Actual
Total revenue	\$ (6,518,434)	\$ 95,692,466	\$ 81,812,589
Total expenditures	12,150,233	90,060,667	10,694,947
Subtotal	\$ 5,631,799	5,631,799	71,117,642
Reconciling items:			
Budgetary appropriations		30,726,656	(63,247,418)
Depreciation		(22,733,251)	(21,120,066)
Amortization for refunding		577,928	(502,715)
OPEB expense		(300,855)	(634,896)
LGERS expense		279,349	1,258,921
Developer and FIF credits		4,826,776	6,448,824
Series 2014 Annex 14 & 15 bond proceeds		931,287	-
Series 2014 Annex 8-13 bond proceeds		433,156	-
Series 2014 Water Connect bond proceeds		-	1,167,269
Series 2014 Water & Wastewater bond proceeds		(1,364,443)	-
Series 2016 Annex 16 & 17 bond proceeds		-	(19,887,000)
Series 2016 Water Connect bond proceeds		3,000,000	(7,275,000)
Series 2016 Water & Wastewater bond proceeds		(3,009,832)	(30,718,000)
Transfer of assets (to) / from Annexation Phase V, Areas 8-13		142,593	13,753
Transfer of assets (to) / from Annexation Phase V, Areas 14-15		-	(158,931)
Transfer of assets (to) / from Annexation Phase V, Areas 16-17		16,951,540	411,656
Transfer of assets (to) / from NCDOT Capital Project Fund		121,832	4,128,250
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund		5,738,894	12,442,732
Transfer of assets (to) / from Series 2014 Water/WW Capital Project Fund		22,349,368	15,172,408
Transfer of assets (to) / from Series 2016 Water/WW Capital Project Fund		5,914,837	15,172,408
Transfer of assets (to) / from Series 2014 Person St Sanitary Sewer Project Fund		-	15,101,062
Transfer of assets (to) / from Series 2013 PO Hoffer Phase 1 SRL Fund		789,480	-
Total reconciling items		65,375,315	(72,226,743)
Change in Net Position		\$ 71,007,114	\$ (1,109,101)

**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, 2017**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 385,000	\$ 421,599	\$ (13,786)	\$ 407,813
Total revenues	<u>385,000</u>	<u>421,599</u>	<u>(13,786)</u>	<u>407,813</u>
Other financing sources				
Transfer from Water and Wastewater Fund	7,000,000	6,750,000	250,000	7,000,000
Transfer to Water and Wastewater Fund	(7,085,000)	(2,167,000)	(4,918,000)	(7,085,000)
Appropriated Net Position	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(385,000)</u>	<u>4,583,000</u>	<u>(4,668,000)</u>	<u>(85,000)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 5,004,599</u>	<u>(4,681,786)</u>	<u>\$ 322,813</u>
Change in Net Position			<u>\$ (4,681,786)</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 175,000	\$ 77,624	\$ 110,751	\$ 188,375
Total revenues	<u>175,000</u>	<u>77,624</u>	<u>110,751</u>	<u>188,375</u>
Expenditures				
Interest	80,000	79,356	-	79,356
Total expenditures	<u>80,000</u>	<u>79,356</u>	<u>-</u>	<u>79,356</u>
Revenues over (under) expenditures	<u>95,000</u>	<u>(1,732)</u>	<u>110,751</u>	<u>109,019</u>
Other financing sources (uses)				
Transfer from Electric Fund	5,767,300	3,101,200	2,666,116	5,767,316
Assessments transfer	12,035,000	8,117,379	1,229,928	9,347,307
Transfer from Water and Wastewater Fund	12,610,701	10,765,812	1,844,811	12,610,623
Transfer (to) Water and Wastewater Fund	(7,847,236)	(5,353,671)	(2,493,564)	(7,847,235)
Transfer from the City	11,447,443	11,447,443	-	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	(729,548)	(729,517)	(32)	(729,549)
Transfer from (to) Annexation Phase V, Areas 14-15 Fund	(199,668)	(198,512)	-	(198,512)
Transfer from (to) Annexation Phase V, Areas 16-17 Fund	(613,000)	(1,287,491)	(234,567)	(1,522,058)
Transfer from (to) Annexation Phase V, Areas 18-19 Fund	(16,900,000)	(1,285,246)	(1,767,727)	(3,052,973)
Transfer from (to) Annexation Phase V, Areas 20-21 Fund	(16,000,000)	-	(485,436)	(485,436)
Appropriated Net Position	(393,895)	-	-	-
Total other financing sources (uses)	<u>(95,000)</u>	<u>25,305,300</u>	<u>759,529</u>	<u>26,064,829</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 25,303,568</u>	<u>870,280</u>	<u>\$ 26,173,849</u>
Reconciling items:				
Change in Net Position			<u>\$ 870,280</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on other investments	\$ -	\$ 178	\$ -	\$ 178
Total revenues	<u>-</u>	<u>178</u>	<u>-</u>	<u>178</u>
Expenditures				
Construction	-	19,548,114	142,559	19,690,673
Engineering	-	2,369,863	-	2,369,863
Rights of way	-	542,371	-	542,371
Less City of Fayetteville participation	-	(2,432,945)	-	(2,432,945)
Other	-	1,408,272	-	1,408,272
Total expenditures	<u>22,011,212</u>	<u>21,435,675</u>	<u>142,559</u>	<u>21,578,234</u>
Revenues under expenditures	<u>(22,011,212)</u>	<u>(21,435,497)</u>	<u>(142,559)</u>	<u>(21,578,056)</u>
Other financing sources				
Transfer from (to)Annexation Phase V Reserve Fund	729,548	729,516	32	729,548
Series 2009B Bond Proceeds	4,231,676	4,231,676	-	4,231,676
Series 2014 Bond Proceeds	17,049,988	17,049,988	(433,156)	16,616,832
Total other financing sources	<u>22,011,212</u>	<u>22,011,180</u>	<u>(433,124)</u>	<u>21,578,056</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 575,683</u>	<u>(575,683)</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			142,559	
Transfer of assets (to)/from the Water and Wastewater Fund			(142,593)	
Change in Net Position			<u>\$ (575,717)</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on other investments	\$ -	\$ 283	\$ -	\$ 283
Total revenues	<u>-</u>	<u>283</u>	<u>-</u>	<u>283</u>
Expenditures				
Construction		4,749,102	-	4,749,102
Engineering	-	523,831	-	523,831
Rights of way	-	78,434	-	78,434
City Participation	-	(481,629)	-	(481,629)
Other	-	372,650	-	372,650
Total expenditures	<u>6,200,000</u>	<u>5,242,388</u>	<u>-</u>	<u>5,242,388</u>
Revenues under expenditures	<u>(6,200,000)</u>	<u>(5,242,105)</u>	<u>-</u>	<u>(5,242,105)</u>
Other financing sources				
Series 2014 Annex 14-15 bond proceeds	5,973,724	5,974,880	(931,287)	5,043,593
Transfer from Annexation Phase V Reserve Fund	226,276	198,512	-	198,512
Total other financing sources	<u>6,200,000</u>	<u>6,173,392</u>	<u>(931,287)</u>	<u>5,242,105</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 931,287</u>	<u>(931,287)</u>	<u>\$ -</u>
Reconciling items:				
Change in Net Position			<u>\$ (931,287)</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, 2017**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 17,510	\$ 32,287	\$ 49,797
Total revenues	<u>-</u>	<u>17,510</u>	<u>32,287</u>	<u>49,797</u>
Expenditures				
Construction	-	18,784,042	2,784,450	21,568,492
Other	-	210,401	-	210,401
Total expenditures	<u>24,109,000</u>	<u>18,994,443</u>	<u>2,784,450</u>	<u>21,778,893</u>
Revenues under expenditures	<u>(24,109,000)</u>	<u>(18,976,933)</u>	<u>(2,752,163)</u>	<u>(21,729,096)</u>
Other financing sources (uses)				
2014 Revenue Bond Proceeds	19,834,000	19,834,000	-	19,834,000
2016 Revenue Bond Proceeds	4,275,000	7,275,000	(3,000,000)	4,275,000
Total other financing sources	<u>24,109,000</u>	<u>27,109,000</u>	<u>(3,000,000)</u>	<u>24,109,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 8,132,067</u>	<u>(5,752,163)</u>	<u>\$ 2,379,904</u>
Reconciling items:				
Capital outlay			2,752,163	
Transfer of assets (to)/from the Water and Wastewater Fund			(5,738,894)	
Change in Net Position			<u>\$ (8,738,894)</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, 2017**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ 64,950	\$ 51,253	\$ 116,203
Total revenues	<u>-</u>	<u>64,950</u>	<u>51,253</u>	<u>116,203</u>
Expenditures				
Construction	-	33,252,319	10,311,475	43,563,794
Engineering	-	3,599,824	599,578	4,199,402
ROW	-	583,282	36,128	619,410
Other	-	1,117,631	227,929	1,345,560
Total expenditures	<u>54,384,442</u>	<u>38,553,056</u>	<u>11,175,110</u>	<u>49,728,166</u>
Revenues under expenditures	<u>(54,384,442)</u>	<u>(38,488,106)</u>	<u>(11,123,857)</u>	<u>(49,611,963)</u>
Other financing sources				
Transfer from Water/Wastewater Fund	103,987	-	-	-
2014 Revenue Bond Proceeds	<u>54,280,455</u>	<u>52,926,251</u>	<u>1,364,443</u>	<u>54,290,694</u>
Total other financing sources	<u>54,384,442</u>	<u>52,926,251</u>	<u>1,364,443</u>	<u>54,290,694</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 14,438,145</u>	<u>(9,759,414)</u>	<u>\$ 4,678,731</u>
Reconciling items:				
Capital outlay			11,123,856	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>(19,278,474)</u>	
Change in Net Position			<u>\$ (17,914,032)</u>	

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

Schedule of Changes in the Status of 2013 PO Hoffer Phase 1
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	12,826,230	673,605	13,499,835
Engineering	-	1,949,893	109,446	2,059,339
Loan Closing Costs	-	327,185	4,183	331,368
Total expenditures	<u>16,100,000</u>	<u>15,103,308</u>	<u>787,234</u>	<u>15,890,542</u>
Revenues under expenditures	<u>(16,100,000)</u>	<u>(15,103,308)</u>	<u>(787,234)</u>	<u>(15,890,542)</u>
Other financing sources				
State Revolving Loan Proceeds	16,100,000	14,774,998	1,115,544	15,890,542
Total other financing sources	<u>16,100,000</u>	<u>14,774,998</u>	<u>1,115,544</u>	<u>15,890,542</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (328,310)</u>	328,310	<u>\$ -</u>
Reconciling items:				
Capital outlay			787,234	
Transfer of assets (to)/from the Water and Wastewater Fund			(789,480)	
Loan Proceeds			(1,115,544)	
Change in Net Position			<u>\$ (789,480)</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on other investments	\$ -	\$ 323	\$ 31,587	\$ 31,910
Total revenues	<u>-</u>	<u>323</u>	<u>31,587</u>	<u>31,910</u>
Expenditures				
Construction	-	7,503,885	7,731,405	15,235,290
Engineering	-	1,456,006	(13,870)	1,442,136
Right of Way	-	373,681	76,922	450,603
City Participation	-	(690,439)	-	(690,439)
Other	-	424,595	532,920	957,515
Total expenditures	<u>20,500,000</u>	<u>9,067,728</u>	<u>8,327,377</u>	<u>17,395,105</u>
Revenues under expenditures	<u>(20,500,000)</u>	<u>(9,067,405)</u>	<u>(8,295,790)</u>	<u>(17,363,195)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	613,000	1,287,492	234,567	1,522,059
Series 2016 Annex 16 & 17 Bond Proceeds	19,887,000	19,887,000	-	19,887,000
Total other financing sources	<u>20,500,000</u>	<u>21,174,492</u>	<u>234,567</u>	<u>21,409,059</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 12,107,087</u>	<u>(8,061,223)</u>	<u>\$ 4,045,864</u>
Reconciling items:				
Capital outlay			8,295,791	
Transfer of assets (to)/from the Water and Wastewater Fund			(16,951,540)	
Change in Net Position			<u>\$ (16,716,972)</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	281,570	1,811,628	2,093,198
Engineering	-	1,035,615	95,063	1,130,678
Right of Way	-	68,914	103,417	172,331
Other	-	69,720	125,397	195,117
Total expenditures	<u>16,900,000</u>	<u>1,455,819</u>	<u>2,135,505</u>	<u>3,591,324</u>
Revenues under expenditures	<u>(16,900,000)</u>	<u>(1,455,819)</u>	<u>(2,135,505)</u>	<u>(3,591,324)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	16,900,000	1,285,246	1,767,727	3,052,973
Total other financing sources	<u>16,900,000</u>	<u>1,285,246</u>	<u>1,767,727</u>	<u>3,052,973</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (170,573)</u>	<u>(367,778)</u>	<u>\$ (538,351)</u>
Reconciling items:				
Capital outlay			2,135,505	
Change in Net Position			<u>\$ 1,767,727</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, 2017

	Project Authorization	Total Prior Years	Closed Projects	Current Year	Total
Revenues					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Construction	5,318,000	4,128,250	(3,192,082)	121,832	1,058,000
Total expenditures	5,318,000	4,128,250	(3,192,082)	121,832	1,058,000
Revenues under expenditures	(5,318,000)	(4,128,250)	3,192,082	(121,832)	(1,058,000)
Other financing sources					
Transfer from Water/Wastewater Fund	5,318,000	5,155,694	(3,192,082)	-	1,963,612
Total other financing sources	5,318,000	5,155,694	(3,192,082)	-	1,963,612
Revenues and other financing sources over (under) expenditures	\$ -	\$ 1,027,444	-	(121,832)	\$ 905,612
Reconciling items:					
Capital outlay				121,832	
Transfer of assets (to)/from the Water/Wastewater Fund				(121,832)	
Change in Net Position				<u>\$ (121,832)</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, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ -	\$ 499	\$ 110,479	\$ 110,978
Total revenues	<u>-</u>	<u>499</u>	<u>110,479</u>	<u>110,978</u>
Expenditures				
Construction	-	1,041,000	8,555,128	9,596,128
ROW	-	9,000	1,331	10,331
Other	-	39,384	612,463	651,847
Total expenditures	<u>33,727,832</u>	<u>1,089,384</u>	<u>9,168,922</u>	<u>10,258,306</u>
Revenues under expenditures	<u>(33,727,832)</u>	<u>(1,088,885)</u>	<u>(9,058,443)</u>	<u>(10,147,328)</u>
Other financing sources				
2016 Revenue Bond Proceeds	33,727,832	30,718,000	3,009,832	33,727,832
Total other financing sources	<u>33,727,832</u>	<u>30,718,000</u>	<u>3,009,832</u>	<u>33,727,832</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 29,629,115</u>	<u>(6,048,611)</u>	<u>\$ 23,580,504</u>
Reconciling items:				
Capital outlay			9,058,443	
Transfer of assets (to)/from the Water and Wastewater Fund			(8,985,731)	
Change in Net Position			<u>\$ (5,975,899)</u>	

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

Schedule of Changes in the Status of Annexation Phase V - Areas 20 through 21 Capital Project Fund
From Inception and for the Period Ended June 30, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	555,572	555,572
Right of Way	-	-	696	696
Other	-	-	14,849	14,849
Total expenditures	16,000,000	-	571,117	571,117
Revenues under expenditures	(16,000,000)	-	(571,117)	(571,117)
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	16,000,000	-	485,436	485,436
Total other financing sources	16,000,000	-	485,436	485,436
Revenues and other financing sources under expenditures	\$ -	\$ -	(85,681)	\$ (85,681)
Reconciling items:				
Capital outlay			571,117	
Change in Net Position			\$ 485,436	

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

Schedule of Changes in the Status of Hurricane Matthew Capital Project Fund
From Inception and for the Period Ended June 30, 2017

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Total expenditures	4,887,200	-	-	-
Revenues under expenditures	(4,887,200)	-	-	-
Other financing sources				
Insurance proceeds	4,268,700	-	1,151,800	1,151,800
FEMA proceeds	418,500	-	-	-
Transfer from Water/Wastewater Fund	200,000	-	-	-
Total other financing sources	4,887,200	-	1,151,800	1,151,800
Revenues and other financing sources under expenditures	\$ -	\$ -	1,151,800	\$ 1,151,800
Reconciling items:				
Change in Net Position			\$ 1,151,800	

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, 2017
(with comparative actual amounts for the period ended June 30, 2016)

	2017			2016
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
City services	\$ 6,089,700	\$ 730,375	\$ 6,820,075	\$ 6,401,468
PWC services	3,032,800	(646,508)	2,386,292	2,312,263
Total operating revenues	<u>9,122,500</u>	<u>83,867</u>	<u>9,206,367</u>	<u>8,713,731</u>
Transfers in				
Transfers from Electric Fund	60,000	(18)	59,982	27,493
Transfers from Water and Wastewater Fund	60,000	(18)	59,982	27,493
Total transfers-in	<u>120,000</u>	<u>(36)</u>	<u>119,964</u>	<u>54,986</u>
Total revenues	<u>\$ 9,242,500</u>	<u>\$ 83,831</u>	<u>\$ 9,326,331</u>	<u>\$ 8,768,717</u>
Expenditures				
Operating expenditures				
Fleet maintenance	9,122,500	(139,538)	8,982,962	8,444,494
Total operating expenditures	<u>9,122,500</u>	<u>(139,538)</u>	<u>8,982,962</u>	<u>8,444,494</u>
Budgetary appropriations				
Capital outlay	120,000	(36)	119,964	54,986
Total budgetary appropriations	<u>120,000</u>	<u>(36)</u>	<u>119,964</u>	<u>54,986</u>
Total expenditures	<u>\$ 9,242,500</u>	<u>\$ (139,574)</u>	<u>\$ 9,102,926</u>	<u>\$ 8,499,480</u>
Reconciliation of changes in Net Position				
Total revenues		\$ 83,831	\$ 9,326,331	\$ 8,768,717
Total expenditures		(139,574)	9,102,926	8,499,480
Subtotal		<u>\$ 223,405</u>	<u>223,405</u>	<u>269,237</u>
Reconciling items:				
Budgetary appropriations			119,964	54,986
Depreciation			(187,727)	(184,859)
OPEB expense			(35,678)	(84,378)
Total reconciling items			<u>(103,441)</u>	<u>(214,251)</u>
Change in Net Position			<u>\$ 119,964</u>	<u>\$ 54,986</u>

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

Schedule of Bonded Indebtedness

June 30, 2017

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
1/30/08	2008 Water & Wastewater	17,025,000	4.50%	2017	600,000	-	600,000	-	-
			4.00%	2018	600,000	-	-	600,000	600,000
					<u>1,200,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
10/21/09	2009A Electric & Water & Wastewater	114,155,000	5.00%	2017	12,870,000	-	12,870,000	-	-
			5.00%	2018	13,380,000	-	-	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>48,840,000</u>	<u>-</u>	<u>12,870,000</u>	<u>35,970,000</u>	<u>13,380,000</u>
10/21/09	2009B Water & Wastewater	36,710,000	4.00%	2017	1,405,000	-	1,405,000	-	-
			4.00%	2018	1,990,000	-	-	1,990,000	1,990,000
			4.00%	2019	1,600,000	-	-	1,600,000	-
					<u>4,995,000</u>	<u>-</u>	<u>1,405,000</u>	<u>3,590,000</u>	<u>1,990,000</u>
9/11/14	2014 Electric & Water & Wastewater	111,455,000	3.00%	2017	570,000	-	570,000	-	-
			3.00%	2018	590,000	-	-	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	-
					<u>110,900,000</u>	<u>-</u>	<u>570,000</u>	<u>110,330,000</u>	<u>590,000</u>
10/22/09	G.O. Water & Wastewater	4,403,885	4.00%	2017	375,146	-	375,146	-	-
			4.00%	2018	175,526	-	-	175,526	175,526
			4.00%	2019	175,526	-	-	175,526	-
			4.00%	2020	170,907	-	-	170,907	-
			4.00%	2021	170,908	-	-	170,908	-
					<u>1,068,013</u>	<u>-</u>	<u>375,146</u>	<u>692,867</u>	<u>175,526</u>

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

Schedule of Bonded Indebtedness

June 30, 2017

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
6/29/16	2016 Electric & Water & Wastewater	114,405,000	5.00%	2017	1,775,000	-	1,775,000	-	-
			5.00%	2018	1,205,000	-	-	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	-
								<u>114,405,000</u>	<u>-</u>
Total bond indebtedness					<u>\$ 281,408,013</u>	<u>\$ -</u>	<u>\$ 17,595,146</u>	<u>\$ 263,812,867</u>	<u>\$ 17,940,526</u>

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

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STATISTICAL SECTION

(Unaudited)

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

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

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

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

	Fiscal Year				Fiscal Year					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities										
Net investment in capital assets	\$ 479,566,660	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 535,997,739	\$ 639,157,293
Restricted for:										
Capital projects	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050	-
Renewable Energy	-	-	-	-	-	-	-	-	-	6,593,822
Debt service	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117	1,995,312
Other internal restrictions	-	-	-	-	-	-	-	-	-	139,612,125
Unrestricted	114,831,241	145,101,657	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548	231,126,138	338,366,487	129,433,252
Total primary government net positions	<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>\$ 877,013,393</u>	<u>\$ 916,791,804</u>
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary government										
Net investment in capital assets	\$ 479,566,660	\$ 487,102,144	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 535,997,739	\$ 639,157,293
Restricted for:										
Capital projects	1,659,575	282,414	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050	-
Renewable Energy	-	-	-	-	-	-	-	-	-	6,593,822
Debt service	11,462	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117	1,995,312
Other internal restrictions	-	-	-	-	-	-	-	-	-	139,612,125
Unrestricted	114,831,241	145,101,657	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548	231,126,138	338,366,487	129,433,252
Total primary government net positions	<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>\$ 877,013,393</u>	<u>\$ 916,791,804</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business type activities										
Operating revenue										
Charges for services	\$ 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	\$ 322,721,879
Misc operating revenue	1,766,573	7,422,442	11,065,254	328,726	16,400	5,021	1,104	334	-	-
Total operating revenue	<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>	<u>322,721,879</u>
Operating expenses										
Power supply and generation	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	141,770,054
Electric operations	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	15,148,402
Water operations	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	14,898,419
Miscellaneous operating expense-water	1,763,025	7,421,764	11,063,969	327,681	15,010	-	-	-	-	-
Sanitary sewer operations	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	16,007,573
General and administrative	21,256,701	24,029,963	23,357,418	24,634,211	26,259,839	31,067,333	33,002,023	37,216,879	35,088,657	33,384,126
Depreciation	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	39,073,770
Fleet maintenance	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	8,993,274
Total operating expenses	<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>266,470,400</u>	<u>269,275,618</u>
Operating income (loss)	<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>	<u>53,446,261</u>
Nonoperating revenue (expense)										
Intergovernmental revenue	-	-	-	-	-	-	-	-	117,531	1,463,287
Intergovernmental expense	-	-	-	-	-	-	-	-	-	(1,200,000)
Payment in lieu of taxes	-	-	-	-	-	-	-	-	(9,547,800)	(9,966,765)
Interest earned on investments	5,153,257	4,653,327	3,050,641	2,149,498	2,984,481	1,463,337	2,902,109	1,490,911	2,125,856	1,739,044
Gain (loss) on disposal of assets	(94,878)	(147,331)	(356,749)	(1,201,165)	(142,064)	1,961,214	(462,840)	(1,142,805)	(8,877,903)	(4,719,440)
Interest expense	(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)	(8,950,190)
Amortization	(2,065,269)	(1,536,270)	(1,081,256)	(1,487,207)	(1,480,623)	(1,004,424)	(714,299)	(661,958)	(677,796)	(677,796)
Finance costs	(480,894)	(452,525)	(132,616)	(21,225)	(19,425)	(100,162)	(62,588)	(678,741)	(745,198)	(71,880)
Total nonoperating revenue (expense)	<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>(25,594,348)</u>	<u>(22,383,740)</u>
Income (loss) before transfers and contributions	<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>19,057,494</u>	<u>31,062,521</u>
Capital contributions	14,858,567	12,643,003	24,243,346	12,154,156	11,152,573	3,803,969	9,440,775	7,804,945	10,396,313	7,121,955
Special Item- Hope Mills	-	-	-	-	-	-	-	-	(7,148,131)	1,593,935
Transfers in	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	2,786,080
Transfers out	(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)	(2,786,080)
Transfers in -City of Fayetteville	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	(10,005,305)	(8,054,235)	(8,691,240)	(10,800,269)	(9,820,653)	(10,961,399)	(12,303,615)	(12,527,760)	-	-
Change in net position	<u>\$ 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>\$ 22,305,676</u>	<u>\$ 39,778,411</u>

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

Fiscal Year	Residential	Commercial	Industrial	Lighting	Other	Total	Total Direct Rate		
							Electric		
							Base Rate ^a	Usage Rate ^b	
								first 500 kWh	ea kWh > 500
2017	871,261,877	639,983,403	395,652,590	29,345,656	61,090,581	1,997,334,107	\$ 15.00	\$ 0.1004	\$ 0.1004
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

Notes:

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

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

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

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Total Direct Rate						
							Water						
							Base Rate ^b	Usage Rate ^c					
								first 6 Mgals	ea Mgal > 6	first 2 Mgals	next 3-5Mgals	next 5-10Mgals	ea add'l Mgals
2017	3,596,178	1,709,864	1,006,967	1,241,483	816,849	8,371,341	\$ 11.50	\$ -	\$ -	\$ 2.36	\$ 2.81	\$ 3.82	\$ 4.56
2016	3,679,770	1,657,998	985,208	1,278,857	835,982	8,437,815	10.00	-	-	2.34	2.78	3.78	4.52
2015	3,693,708	1,602,583	914,301	1,211,695	897,337	8,319,624	9.00	-	-	2.26	2.69	3.65	4.37
2014	3,719,832	1,610,970	829,204	1,166,850	842,321	8,169,177	7.75	-	-	2.22	2.64	3.59	4.29
2013	3,761,361	1,867,535	608,837	1,371,392	845,782	8,454,907	7.00	-	-	2.22	2.64	3.59	4.29
2012	3,916,053	1,868,417	677,498	1,400,959	1,097,494	8,960,421	6.27	-	-	2.22	2.64	3.59	4.29
2011	4,068,240	1,908,371	643,140	1,490,678	^f 1,177,400	9,287,829	5.74	-	-	2.17	2.59	3.54	4.24
2010	4,030,403	1,803,698	594,930	659,493	^f 1,095,799	8,184,323	5.24	-	-	2.10	2.52	3.47	4.17
2009	3,929,692	1,837,589	750,995	594,745	1,081,226	8,194,247	5.24	-	-	2.10	2.52	3.47	4.17
2008	4,008,897	1,819,701	893,065	473,142	1,156,148	8,350,953	4.87	2.20 ^e	3.23	-	-	-	-

Notes: Mgal = 1,000 gallons

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

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

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

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

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

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

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

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate ^a	Total Direct Rate Wastewater		
								per Mgal ^b	Usage Rate	
									Sewer Only Flat Rate	
									Inside	Outside
2017	3,179,056	1,587,572	694,893	144,252	472,606	6,078,379	\$ 11.50	\$ 5.25	\$ 34.60	\$ 58.82
2016	3,245,044	1,533,267	694,225	176,163	488,497	6,137,196	10.00	5.00	34.50	56.93
2015	3,242,175	1,482,458	636,480	194,606	483,543	6,039,262	9.00	4.89	32.96	52.74
2014	3,252,419	1,498,619	615,777	187,458	473,640	6,027,916	7.75	4.87	32.10	49.74
2013	3,245,769	1,707,549	387,928	133,323	459,421	5,933,990	7.00	4.87	31.35	47.05
2012	3,326,474	1,718,225	373,945	94,442	459,677	5,972,763	6.40	4.87	30.75	44.58
2011	3,418,513	1,710,285	371,696	82,085	460,746	6,043,325	5.88	4.77	29.73	41.63
2010	3,382,934	1,677,976	398,290	96,380	443,717	5,999,297	5.41	4.67	28.76	38.83
2009	3,272,380	1,671,151	488,014	93,038	438,936	5,963,519	5.41	4.67	28.76	37.39
2008	3,275,145	1,632,507	527,324	75,997	514,873	6,025,846	4.05	4.20	25.05	30.06

Notes: Mgal = 1,000 gallons

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential										
Basic	\$ 9.00	\$ 9.00	\$ 9.90	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80	\$ 13.50	\$ 13.50	\$ 15.00
Energy, first 500 kWh	0.0750	0.0750	0.0825	0.0900	0.0946	0.0946	0.0964	0.0990	0.0990	0.1004
All additional kWh	0.0815	0.0815	0.0896	0.0977	-	-	-	-	-	-
General service										
Basic	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00
Demand, first 10 kW	-	-	-	-	0.1013	0.1013	0.1013	0.1013	0.0990	0.0990
all additional kW	6.7500	6.7500	7.4000	8.1000	-	-	-	-	-	-
Energy, first 2,000 kWh	0.0845	0.0845	0.0929	0.1013	-	-	-	-	-	-
all additional kW	0.0505	0.0505	0.0555	0.0605	-	-	-	-	-	-
Lg General service										
Basic	\$ 200.00	\$ 200.00	\$ 220.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00	\$ 265.00	\$ 275.00	\$ 290.00
Demand, all kW	10.10	10.10	11.10	12.10	12.10	12.10	13.00	14.00	15.25	17.00
Excess Off Peak	-	-	-	2.00	-	-	-	-	-	-
Energy On Peak	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	0.0515
Small industrial service										
Basic	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, first 10 kW	-	-	-	-	-	-	-	-	-	-
all additional kW	6.7500	6.7500	7.4000	8.1000	-	-	-	-	-	-
Energy, first 2,000 kWh	0.0844	0.0844	0.0928	0.1012	-	-	-	-	-	-
all additional kW	0.05420	0.05420	0.05960	0.06500	-	-	-	-	-	-
Medium industrial service										
Basic	\$ -	\$ -	\$ -	\$ -	\$ 60.00	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, kW	-	-	-	-	6.95	-	-	-	-	-
Energy, first 200 kWh/kW	-	-	-	-	0.0727	-	-	-	-	-
Next 150 kWh/kW	-	-	-	-	0.0513	-	-	-	-	-
Next 150 kWh/kW	-	-	-	-	0.0480	-	-	-	-	-
All above 500 kWh/kW	-	-	-	-	0.0474	-	-	-	-	-
Lg Industrial service										
Basic	\$ 500.00	\$ 500.00	\$ 550.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00	\$ 650.00	\$ 675.00	\$ 700.00
Demand, first 5,000 kW	12.85	12.85	13.45	14.50	-	-	-	-	-	-
next 5,000 kW	11.75	11.75	12.50	13.45	-	-	-	-	-	-
All additional kW	10.60	10.60	11.90	12.80	-	-	-	-	-	-
Energy, all kWh	0.0400	0.0400	0.0462	0.0383	0.0504	0.0504	0.0523	0.0542	0.0515	0.0515
Traffic signal service										
Basic	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00
Energy, all kWh	0.05300	0.05300	0.05820	0.06350	0.06350	0.06350	0.06790	0.07250	0.07250	0.07250
Church service										
Basic	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00
Energy, first 500 kWh	0.08800	0.08800	0.09680	0.10560	-	-	-	-	-	-
NEXT 2,000 kWh	0.08250	0.08250	0.09070	-	-	-	-	-	-	-
all additional kWh	0.08250	0.08250	0.09070	0.09890	0.09960	0.09960	0.10130	0.10130	0.09900	0.10040
Sports field lighting service										
Basic	\$ 15.00	\$ 15.00	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00	\$ 30.00
Energy, all kWh	0.05669	0.05669	0.06230	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790
Minimum, all kW	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

	2008		2009		2010		2011		2012	
	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"	\$ 4.87	\$ 5.84	\$ 5.24	\$ 6.81	\$ 5.24	\$ 7.07	\$ 5.74	\$ 8.04	\$ 6.27	\$ 9.09
3/4"	4.87	5.84	5.24	6.81	5.24	7.07	5.74	8.04	6.27	9.09
1"	7.33	8.80	7.96	10.35	7.96	10.75	8.62	12.07	9.52	13.80
1.5"	12.97	15.56	14.19	18.44	14.19	19.16	15.19	21.27	16.94	24.56
2"	20.01	24.01	21.97	28.56	21.97	29.66	23.41	32.77	26.22	38.02
3"	36.55	43.86	40.25	52.33	40.25	54.34	42.73	59.82	48.00	69.64
4"	60.13	72.16	66.31	86.21	66.31	89.52	70.27	98.38	79.12	114.72
6"	118.57	142.28	130.89	170.15	130.89	176.70	138.49	193.89	156.14	226.40
8"	188.97	226.76	208.69	271.29	208.69	281.73	220.69	308.97	248.94	360.96
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	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	3.88	4.66	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	-	-	2.10	2.73	2.10	2.84	2.17	3.04	2.22	3.22
next 3,000 gallons (3-5Mgals)	-	-	2.52	3.28	2.52	3.40	2.59	3.63	2.64	3.83
next 5,000 gallons=(6-10Mgals)	-	-	3.47	4.51	3.47	4.68	3.54	4.96	3.59	5.21
each additional gallon	-	-	4.17	5.42	4.17	5.63	4.24	5.94	4.29	6.22
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ 3.88	\$ 4.66	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	-	-	4.49	5.84	4.49	6.06	4.56	6.38	4.61	6.68
next 30,000 gallons=(31-60Mgals)	-	-	5.53	7.19	5.53	7.47	5.60	7.84	5.65	8.19
each additional gallon	-	-	8.66	11.26	8.66	11.69	8.73	12.22	8.78	12.73
Backflow Prevention Assembly Inspection Charge			-	-	-	-	0.90	0.90	0.90	0.90
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.23	\$ 2.68	\$ 2.40	\$ 3.12	\$ 2.40	\$ 3.24	\$ 2.56	\$ 3.58	\$ 2.67	\$ 3.87
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 1.71	\$ 1.71	\$ 1.84	\$ 1.84	\$ 1.84	\$ 1.84	\$ 1.94	\$ 1.94	\$ 2.06	\$ 2.06
Fire hydrant delivery										
Basic Facilities per Meter Set	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
per 1,000 gallons = 1 Mgal	2.23	2.23	2.40	2.40	2.40	2.40	2.56	2.56	2.67	2.67
Bulk water delivery										
Basic Facilities per Truckload	\$ 15.00	\$ 15.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	2.23	2.23	-	-	-	-	-	-	-	-
Yearly permit fee	-	-	225.00	225.00	225.00	225.00	275.00	275.00	275.00	275.00
Temporary Permit=1 Month	-	-	50.00	50.00	50.00	50.00	-	-	-	-
each additional month <3 months	-	-	50.00	50.00	50.00	50.00	-	-	-	-

^a 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

	2013		2014		2015		2016		2017	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40	\$ 10.00	\$ 16.50	\$ 10.00	\$ 16.50
3/4"	7.00	10.50	7.75	12.00	9.00	14.40	10.00	16.50	10.00	16.50
1"	11.00	16.50	12.00	18.60	14.00	22.40	16.00	26.40	18.40	31.30
1.5"	19.00	28.50	21.00	32.55	24.00	38.40	27.00	44.55	31.05	52.80
2"	30.00	45.00	33.00	51.15	39.00	62.40	45.00	74.25	51.75	88.00
3"	55.00	82.50	60.00	93.00	70.00	112.00	80.00	132.00	92.00	156.40
4"	90.00	135.00	100.00	155.00	115.00	184.00	130.00	214.50	149.50	254.15
6"	175.00	262.50	195.00	302.25	225.00	360.00	255.00	420.75	293.25	498.55
8"	280.00	420.00	310.00	480.50	360.00	576.00	400.00	660.00	460.00	782.00
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	3.33	2.22	3.44	2.26	3.62	2.34	3.86	2.36	4.01
next 3,000 gallons (3-5Mgals)	2.64	3.96	2.64	4.09	2.69	4.30	2.78	4.59	2.81	4.78
next 5,000 gallons=(6-10Mgals)	3.59	5.39	3.59	5.56	3.65	5.84	3.78	6.24	3.82	6.49
each additional gallon	4.29	6.44	4.29	6.65	4.37	6.99	4.52	7.46	4.56	7.75
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.61	6.92	4.61	7.15	4.69	7.50	4.86	8.02	4.9	8.33
next 30,000 gallons=(31-60Mgals)	5.65	8.48	5.65	8.76	5.75	9.20	5.96	9.83	6.01	10.22
each additional gallon	8.78	13.17	8.78	13.61	8.94	14.30	9.25	15.26	9.33	15.86
Backflow Prevention Assembly Inspection Char	0.90	0.90	0.9	0.9	0.9	0.9	0.9	0.9	1.6	1.6
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.67	\$ 4.01	\$ 2.67	\$ 4.14	\$ 2.71	\$ 4.34	\$ 2.81	\$ 4.64	\$ 2.83	\$ 4.81
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 2.06	\$ 2.06	\$ 2.03	\$ 2.06	\$ 2.10	\$ 2.10	\$ 2.18	\$ 2.18	\$ 2.34	\$ 2.35
Fire hydrant delivery										
Basic Facilities per Meter Set	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 51.75	\$ 51.75
per 1,000 gallons = 1 Mgal	2.67	2.67	2.67	2.67	2.71	2.71	2.81	2.81	2.83	2.83
Bulk water delivery										
Basic Facilities per Truckload	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	275.00	275.00	275	275	300	300	300	300	315	315
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

	2008		2009		2010		2011		2012	
	<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"	\$ 4.05	\$ 4.86	\$ 5.41	\$ 7.03	\$ 5.41	\$ 7.30	\$ 5.88	\$ 8.23	\$ 6.40	\$ 9.28
3/4"	4.05	4.86	5.41	7.03	5.41	7.30	5.88	8.23	6.40	9.28
1"	5.27	6.33	8.22	10.68	8.22	11.10	8.93	12.50	9.81	14.22
1.5"	8.08	9.70	14.63	19.02	14.63	19.75	15.89	22.25	17.60	25.52
2"	11.59	13.91	22.65	29.45	22.65	30.58	24.59	34.43	27.34	39.64
3"	19.85	23.81	41.50	53.95	41.50	56.03	45.03	63.04	50.23	72.83
4"	31.59	37.91	68.37	88.88	68.37	92.30	74.18	103.85	82.86	120.15
6"	60.71	72.85	134.93	175.41	134.93	182.16	146.39	204.95	163.70	237.37
8"	95.80	114.96	215.13	279.67	215.13	290.43	233.39	326.75	261.10	378.60
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.20	5.04	4.67	6.07	4.67	6.30	4.77	6.68	4.87	7.06
Commercial wastewater service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	4.67	6.07	4.67	6.30	4.77	6.68	4.87	7.06
Sewer only										
Flat monthly	\$ 25.05	\$ 30.06	\$ 28.76	\$ 37.39	\$ 28.76	\$ 38.83	\$ 29.73	\$ 41.63	\$ 30.75	\$ 44.58
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	\$ 3.18	\$ 3.18	\$ 3.48	\$ 3.48	\$ 3.48	\$ 3.48	\$ 3.50	\$ 3.50	\$ 3.52	\$ 3.52
Bulk liquid waste service										
<i>Basic Facilities</i>	\$ 5.00	\$ 5.00	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.93	\$ 8.93	\$ 9.81	\$ 9.81
per 1,000 gallons = 1 Mgal	25.00	25.00	29.00	37.70	29.00	39.15	30.00	42.00	31.00	44.95

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

	2013		2014		2015		2016		2017	
	<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"	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40	\$ 10.00	\$ 10.00	\$ 11.50	\$ 19.55
3/4"	7.00	10.50	7.75	12.00	9.00	14.40	10.00	10.00	11.50	19.55
1"	11.00	16.50	12.00	18.60	14.00	22.40	16.00	26.40	18.40	31.30
1.5"	19.00	28.50	21.00	32.55	24.00	38.40	27.00	44.55	31.05	52.80
2"	30.00	45.00	33.00	51.15	39.00	62.40	45.00	74.25	51.75	88.00
3"	55.00	82.50	60.00	93.00	70.00	112.00	80.00	132.00	92.00	156.40
4"	90.00	135.00	100.00	155.00	115.00	184.00	130.00	214.50	149.50	254.15
6"	175.00	262.50	195.00	302.25	225.00	360.00	255.00	420.75	293.25	498.55
8"	280.00	420.00	310.00	480.50	360.00	576.00	400.00	660.00	460.00	782.00
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.87	7.31	4.87	7.55	4.89	7.82	5.00	8.25	5.25	8.93
<i>Commercial wastewater service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.87	7.31	4.87	7.55	4.89	7.82	5.00	8.25	5.25	8.93
Sewer only										
Flat monthly	\$ 31.35	\$ 47.05	\$ 32.10	\$ 49.74	\$ 32.96	\$ 52.74	\$ 34.50	\$ 56.93	\$ 34.60	\$ 58.82
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	\$ 3.52	\$ 3.52	\$ 3.52	\$ 3.52	\$ 3.75	\$ 3.75	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94
Bulk liquid waste service										
<i>Basic Facilities</i>	\$ 11.00	\$ 11.00	\$ 12.00	\$ 12.00	\$ 14.00	\$ 14.00	\$ 16.00	\$ 16.00	\$ 18.40	\$ 18.40
per 1,000 gallons = 1 Mgal	31.35	47.05	32.10	49.74	33.00	53.00	35.00	57.00	35.00	58.82

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

Electric Revenue

Fiscal Year 2008	Fiscal Year 2017
Goodyear Tire & Rubber	Goodyear Tire & Rubber
Purolator Totalized	Cape Fear Valley
Cargill	Mann + Hummel
Cape Fear Valley	Wal-mart
Wal-mart	Cargill
Fay St. Univ	Fay St. Univ
FTCC	V A Hospital
Hexion Specialty	Momentive Splty Chem
M J Soffe	FTCC
CBL Associates	Nitta Gelatin

These customers represented kWh sales for 2008 and 2017 of 418,299,990 and 391,210,874, respectively; and revenue of \$20,878,190 and \$27,565,071. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 13.11% and 13.66%. No individual customer comprised more than 4.88% and 4.96% of total electric sales revenue.

Water Revenue

Fiscal Year 2008	Fiscal Year 2017
Town of Spring Lake	Ft. Bragg
Goodyear Tire & Rubber	Town of Spring Lake
Hoke County	Goodyear Tire & Rubber
M J Soffe	Dak Resins
Dak Resins	Hoke City
Hexion Specialty	Carolina By Products
Cargill	Momentive Splty Chem
Nitta Gelatin	Aqua Water
Cape Fear Valley	Cape Fear Valley
Purolator	Cargill

These customers represented sales for 2008 and 2017 of 1,317,328,000 and 1,994,553,337 gallons, respectively; and revenues of \$2,340,770 and \$4,840,168. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 9.08% and 12.11%. No individual customer comprised more than 1.95% and 4.17% of total water sales revenue.

Wastewater Revenue

Fiscal Year 2008	Fiscal Year 2017
Carolina By Products	Carolina By Products
M J Soffe	Cape Fear Valley
Nitta Gelatin	Nitta Gelatin
Cape Fear Valley	Cargill
Purolator	Goodyear Tire & Rubber
Cargill	Town of Stedman
Goodyear Tire & Rubber	Norcross
Hexion Specialty	V A Hospital
Norcross	Mann & Hummel
Town of Stedman	Momentive Splty Chem

These customers represented sales for 2008 and 2017 of 599,852,000 and 684,892,407 gallons, respectively; and revenues of \$1,914,798 and \$2,748,942. The aggregate sum of the ten largest wastewater customers' revenue is 6.80% and 6.30%. No individual customer comprised more than 1.51% and 1.78% of total wastewater sales revenue.

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

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes	Total		As a Share of Personal Income
				Amount	Per Capita ⁽¹⁾	
2017	\$ 758,682	\$ 286,712,408	\$ 25,036,011	\$ 312,507,101	\$ 978.32	4.10%
2016	1,162,500	305,949,298	25,241,350	332,353,148	1,026.29	4.38%
2015	2,741,682	233,551,959	33,792,073	270,085,714	818.87	3.58%
2014	3,411,254	127,467,576	25,874,625	156,753,455	473.40	2.13%
2013	4,270,372	140,451,030	22,224,936	166,946,338	522.64	2.38%
2012	5,051,325	142,065,254	15,415,501	162,532,080	434.24	2.12%
2011	5,901,470	151,607,212	16,683,349	174,192,031	510.28	2.35%
2010	6,453,885	169,120,000	17,951,198	193,525,083	612.86	2.85%
2009	7,412,175	155,045,000	19,219,047	181,676,222	588.48	2.80%
2008	9,041,939	167,735,000	20,486,896	197,263,835	643.88	2.76%

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

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

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

Fiscal Year	Utility Service Charges		Less: Operating Expenses ⁽¹⁾		Other Adjustments ⁽²⁾	Net Available Revenues	Debt Service ⁽⁵⁾			Coverage Ratio ⁽⁴⁾
							Principal	Interest ⁽³⁾	Total	
2017	\$	322,721,879	\$	230,201,848	\$ -	\$ 92,520,031	\$ 18,540,882	\$ 10,228,444	\$ 28,769,326	3.22
2016		302,408,510		220,849,625	-	81,558,885	15,470,721	8,805,529	24,276,250	3.36
2015		300,484,378		231,775,618	-	68,708,760	13,892,288	8,875,916	22,768,204	3.02
2014		292,346,282		239,483,361	-	52,862,921	13,332,792	6,017,667	19,350,459	2.73
2013		283,193,071		221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012		268,571,535		169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011		263,233,442		168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010		237,548,315		162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009		226,977,025		162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
2008		222,216,687		150,679,743	36,339,385	107,876,329	55,559,241	6,997,294	62,556,535	1.72

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

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

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

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

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

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

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

Calendar Year	Population ¹	Personal Income	Per Capita Personal Income ²	Unemployment Rate ³ County
2017	319,431	\$ 7,616,193,333	\$ 23,843	5.30%
2016	323,838	7,582,019,094	23,413	5.10%
2015	329,827	7,540,834,701	22,863	7.50%
2014	331,126	7,354,639,586	22,211	7.60%
2013	319,431	7,013,107,605	21,955	9.5%
2012	374,295	7,667,807,370	20,486	9.8%
2011	341,363	7,417,135,264	21,728	10.1%
2010	315,772	6,793,834,580	21,515	8.9%
2009	308,721	6,496,724,724	21,044	9.5%
2008	306,366	7,154,565,198	23,353	6.3%

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>2017</u>			<u>2008</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) ⁽¹⁾	8,757	6.29%	1	4,431	3.39%	3
Cape Fear Valley Health System	7,000	5.03%	2	5,000	3.82%	2
Cumberland County Board of Education	6,453	4.64%	3	6,700	5.12%	1
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
Fayetteville Tech	1,790	1.29%	7	1,340	1.02%	9
City of Fayetteville	1,770	1.27%	8	1,429	1.09%	8
Veterans Admin	1,000	0.72%	9	-	-	-
Food Lion	810	0.58%	10	-	-	-
U.S Dept. of Defense (Contracts)	-	-	-	4,063	3.10%	4
State of NC	-	-	-	1,530	1.17%	7
U.S. Postal	-	-	-	1,312	1.00%	10
 Total Employment (Ten Largest Civilian Employers)	 35,292	 25.35%		 31,243	 23.91%	

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Electric:										
Electric Substation	14	14	13	12	13	15	11	11	11	10
Electric Power Supply	3	3	3	3	2	2	1	1	1	1
Electric Generation	25	25	23	23	26	26	28	29	28	29
Electric Engineering	22	21	22	19	21	20	25	26	21	24
Electric Construction	73	76	68	72	68	67	66	73	70	68
Water/Wastewater:										
Water Plant Operations	15	15	15	14	14	14	14	14	14	14
Wastewater Plant Operations	16	17	17	17	17	17	17	18	17	19
Water/Wastewater Systems Maintenance	22	21	21	22	23	22	22	22	23	22
Water Resources Engineering	34	33	31	31	33	28	32	29	30	27
Water Resources Construction	93	100	97	97	96	96	89	89	91	81
Residual Management	2	2	2	2	2	2	2	2	2	2
Environmental Services	1	1	1	1	1	1	1	1	1	1
Laboratory	6	6	5	6	6	6	5	6	5	6
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	1	1	1	1	3	1	3	3	1	1
Administration:										
Billing/Customer Service	57	55	56	56	54	50	57	56	57	52
Meter Reading	5	5	5	4	4	4	10	11	11	11
Utility Field Services	18	21	21	23	28	29	29	31	33	34
Human Resources	7	7	6	5	6	6	7	7	6	5
Finance and Accounting	30	33	30	31	32	42	35	36	32	31
Management Information Systems	13	11	11	13	13	19	19	19	19	12
Executive Administration	148	147	150	146	130	111	104	104	101	105
Total Employees:	609	618	602	602	596	582	581	592	578	559

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water System:										
Water main breaks	146	130	180	182	165	104	137	113	110	115
Average daily consumption (Mgals) (1)	22,879	22,450	22,423	25,446	26,724	24,648	24,815	25,011	24,908	24,592
Peaks (MGD) (2) (3)	38.4	34.9	37.2	39.4	37.9	35.6	33.7	34.2	35.1	34.8
Total sold (Mgals) (1)	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	8,095,333
Sewer System:										
Main breaks	156	291	342	293	342	344	294	148	141	97
Average daily consumption (Mgals) (1)	16,509	16,338	16,436	16,557	24,720	24,400	27,000	25,800	27,800	27,400
Peaks (MGD) (3)	27.7	31.5	27.8	26.3	35.9	27.7	45.0	28.9	32.6	41.4
Total sold (Mgals) (1)	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	6,078,380
Electric System:										
Electric outages (minutes)	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)	476.6	459.5	462.4	459.1	459.1	446.0	454.0	490.3	424.0	453.0
Total kWh sold (5)	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	1,991,911,083
Average daily consumption (kWh)	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	5,457,291

(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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water System:										
Miles of water main	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	1,385.0
Number of new service connections	2,285	1,220	616	962	2,649	1,375	1,258	1,778	1,128	222
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) ⁽¹⁾	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Sewer System:										
Number of new service connections	2,260	1,752	317	1,140	1,612	1,375	1,358	2,635	1,072	262
Miles of sanitary sewer mains	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	1,333.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	41.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	1,151	471	650	533	1,359	64	432	1,456	965	388
Distribution line circuit miles	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	1,339.41

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

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

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

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RSM US LLP

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 18 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Responses* as findings 2017-001 and 2017-002 that we consider to be material weaknesses.

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

RSM US LLP

Morehead City, North Carolina

October 18, 2017

Fayetteville Public Works Commission
(A Component Unit of the City of Fayetteville, North Carolina)
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2017

Section I Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- | | | | | |
|---|-------------------|-----|-------------------|---------------|
| • Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| • Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None reported |

Noncompliance material to financial
statements noted?

<u> </u>	Yes	<u> X </u>	No
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Fayetteville Public Works Commission
(A Component Unit of the City Of Fayetteville, North Carolina)
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2017

Section II Financial Statement Findings

Finding 2017-001

Material Weakness in Internal Control -
Work Order Module Integration

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

Fayetteville Public Works Commission
(A Component Unit of the City Of Fayetteville, North Carolina)
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2017

Section II Financial Statement Findings (continued)

Finding 2017-002

Material Weakness in Internal Control -
Classification of Net Position

Criteria:	The classification and calculation of the components of Net Position should be calculated and presented in accordance with GASB Statement 63.
Condition and context:	During testing of the sub-sections within the Net Position section of the Statement of Net Position, we noted the calculation of Net Investment in Capital Assets did not include all of the required components in accordance with GASB Statement 63.
Effect:	The Net Investment in Capital Assets sub-section was understated for the electric and water/wastewater funds by \$13,030,944 and \$39,694,081, respectively. Unrestricted net position was overstated for the electric and water/wastewater funds by the same \$13,030,944 and \$39,694,081, respectively.
Cause:	Inaccurate application of the requirements of GASB 63, as amended, related to the calculation of Net Investment in Capital Assets.
Recommendation:	We recommend Fayetteville PWC review the requirements for the calculation of Net Investment in Capital Assets as described in GASB Statement 63; have the calculation prepared and reviewed by employees with the skills, knowledge, and experience with the rules of GASB Statement 63 as it pertains to the calculation and classification of the components of Net Position, and provide appropriate training to staff assisting in the preparation of PWC's CAFR.

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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Management's Response to Finding 2017-001

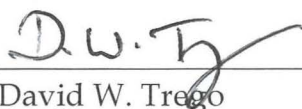
PWC's staff submitted a governance package in June of 2016 to address the misconnect between the general ledger and WAM as it relates to the alignment of direct labor data between the two systems. The conclusion of the issues addressed within this governance package is ready to put into production.

In addition to the conclusion of the aforementioned governance package; PWC's Accounting and IT staff met to initiate a plan to breakdown the root cause of the additional errors from initial integration and make the appropriate corrections to the WAM module and data processes in order to ensure a full, seamless integration between WAM and the general ledger and accuracy of data. This includes appropriate production reports from both systems that allow sufficient monitoring of activity and balances throughout the year.

Management's Response to Finding 2017-002

PWC's staff has reviewed the requirements of GASB Statement Number 63 and has included appropriate considerations within the formula for the categories of Net Position. The resultant reclassification from unrestricted net position to Investment in Capital Assets was applied to the current June 30, 2017 CAFR. The reclassification has had no effect on total Net Position.

Respectfully submitted,



David W. Trego
Chief Executive Officer



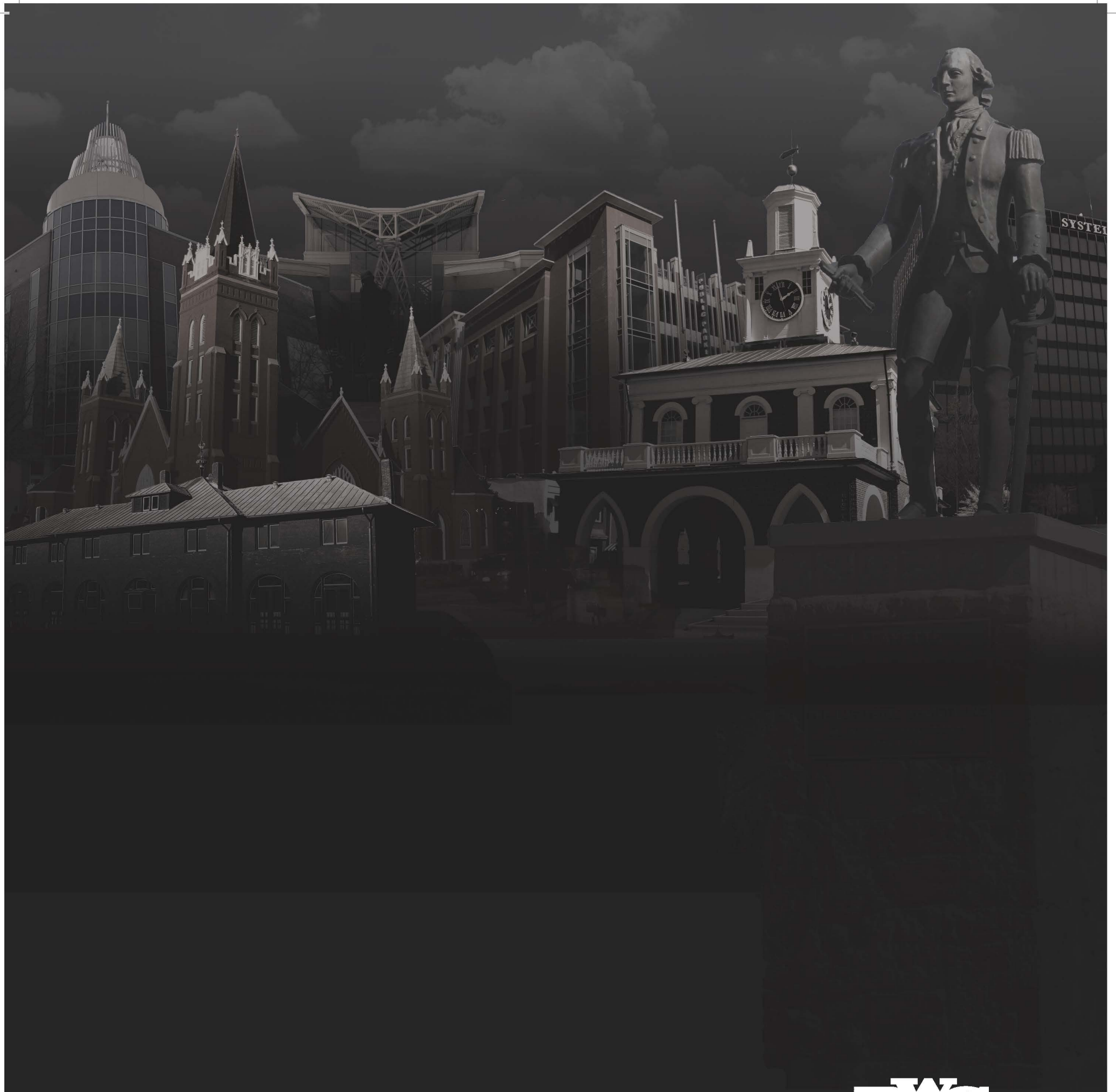
J. Dwight Miller, CPA, CGMA
Chief Finance Officer

Fayetteville Public Works Commission
(A Component Unit of the City of Fayetteville, North Carolina)
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

There are no prior audit findings that require reporting in this schedule.

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

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