



Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (Component Unit of the City of Fayetteville, NC)

PWC
Fayetteville's
HOME TOWN UTILITY

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

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

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Commissioners

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

Chief Executive Officer

David W. Trego

Chief Financial Officer

Rhonda Haskins, CPA, CGMA

Prepared by the Finance Division

This Report Was Prepared By:

PWC Finance Division
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Chief Financial Officer

Rhonda Haskins, CPA, CGMA

Directors

Brenda Brown, CPA, CGMA, *Controller*
Jason Alban, *Director of Financial Planning*

Finance Division Staff

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

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Pam Owens ♦ Sharon Smith ♦ Toni Taylor ♦ Joyce Thrash
Deborah Williams ♦ Janet Wing ♦ Constance Woods

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

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

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INTRODUCTORY SECTION
(UNAUDITED)



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

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE

ELECTRIC & WATER UTILITIES

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October 4, 2019

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, 2019.

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, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Public Works Commission

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

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

BUILDING COMMUNITY CONNECTIONS SINCE 1905

AN EQUAL EMPLOYMENT OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

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

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

PWC's electric system involves the transmission and distribution of electric energy, which is purchased from Duke Energy Progress (DEP) and the Southeastern Power Administration (SEPA). In June 2009, PWC and DEP entered into a 20 year full requirements agreement effective July 1, 2012. Subsequent amendments extended the term to 30 years. PWC may elect to terminate the agreement effective June 30, 2024 with written notice provided by December 30, 2020. PWC will utilize its SEPA allocation as permitted in the agreement. Also, in June 2009, PWC and DEP executed a 5 year agreement to lease its Butler-Warner Generation Plant to DEP effective July 1, 2012. Subsequent amendments extended the term until December 31, 2023. PWC provides electric service to approximately 60 percent of the Fayetteville/Cumberland County area. During fiscal year 2019, electric service was provided to more than 83,400 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 96,500 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 88,400 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 NORCRESS 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 \$96.6 million in its budget for new facilities on Fort Bragg in the next fiscal year which represents a \$39.6 increase from prior year. 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 and 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 7.6 % in 2014, to the current 5.8% rate. The lowest unemployment rate for our County in nearly a decade (US. Bureau of Labor Statistics) was 4.7% in 2018. Additionally, approximately 143,200 citizens are currently employed, which represents a 6% increase since August of 2014. The Fayetteville Metro area also has one of the youngest workforces in the Carolina's, with a median age of 30.7 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 three 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 2020 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 and securing a 30-year agreement with the Houston Astros to bring Minor League Baseball back to Fayetteville with the construction of the \$33 million state-of-the

art Segra baseball stadium. 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 2019, PWC accomplished or continued to work on several financial, operational and economic development initiatives including:

- As part of its strategy to manage rising wholesale power supply costs, the Commission continued its evaluation of its future long-term power supply contract and adopted mandatory residential and small commercial customer Time-of-Use rates and Coincidental Peak rates for all other Commercial/Industrial size accounts. New rate structures began in May 2019.
- PWC Emergency Operations Center was staffed over 100 straight hours in September 2018 as over 500 PWC employees responded to Hurricane Florence which impacted Fayetteville for more than 24 hours. The category 1 hurricane brought wind, over 10 inches of rain and historic flooding to our area. PWC infrastructure sustained \$7.5 million in damage from the storm that caused over 50,000 power outages but minimal customer impact to the water and wastewater system.
- PWC implemented initiatives made possible because of AMI meter installation including: Time-of-Use Electric rates, a new Customer Web Portal that provides customers direct access to their utility usage data, upgrades to the Inter-Active Voice Response (IVR) phone system, payment options that will allow customer billing date options and Outage Management System implementation slated for completion in FY20. PWC also introduced a new customer bill design that provided more detailed account and usage information for customers.
- During the 5th year of a system-wide conversion of streetlights to Lighting-Emitting Diode (LED) streetlights, PWC had installed over 23,000 neighborhood and thoroughfare streetlights. LEDs have a longer life, use less energy than traditional streetlights, and helps PWC meet State mandates for Renewable Energy. The approximate annual energy savings from the LED conversion is 5.63 million kWh.
- PWC built North Carolina's first municipal Community Solar project that will be offered to customers in FY20. PWC worked with the North Carolina State Clean Technology Center to design and build the 1 MW, 3,000+ solar panel project that includes 500 kW battery storage units that will be used to lower PWC peak system demand.
- PWC customer conservation incentive programs continued to encourage efficiency and increase customer awareness of their utility usage. PWC now offers, 12 incentive programs that help customers better understand and manage their utility use, including a Smart WiFi thermostat program and Peak Savings Pilot Program that helps customers manage the newly introduced Time of Use

electric rates. Annual projected energy savings for FY2019 were over 600,000 kWh and water savings of 1.6 million gallons.

- PWC's commitment to environment and sustainability continued with retro-commissioning of buildings that has reduced energy use by over 30%, utilizing AMI technology and LED lighting to reduce annual mileage of meter service /field vehicles by 100,000 miles and annual service calls associated with street lighting by 25%. PWC also continued providing free charging at four Electric Vehicle Charging Stations, initially installed in 2015 by using a grant received from the NC Clean Energy Technology Center.
- Progress continued sanitary sewer service installation as part of the City of Fayetteville's Annexation Phase V utility retrofitting project. Over 5,000 services have been installed since 2007.
- Work continued rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. The electric system is rebuilding substations including a major Point of Delivery, replacing underground cable and aging wooden poles with steel 69KV poles with a 50-year life expectancy. The water systems are replacing and re-lining existing water and sewer mains to improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems. Throughout the system, PWC expects to spend over \$103 million in future years on rehabilitation and upgrade efforts.
- PWC implemented a Utility Line Relocation fee for water and sanitary sewer customers to manage costs related to the more than \$60 million in mandatory utility line relocation due to highway improvement projects throughout our area. The \$2 water service fee and \$1 sewer service fee will be held in reserve to pay for the projects as work is completed.
- PWC created new Apprentice Groundworker positions to take advantage of a new partnership between PWC and Fayetteville Technical Community College. A new established FTCC Line Worker Course is benefitting PWC by increasing local qualified line worker candidates to help replace an aging workforce.

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, 2018. This was the twelfth 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.

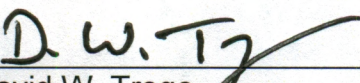
In addition, PWC received the GFOA's Distinguished Budget Presentation Award for its 2019 annual budget. PWC has received this award for the past 24 years. In order to qualify for the Distinguished Budget Presentation Award, PWC's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

During FY19, PWC was also recognized with several other awards and special honors to include but not limited to the following:

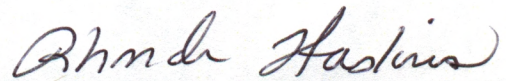
- The American Public Power Association (APPA) honored PWC with the E.F. Scattergood System Achievement Award, its most prestigious designation. This award recognizes APPA member systems that have enhanced the prestige of public power utilities through sustained achievement and customer service. PWC was one of only three systems honored in 2019 out of over 2,000 in the U.S.
- PWC earned the American Public Power Association's highest honor for reliability, winning its 5th Reliable Public Power Provider (RP³) Diamond Level designation. PWC is one of just a few Public Power utilities in the country to earn Diamond Level five or more times.
- PWC has maintained the standards of the national Director's Award from the Partnership for Safe Water Program for 17 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 APPA awarded PWC its 2019 Energy Innovator Award for PWC's development of an innovative way to locate electrical faults in its electricity distribution system. The award recognizes municipal utility programs that have demonstrated advances in the development or application of creative, energy-efficient techniques or technologies that provide better service to electric customers or projects that increase the efficiency of utility operations or resource efficiency. PWC has earned the award three times including 2009 and 2012.
- ElectriCities of NC honored PWC with four Public Power Awards of Excellence. PWC was received the Grid Modernization Award, Value of Public Power Award, Workforce Planning and Development Award and the Continuous Improvement Award. The honors demonstrate PWC's investing in its systems, efforts of communicating the value of public power, attracting, developing and retaining talented employees and for constantly reviewing and enhancing all aspects of public power.
- The United Way of North Carolina presented PWC it's Excellence in Community Spirit Award for its outstanding support and recognition of PWC earning the Spirit of NC award for the 13th time. Locally, the United Way of Cumberland County recognized PWC for having the highest number of Leadership givers as well as with the Campaign Excellence Award, and Spirit of the Community Award.

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

Respectfully submitted,



David W. Trego
Chief Executive Officer



Rhonda Haskins, CPA, CGMA
Chief Finance Officer



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FAYETTEVILLE PUBLIC WORKS COMMISSION

FAYETTEVILLE, NORTH CAROLINA

FAYETTEVILLE CITY COUNCIL

BOARD OF COMMISSIONERS



DAVID W. TREGO
*Chief Executive Officer and
General Manager*



RHONDA HASKINS
Chief Financial Officer



JON RYNNE
*Chief Operations Officer
Electric Systems*



MICK NOLAND
*Chief Operations Officer
Water Resources*



SUSAN FRITZEN
*Chief Corporate Services
Officer*



MARK LAWLER
Chief Information Officer



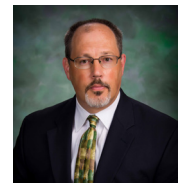
MARK BROWN
*Sr. Customer Programs
Officer*



CAROLYN JUSTICE-HINSON
*Communications/
Community Relations Officer*



BOBBY RUSSELL
Human Resources Officer



JAMES WEST
*Chief Legal Officer &
General Counsel*



VENUS DURANT
*Sr. Executive Assistant/
Clerk to the Board*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2019, 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, 2019, 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.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Fayetteville Public Works Commission as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated October 1, 2018, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, such as the major enterprise funds comparative fund statements for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The major enterprise comparative fund statements have been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the major governmental and enterprise comparative fund statements is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

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 3, 2019, 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 US LLP

Morehead City, North Carolina
October 3, 2019

**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, 2019 (FY19). 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 \$991.2 million, an increase of \$50.0 million, or 5.3%, up from \$941.2 million in FY18.
- Total unrestricted and undesignated operating reserves were 142.6 days at June 30, 2019, up from 137.7 in the prior year.
- Income before Capital Contributions and Transfers was \$28.6 million compared to \$36.6 million in FY18, down \$8.0 million or 22.0%.
- In March of 2018, electric rate adjustments were approved effective May 1, 2018 and May 1, 2019. For rates effective May 1, 2019, rates were modified on October 24, 2018 to make the rates revenue neutral because of the rate structure switch to Time of Use Rates.
- In March of 2019, water/wastewater rate adjustments were approved effective May 1, 2019 and May 1, 2020.
- The Electric Rate Stabilization Fund net position was \$51.2 million at June 30, 2019, up from \$48.8 million in the prior year.
- The Water and Wastewater Rate Stabilization Fund net position was \$0.8 million at June 30, 2019, up from \$0.2 million in the prior year.
- Power Supply and Generation Expenses increased by \$7.7 million to \$163.3 million in FY19, up from \$155.6 million in FY18.
- PWC maintained a \$2.6 million accumulated balance in a Coal Ash Reserve Fund at June 30, 2019, down from \$18.9 million in the prior year.
- Coal Ash Charges of \$18.9 million for FY19 were expensed to Power Supply Expense. FY18 was the first year for these Duke Energy Progress (DEP) charges.
- During FY19, PWC maintained its Aa2/AA/AA rating from Moody's, Standard and Poor's, and Fitch, respectively.
- PWC's senior lien debt coverage ratio is 3.37, exceeding the minimum requirement of 1.10.
- In December 2018, PWC issued \$83.6 million in revenue bonds for projects and a refunding of \$15.5 million of its outstanding debt, which produced a net present value savings of \$0.9 million, or 5.94%.
- In May 2019, the Fayetteville City Council approved assessments for sanitary sewer improvements made in Southgate/Southgate Village/Aaran Lakes West areas referenced as Areas 18 and 19 in the Annexation Phase V utility installation plan totaling \$2.5 million.
- Developer contributions were \$12.8 million at June 30, 2019, up from \$2.9 million in the prior year. The number of developer agreements more than doubled resulting in a \$9.9 million increase.

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

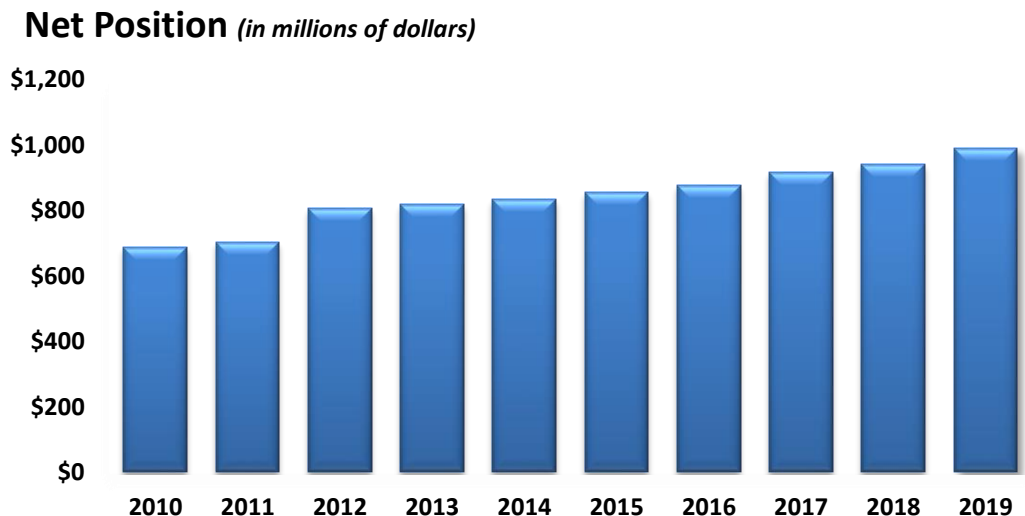
The financial statements of PWC report information about PWC using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about PWC's activities. The Statement of Net Position includes all PWC's assets, deferred outflows, 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 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 cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

PWC is recognized as a Public Authority and is a separately presented component unit of the City of Fayetteville, North Carolina. PWC's financial statements consist of three Enterprise Funds, two of which account for PWC utility services and the remaining fund accounts for PWC fleet services. The effects of the utility services are easily identified by the total utility's 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 whether PWC is 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 is one indicator of whether its financial health is improving or deteriorating as indicated in Figure A-1. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, annexation and new or changed government legislation.

FIGURE A-1
Net Position Trend Analysis – Enterprise Funds



NET POSITION

PWC continues to report a positive net position at the end of FY19. A summary of PWC's Statement of Net Position is presented in Figure A-2. Net position increased \$50.0 million to \$991.2 million in FY19, up from \$941.2 million in FY18. By far, the largest portion of PWC's net position, \$709.1 million (72.0%) reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets.

PWC's total assets exceeded \$1.4 billion in FY19. PWC's total assets increased by 7.6%, primarily due to the increase in capital assets of \$62.4 million or 6.7% over prior year and the increase in current and other assets of \$37.4 million or 9.8% over prior year. The increase in capital assets is the result of spending the Series 2018 bond proceeds on capital assets offset by disposals and depreciation. The increase in cash and other assets is the result of increases in the amount of investments over prior year and the increase in cash due to increased sales and the unspent bond proceeds related to the Series 2018 bond issuance. Operating cash reserves increased from 137.7 days to 142.6 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 2018	FY 2019	Total Dollar Change	Total Percentage Change
Current and Other Assets	\$ 382.9	\$ 420.3	\$ 37.4	9.8%
Capital Assets	928.9	991.3	62.4	6.7%
Total Assets	\$ 1,311.8	\$ 1,411.6	\$ 99.8	7.6%
Deferred Charge on Refunding	4.6	1.6	(3.0)	-65.2%
Regulatory Asset	9.9	3.0	(6.9)	-69.7%
OPEB Deferrals	4.0	4.4	0.4	10.0%
Resources Related to Pensions	12.7	17.0	4.3	33.9%
Deferred Outflows of Resources	\$ 31.2	\$ 26.0	\$ (5.2)	-16.7%
Long-term Liabilities Outstanding	315.6	367.3	51.7	16.4%
Other Liabilities	84.3	77.1	(7.2)	-8.5%
Total Liabilities	\$ 399.9	\$ 444.4	\$ 44.5	11.1%
OPEB Deferrals	1.6	1.6	-	0.0%
Resources Related to Pensions	0.2	0.4	0.2	100.0%
Deferred Inflows of Resources	\$ 1.8	\$ 2.0	\$ 0.2	11.1%
Net Investment in Capital Assets	663.3	709.1	45.8	6.9%
Restricted	149.2	145.0	(4.2)	-2.8%
Unrestricted	128.7	137.1	8.4	6.5%
Total Net Position	\$ 941.2	\$ 991.2	\$ 50.0	5.3%

Deferred Outflows of Resources decreased by \$5.2 million or 16.7%. This is primarily due to a decrease in both Deferred Charge on Refunding of \$3.0 million and Coal Ash Liability of \$6.9 million (see Note 5), offset by Resources Related to Pensions LGERS Deferrals of \$4.3 million.

Restricted Net Position of \$145.0 million includes externally restricted net position of \$17.6 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 \$127.3 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 \$137.1 million in Unrestricted Net Position may be used to meet the PWC's ongoing operations including the repayment of its outstanding debt.

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Figure A-3, PWC's total revenues increased by \$15.6 million, or 4.6%, while total expenses increased by \$23.6 million, or 7.7%. The increase in expenses is primarily due to \$7.7 million increase in power supply and generation expense and expenses related to Hurricane Florence. This resulted in a \$28.6 million Income before Capital Contributions and Transfers, down \$8.0 million compared to last year. Looking more closely at revenues, the \$15.6 million increase arises from an increase in charges for utility services of \$6.4 million, an increase in operating revenue of \$6.6 million and non-operating revenue of \$3.0 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 to protect the customers from the impacts of a one-time sizable rate adjustment when the purchased 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 \$51.2 million, of which approximately \$37.0 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 \$14.2 million represents PWC's target to maintain an on-going balance in this fund of at least 10% of power supply cost. The minimum annual transfer into this fund is \$250,000 and \$4.1 million was transferred in FY19. The transfer of \$3.8 million over the minimum was decided in June 2019 to prepare for an energy true-up from DEP in FY20 after evaluating the Electric Utility's cash reserves balance and information received from Duke Energy of the impacts to its energy prices for the extended cold weather in January 2018.

In addition to the ERSF, PWC has a coal ash reserve for the purposes of paying coal ash cost from its purchased power provider, DEP. In anticipation of Duke Energy's coal ash recovery, the PWC's governing board took proactive measures to ensure that any FERC-approved recovery would not have a material adverse impact on the PWC's financial position. This reserve fund coupled with funds from the existing ERSF will be used to pay coal ash costs over the period to 2024. The remaining costs will continue to be passed on to customers through a fixed charge effective with May 1, 2018 customer billings. In FY19, PWC collected \$2.7 million in revenue and \$3.3 million was recorded due to true-up for Coal Combustion Residual (CCR) cost and Beneficial Reuse (BR). Coal Ash expenses totaled \$18.9 million. As a result, the FY19 Coal Ash Reserve balance is \$2.6 million down from \$18.9 million in FY18 (see Note 14-E for more details).

The Water and Wastewater Fund also maintains a Water/Wastewater Rate Stabilization Fund (WRSF) to stabilize water and wastewater rates and mitigate large one-time rate hikes. Like the ERSF, the minimum annual transfer into this fund is \$250,000 and this amount was transferred in FY19 leaving an accumulated balance of \$0.8 million at June 30, 2019.

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

	FY 2018	FY 2019	Total Dollar Change	Total Percentage Change
Operating Revenues				
Charges for Utility Services	\$ 297.1	\$ 303.5	\$ 6.4	2.2%
Other Operating Revenue	28.1	34.7	6.6	23.5%
Charges for Fleet Services	8.9	8.5	(0.4)	-4.5%
Non-operating Revenues				
Intergovernmental	4.5	2.9	(1.6)	-35.6%
Interest on Investments	2.6	7.2	4.6	176.9%
Total Revenue	\$ 341.2	\$ 356.8	\$ 15.6	4.6%
Power Supply and Generation Expense	155.6	163.3	7.7	4.9%
Electric Operating Expense	15.9	19.4	3.5	22.0%
Water/Wastewater Operating Expense	30.9	36.2	5.3	17.2%
General & Administrative	31.0	35.7	4.7	15.2%
Fleet Maintenance Expense	8.8	8.4	(0.4)	-4.5%
Depreciation Expense	40.6	42.0	1.4	3.4%
Non-Operating Expense				
Loss on Sale of Assets	1.0	1.0	-	0.0%
Payment in lieu of taxes	10.4	10.9	0.5	4.8%
Intergovernmental Expense	1.2	1.2	-	0.0%
Interest Expense	9.2	9.7	0.5	5.4%
Amortization Expense	-	0.4	0.4	100.0%
Total Expenses	\$ 304.6	\$ 328.2	\$ 23.6	7.7%
Income before Capital Contributions and Transfers	36.6	28.6	(8.0)	-21.9%
Capital Contributions	6.4	21.4	15.0	234.4%
Change in Net Position	43.0	50.0	7.0	0.2
Beginning Net Position	916.8	941.2	24.4	2.7%
Cumulative effect of change in acct	(18.6)	-	18.6	-100.0%
Ending Net Position	\$ 941.2	\$ 991.2	\$ 50.0	5.3%

Electric operating revenues increased \$7.4 million, or 3.2% to \$239.8 million. In May 1, 2018, an electric rate adjustment of 2.7 % or \$5.7 million went into effect. Of the total revenue increase, \$1.6 million was attributed directly to sales of electricity and was predominantly an increase of 0.8% in non-residential class customers and 0.2% increase in kWh sales. The residential class represents 50% of electric sales revenue in total and increased \$1.0 million, or approximately 1.3% over prior year. Large User sales were down by 3.7%, over FY18. Several reasons for the decrease in Large User sales include: two customers with construction projects on site resulting in a downturn in sales; one large electric customer installing energy efficiencies during the period; and the overall change in rate structure to a Coincident Peak rate, which resulted in 6 Large Users representing 15% of kWh sales being reclassified to Non-residential. In FY18, several weather events impacted electric sales including a polar vortex in January 2018, a two-week cold stretch in March 2018 and a hotter than normal June 2018. Whereas FY19, mild winter weather and slightly hotter summer weather were the case. A Wholesale Power Cost Adjustment (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 comparing revenue to FY18, a WPCA credit of \$3.7 million was issued, while there was no WPCA in FY19. Overall, sales decreased 58,249 MWh from 2,052,371 to 1,994,122 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

	Customers	Average kWh/cust	kWh Sales	Sales Revenue
Residential	0.3%	-1.3%	-1.0%	1.3%
Non-Residential	0.8%	-0.6%	0.2%	2.5%
Industrial	0.0%	5.0%	-3.7%	-4.3%

Water and wastewater operating revenues collectively increased \$6.4 million, or 7.0% to \$98.5 million, and is attributable to increases in water and wastewater sales revenues. Although the Water and Wastewater Systems are accounted for in the same fund, we will discuss them individually.

Water System: Water sales revenue increased for all customer classes by \$2.9 million, or 6.9% to \$44.7 million. The residential class represents over 68% of water sales revenue in total. By far, the revenue increase is due to the rate adjustments effective April 1, 2018 of 9.1% and May 1, 2019 of 8.5% per year. Gallon sales per customer for the residential class declined 1.5% and the non-residential sales saw a decline of gallon sales per customer of 0.04%, with large users realizing an increase in gallon sales of 1.9%. The rate adjustments incorporated a Basic Facility Charge (BFC) increase and rate per gallon increases for all customers, as well as a rate differential for customers outside the City corporate limits went from 170% to 175% in May 2019. Irrigation revenues remained steady with an increase of 0.6% due to the rate adjustments over the prior year although the average per customer declined by 6.0%. Year to date rainfall in FY19 was 54.0", greater than 38.5" of the prior year. Rainfall for 6 of the months in FY19 were higher than the 10-year average for these months, with September having a rainfall of 12.8" due mostly to Hurricane Florence. Rate changes, however, mitigated any significant revenue losses for this service. Figure A-5-A illustrates the percentage changes by major customer classes.

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

	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	0.7%	-1.5%	-0.8%	8.4%
Non-Residential	0.8%	-0.4%	0.4%	7.1%
Industrial	0.0%	1.9%	1.9%	6.4%
Wholesale	0.0%	-0.3%	-0.3%	4.0%
Irrigation	-3.6%	-6.0%	-9.3%	0.6%

Wastewater System: Wastewater sales revenue increased \$2.6 million, or 5.7% to \$49 million. By far, the revenue increase is due to the rate adjustments effective in April 1, 2018 of 4.0% and May 1, 2019 of 3.9%. The residential class represents 71% of wastewater sales revenue in total. Wastewater residential customer growth continues to increase due to annual additions of newly annexed customers. Wastewater sales trend closely to water with a decrease in gallon sales per customer of 1.4% for residential. There was an increase in non-residential of gallon sales per customer of 3.9% and large user gallon sales per customer of 6.1%. Wholesale customers had an increase in usage mainly due to large amounts of runoffs flows due to the rain. Figure A-5-B illustrates the percentage changes by major customer classes.

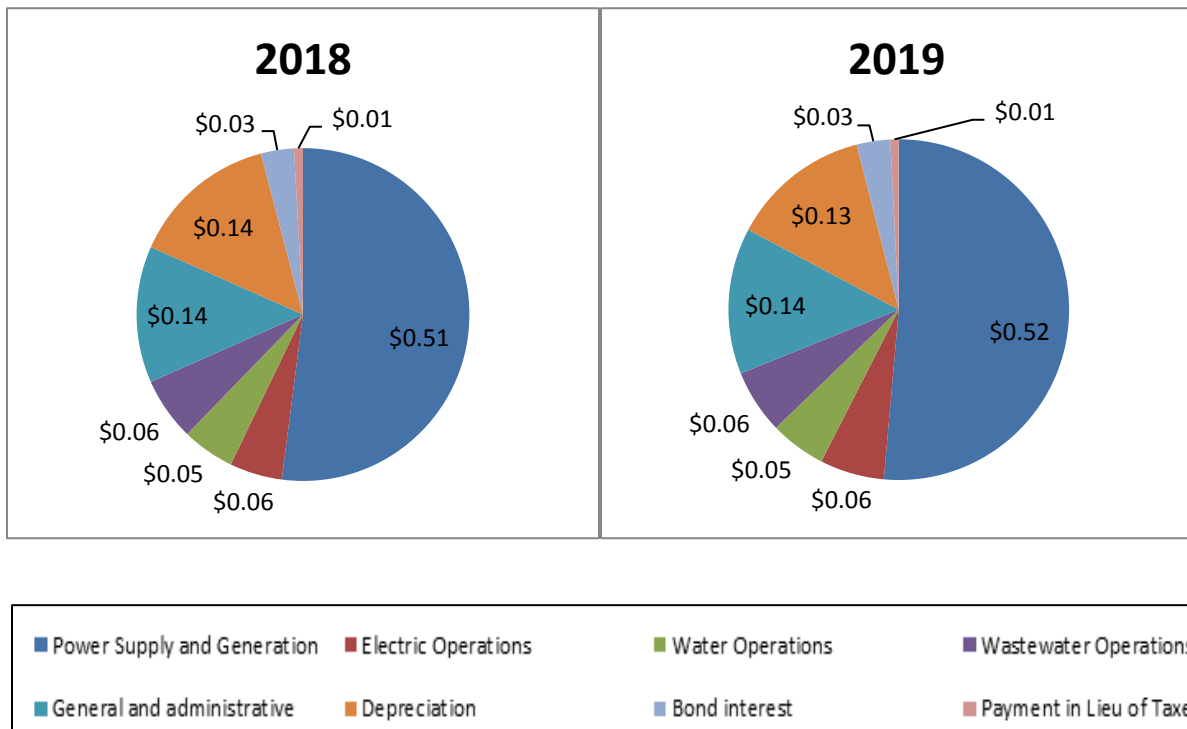
FIGURE A-5-B
Percent Change by Major Customer Class
Wastewater

	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	1.2%	-1.4%	-0.2%	5.2%
Non-Residential	1.1%	3.9%	5.0%	2.5%
Industrial	0.0%	6.1%	1.9%	6.2%
Wholesale	0.0%	37.1%	37.1%	45.5%

Electric Operating Expenses excluding Power Supply and Generation Expenses increased by \$3.5 million or 22.0% and Water and Wastewater Operating Expenses increased by \$5.3 million or 17.2%. Both increases are due to increased costs and contractual services related to Hurricane Florence activity in the fall.

Figure A-6 provides the dollar breakdown of expenses in 2018 and 2019 to better illustrate the changes.

FIGURE A-6
Dollar Breakdown of Expenses



Power Supply and Generation Expenses increased by \$7.7 million to \$163.3 million in FY19 up from \$155.6 million in FY18. The majority of the increase is a \$1.6 million increase in purchased power and a \$9.7 million increase in coal ash costs offset by a \$3.6 million decrease in contractual true up costs. The \$1.6 million purchased power increase is mostly DEP price driven and with mild weather this fiscal year, the sales were lower than prior year. The total year increase related to usage was \$0.1 million. This was the first full year of DEP coal ash charges and PWC recognized \$18.9 million in current year. As mentioned previously, a reserve had been established in anticipation of these charges as well as a flat charge passed on through customer billings. Total power purchased was 2.14 billion kWh, a 1.2% decrease from the prior year. PWC's system peak demand for FY19 of 410.0 MW occurred in May, 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 2018	FY 2019	Total Dollar Change	Total Percent Change
Purchased Power - DEP	\$ 134.7	\$ 136.3	\$ 1.6	1.2%
Purchased Power - True Up	0.1	3.3	3.2	3170.0%
Purchase Power - Adjust.	-	(3.6)	(3.6)	100.0%
Purchased Power - SEPA	0.3	0.4	0.1	21.2%
Transmission	6.7	6.7	-	0.0%
Coal Ash	9.2	19.0	9.8	106.3%
Coal Ash - True Up	-	(3.3)	(3.3)	100.0%
Other Generation Expenses	4.5	4.6	-	0.0%
Total	\$ 155.6	\$ 163.3	\$ 7.7	5.0%

CAPITAL CONTRIBUTIONS

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

FIGURE A-8
Changes in Capital Contributions
(Dollars in Millions)

	FY 2018	FY 2019	Total Dollar Change	Total Percent Change
Developers	\$ 2.9	\$ 12.8	\$ 9.9	341.4%
City & County	0.0	0.0	(0.0)	-75.0%
NCDOT	0.2	6.1	5.9	2950.0%
Federal & State- FEMA	2.2	1.2	(1.0)	0.0%
Facility Investment Fee (SDF)	0.9	1.1	0.2	22.2%
FIF Credits Awarded/Applied/Expired	0.1	0.2	0.1	60.0%
Total	\$ 6.3	\$ 21.4	\$ 15.0	237.1%

At June 30, 2019, capital contributions were \$21.4 million, up \$15.0 million from FY18. There was an increase in contributions from developers of \$9.9 million, the North Carolina Department of Transportation (NCDOT) of \$5.9 million and Facility Investment Fees of \$0.2 million. However, a decrease in contributions from FEMA of \$1.0 million resulted in a net increase in total contributions of \$15.0 million.

PAYMENTS IN LIEU OF TAXES AND INTERGOVERNMENTAL ACTIVITY

PWC annually transfers from its Electric Fund to the City's General Fund a Payment in Lieu of Taxes (PILOT). The PILOT formula, as defined in PWC's Charter, is 2.45% of the total Net Position of the Electric Fund as reported on the Statement of Net Position of PWC's most recent audited financial report. In addition to the PILOT, there are additional intergovernmental revenues and expenses pursuant to reporting requirements between the City and PWC discussed below. The net PILOT and Intergovernmental Activity to the City increased for FY19 by \$2.1 million due to an assessment roll for Annexation Phase V, Areas 18 & 19 (See Figure A-9).

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

	FY 2018	FY 2019	Total Dollar Change	Total Percent Change
Payment in lieu of taxes (PILOT)	\$ 10.4	\$ 10.9	\$ 0.5	4.8%
Intergovernmental Expense				
Economic Development - City	1.2	1.2	-	0.0%
Intergovernmental Revenues				
Additional -				
Assessments	4.2	2.5	(1.7)	-40.5%
Assessment Interest	0.3	0.4	0.1	33.3%
Total Intergovernmental Revenue	<u>\$ 4.5</u>	<u>\$ 2.9</u>	<u>\$ (1.6)</u>	<u>-35.6%</u>
Net PILOT and Intergovernmental Activity	<u>\$ 7.1</u>	<u>\$ 9.2</u>	<u>\$ 2.1</u>	<u>29.6%</u>

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during FY19:

Major capital asset expenditures include:	
\$ 18.7 million	Water and Wastewater System Improvements
\$ 16.8 million	Water and Wastewater System Rehabilitation
\$ 11.9 million	Installation of Water and Wastewater Mains and Laterals in Annexed Areas
\$ 7.0 million	New Wastewater Service Laterals and Wastewater Main Extensions
\$ 6.7 million	New Water Service Laterals and Water Main Extensions
\$ 4.4 million	NCDOT Raeford Road Widening
\$ 3.8 million	Rockfish WRF Rehabilitation and Improvements
\$ 3.5 million	LED Conversions and New Installations
\$ 3.3 million	PO Hoffer WTF Expansion and Improvements
\$ 2.8 million	Substation Rebuild
\$ 2.5 million	Community Solar
\$ 2.5 million	Cross Creek Influent Pump Station Rehab
\$ 2.4 million	Electric Underground Infrastructure Replacement
\$ 2.0 million	Electric Underground Distribution Infrastructure Installations – New
\$ 2.0 million	Electric Overhead Infrastructure Improvements
\$ 1.6 million	Substation Upgrade
\$ 1.3 million	Purchase of Padmount and Overhead Transformers
\$ 1.3 million	Sub-Transmission Pole Replacement

Capital spending for the Electric System was \$32.2 million, up \$8.6 million from FY18. The increase is attributable to increased activity in the Substation Rebuild and Upgrade Projects, the NCDOT U-4405 Widening project, Community Solar and the LED Area Lights Replacement/Conversion Projects.

Capital spending for the Water and Wastewater System was \$73.9 million, an increase of \$20.2 million from FY18. The increase is primarily attributable to various water and wastewater system improvement and rehabilitation projects, new water service laterals and water main extensions and new wastewater service laterals and wastewater mains extensions.

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At June 30, 2019, PWC has an investment of \$1.8 billion in a broad range of infrastructure as shown in Figure A-10.

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

	FY 2018	FY 2019	Total Dollar Change	Total Percent Change
Land	\$ 18.0	\$ 18.7	\$ 0.7	3.9%
Buildings	55.9	57.5	1.6	2.9%
Machinery, Equipment and Vehicles	50.4	52.6	2.2	4.4%
Electric System	464.1	475.3	11.2	2.4%
Water System	388.7	408.0	19.3	5.0%
Wastewater System	550.6	572.6	22.0	4.0%
Office Equipment and Intangibles	53.3	53.7	0.4	0.8%
Construction in Progress	70.6	115.0	44.4	62.9%
Subtotal	1,651.6	1,753.4	101.8	6.2%
Accumulated Depreciation	(722.7)	(762.1)	(39.4)	5.5%
Net Property, Plant and Equipment	\$ 928.9	\$ 991.3	\$ 62.4	6.7%

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

The 62.9% increase or \$44.4 million increase in Construction in Progress is primarily attributed to the increased activity on existing projects to include, Series 2018 Water/Wastewater projects, replacements of a 20" Force Main for North Fayetteville, Hurricane Matthew improvements of sewer facilities, PO Hoffer WTF Capacity Expansion Phase 2, a large substation rebuild, electric underground infrastructure installation and replacement (residential and non-residential) and the NCDOT U-4405 Raeford Road Widening Project.

LONG TERM DEBT

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

At year-end, PWC had \$319.3 million in long-term debt (before loss on defeasance and reacquired debt, premiums, and discounts, see Note 10E in the financial statements). This is an increase of \$49.7 million or 18.4% from \$269.6 million in FY18. The increase is due to a bond issuance of \$83.6 million offset by principal payments of \$18.5 million and \$15.5 million in refunded debt.

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 3.8% and 2.9%, respectively, as of June 30, 2019. The Commission constantly monitors market conditions and opportunities to lower its borrowing costs. Over the past several years, the PWC has taken advantage of refunding opportunities and low interest NC State Revolving Loans (NCSRL) to achieve the best possible interest rates on its outstanding debt.

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

<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	106.7	3.8%	2.5%
Revenue Bonds, Series 2014	106.4	3.9%	3.3%
Revenue Refunding Bonds, Series 2018	83.7	4.4%	3.5%
GO Refunding Bonds, Series 2009	0.3	4.0%	2.2%
2013 NCSRL - Hoffer Construction Phase 1	13.5	0.0%	0.0%
2012 NCSRL - Clearwell/Ferric Conversion	3.7	0.0%	0.0%
2013 NCSRL - Outfall Rehab (Large Diameter Rehab)	2.9	2.0%	2.0%
2014 NCSRL - Person Street Sanitary Sewer	1.8	2.0%	2.0%
2012 NCSRL - Edgewater Project	0.3	2.0%	2.0%
Total	319.3	3.8%	2.9%

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One area that demonstrates PWC's financial strength is its ability to maintain strong debt coverage ratios, with its revenue bond coverage at 3.37 exceeding the minimum requirement of 1.10. Figure A-12 demonstrates PWC's coverage ratio.

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

	FY 2018	FY 2019	Percent Change
Change in Net Position (Figure A-3)	\$ 43.0	\$ 50.0	16.3%
Adjustments			
Bond Interest Expense	9.2	9.7	5.4%
Depreciation and Amortization	40.5	42.0	3.7%
Payment of Lieu of Taxes	10.4	10.9	4.8%
Intergovernmental Expense	1.2	1.2	0.0%
Intergovernmental Revenue	(4.2)	(2.6)	-38.1%
Capital Contributions	(6.4)	(21.4)	234.4%
(Gain)/Loss on Sale of Assets	1.0	1.1	10.0%
Facility Investment Fees	1.0	1.1	10.0%
Assessments Collected	0.2	0.1	-50.0%
(Gain)/Loss on Investment Valuation	0.8	(1.8)	-325.0%
Capital Transfer to Fleet	-	(0.8)	100.0%
Income Available for Debt Service	<u>96.7</u>	<u>89.5</u>	<u>-7.4%</u>
<u>Senior Lien Debt Coverage</u>			
Revenue Bond Debt Service ¹	<u>27.1</u>	<u>26.6</u>	<u>-1.8%</u>
Senior Lien Debt Service Coverage	<u>3.56</u>	<u>3.37</u>	<u>-5.3%</u>
<u>Total System Debt Coverage</u>			
Total System Debt Service ¹	<u>28.80</u>	<u>28.40</u>	<u>-1.4%</u>
Total System Debt Service Coverage	<u>3.36</u>	<u>3.15</u>	<u>-6.3%</u>

¹ Net of capitalized interest from bond proceeds of \$1.3 million in FY18 and \$0.6 million in FY19.

In addition to long-term debt, PWC's long-term obligations include the total OPEB Liability of \$28.2 million with the implementation of GASB Statement No. 75 in FY18. Additional information on PWC's long-term liabilities can be found in Note 10 of the financial statements.

CONTACTING THE PWC'S CHIEF FINANCIAL OFFICER

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

FINANCIAL SECTION

Basic Financial Statements

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

June 30, 2019

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Fund Major Fund	Total Business-Type Activities PWC
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 23,607,728	\$ 5,399,871	\$ 29,007,599	\$ -	\$ 29,007,599
Investments	65,693,258	31,638,813	97,332,071	-	97,332,071
Receivables	33,232,473	20,924,052	54,156,525	724,705	54,881,230
Internal balances	145,138	(1,692,153)	(1,547,015)	1,547,015	-
Less allowance for doubtful accounts	(284,876)	(130,854)	(415,730)	-	(415,730)
Net receivables	33,092,735	19,101,045	52,193,780	2,271,720	54,465,500
Inventories	13,542,418	2,538,311	16,080,729	1,105	16,081,834
Other current assets	2,447,686	658,057	3,105,743	-	3,105,743
Total current unrestricted assets	138,383,825	59,336,097	197,719,922	2,272,825	199,992,747
Current restricted assets					
Cash and cash equivalents	32,707,688	85,442,817	118,150,505	-	118,150,505
Investments	65,576,298	30,539,771	96,116,069	-	96,116,069
Collateral pledged in lieu of deposits	630,117	-	630,117	-	630,117
Receivables	4,374,794	704,741	5,079,535	-	5,079,535
Total current restricted assets	103,288,897	116,687,329	219,976,226	-	219,976,226
Total current assets	241,672,722	176,023,426	417,696,148	2,272,825	419,968,973
Noncurrent assets					
Other assets	308,593	41,101	349,694	4,408	354,102
Capital assets:					
Land and land rights	6,871,326	11,802,232	18,673,558	-	18,673,558
Construction in process	45,712,120	68,593,653	114,305,773	700,603	115,006,376
Electric utility system	195,917,129	-	195,917,129	-	195,917,129
Water system	-	251,082,570	251,082,570	-	251,082,570
Wastewater system	-	353,774,561	353,774,561	-	353,774,561
Buildings	22,526,608	2,730,394	25,257,002	1,634,233	26,891,235
Equipment and machinery	7,573,112	2,362,156	9,935,268	81,882	10,017,150
Computer equipment	899,961	935,632	1,835,593	4,625	1,840,218
Intangibles	5,961,234	4,286,724	10,247,958	-	10,247,958
Vehicles	3,918,725	3,636,903	7,555,628	92,640	7,648,268
Office equipment	138,549	19,848	158,397	-	158,397
Capital assets, net	289,518,764	699,224,673	988,743,437	2,513,983	991,257,420
Total noncurrent assets	289,827,357	699,265,774	989,093,131	2,518,391	991,611,522
Total assets	531,500,079	875,289,200	1,406,789,279	4,791,216	1,411,580,495
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized bond refunding charges	12,981	1,557,670	1,570,651	-	1,570,651
Regulatory asset - coal ash	3,065,199	-	3,065,199	-	3,065,199
OPEB deferrals	1,878,875	2,228,433	4,107,308	262,169	4,369,477
Pension deferrals	7,301,649	8,504,479	15,806,128	1,174,453	16,980,581
Total deferred outflows of resources	12,258,704	12,290,582	24,549,286	1,436,622	25,985,908

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

June 30, 2019

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Fund Major Fund	Total Business-Type Activities PWC
LIABILITIES				-	
Current liabilities to be paid from unrestricted current assets					
Current portion of long-term liabilities	\$ 2,859,707	\$ 17,352,583	\$ 20,212,290	\$ 98,025	\$ 20,310,315
Accounts payable and accrued expenses	17,758,966	12,862,448	30,621,414	219,114	30,840,528
Total current liabilities to be paid from unrestricted current assets	<u>20,618,673</u>	<u>30,215,031</u>	<u>50,833,704</u>	<u>317,139</u>	<u>51,150,843</u>
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	11,463,045	14,418,450	25,881,495	-	25,881,495
Total current liabilities to be paid from restricted current assets	<u>11,463,045</u>	<u>14,418,450</u>	<u>25,881,495</u>	<u>-</u>	<u>25,881,495</u>
Total current liabilities	<u>32,081,718</u>	<u>44,633,481</u>	<u>76,715,199</u>	<u>317,139</u>	<u>77,032,338</u>
Noncurrent liabilities					
Long-term liabilities	25,754,379	299,404,629	325,159,008	57,315	325,216,323
Total OPEB liability	12,146,795	14,129,342	26,276,137	1,972,394	28,248,531
Net pension liability	5,572,269	6,626,169	12,198,438	1,029,038	13,227,476
Unearned deposits	7,246	563,809	571,055	-	571,055
Total noncurrent liabilities	<u>43,480,689</u>	<u>320,723,949</u>	<u>364,204,638</u>	<u>3,058,747</u>	<u>367,263,385</u>
Total liabilities	<u>75,562,407</u>	<u>365,357,430</u>	<u>440,919,837</u>	<u>3,375,886</u>	<u>444,295,723</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB deferral	696,314	825,860	1,522,174	97,160	1,619,334
Pension deferral	29,439	30,718	60,157	8,307	68,464
Refunding deferral	88,314	282,443	370,757	-	370,757
Total deferred inflows of resources	<u>814,067</u>	<u>1,139,021</u>	<u>1,953,088</u>	<u>105,467</u>	<u>2,058,555</u>
NET POSITION					
Net investment in capital assets	262,535,181	444,052,343	706,587,524	2,513,983	709,101,507
Restricted for -					
Capital projects	830,736	8,734,184	9,564,920	-	9,564,920
Renewable energy	8,081,798	-	8,081,798	-	8,081,798
Other internal restrictions	82,913,318	44,414,094	127,327,412	-	127,327,412
Unrestricted Net Position	113,021,276	23,882,710	136,903,986	232,502	137,136,488
Total Net Position	<u>\$ 467,382,309</u>	<u>\$ 521,083,331</u>	<u>\$ 988,465,640</u>	<u>\$ 2,746,485</u>	<u>\$ 991,212,125</u>

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, 2019

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Fund Major Fund	Total Business-Type Activities PWC
Operating revenues					
Residential, commercial and industrial sales	\$ 200,899,188	\$ 89,293,997	\$ 290,193,185	\$ -	\$ 290,193,185
Other charges for services	38,885,930	9,101,710	47,987,640	8,462,837	56,450,477
Miscellaneous operating revenue	-	-	-	71,794	71,794
Total operating revenues	<u>239,785,118</u>	<u>98,395,707</u>	<u>338,180,825</u>	<u>8,534,631</u>	<u>346,715,456</u>
Operating expenses					
Power supply and generation	163,256,607	-	163,256,607	-	163,256,607
Electric operation	19,397,355	-	19,397,355	-	19,397,355
Water operations	-	16,845,418	16,845,418	-	16,845,418
Wastewater operations	-	19,315,810	19,315,810	-	19,315,810
General and administrative	18,393,381	17,290,839	35,684,220	-	35,684,220
Depreciation	16,864,662	25,068,167	41,932,829	153,029	42,085,858
Fleet maintenance expense	-	-	-	8,381,602	8,381,602
Total operating expenses	<u>217,912,005</u>	<u>78,520,234</u>	<u>296,432,239</u>	<u>8,534,631</u>	<u>304,966,870</u>
Operating income	<u>21,873,113</u>	<u>19,875,473</u>	<u>41,748,586</u>	<u>-</u>	<u>41,748,586</u>
Nonoperating revenue (expense)					
Intergovernmental revenue	-	2,897,079	2,897,079	-	2,897,079
Intergovernmental expense	(1,200,000)	-	(1,200,000)	-	(1,200,000)
Payment in lieu of taxes	(10,938,256)	-	(10,938,256)	-	(10,938,256)
Interest earned on investments	4,683,893	2,549,868	7,233,761	-	7,233,761
Gain (loss) on disposal of assets	(721,838)	(332,942)	(1,054,780)	-	(1,054,780)
Interest expense	(741,756)	(8,996,408)	(9,738,164)	-	(9,738,164)
Finance costs	(20,289)	(383,296)	(403,585)	-	(403,585)
Total nonoperating revenue (expense)	<u>(8,938,246)</u>	<u>(4,265,699)</u>	<u>(13,203,945)</u>	<u>-</u>	<u>(13,203,945)</u>
Income (loss) before transfers and contributions	<u>12,934,867</u>	<u>15,609,774</u>	<u>28,544,641</u>	<u>-</u>	<u>28,544,641</u>
Contributions	6,174,985	15,264,018	21,439,003	-	21,439,003
Transfers in	-	4,323,300	4,323,300	774,764	5,098,064
Transfers out	(4,710,682)	(387,382)	(5,098,064)	-	(5,098,064)
Change in Net Position	<u>14,399,170</u>	<u>34,809,710</u>	<u>49,208,880</u>	<u>774,764</u>	<u>49,983,644</u>
Total Net Position - beginning	<u>452,983,139</u>	<u>486,273,621</u>	<u>939,256,760</u>	<u>1,971,721</u>	<u>941,228,481</u>
Total Net Position - ending	<u>\$ 467,382,309</u>	<u>\$ 521,083,331</u>	<u>\$ 988,465,640</u>	<u>\$ 2,746,485</u>	<u>\$ 991,212,125</u>

Note: The transfers within funds have been eliminated for FY 2019; \$21,193,138 for Electric & \$121,941,781 for Water/Wastewater.

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Cash Flows

Year ended June 30, 2019

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Fund Major Fund	Total Business-Type Activities PWC
Cash flows from operating activities					
Cash received from customers	\$ 234,440,664	\$ 96,708,569	\$ 331,149,233	\$ 8,925,645	\$ 340,074,878
Cash paid for goods and services	(21,392,432)	(30,249,369)	(51,641,801)	(6,333,976)	(57,975,777)
Cash paid to or on behalf of employees for services	(14,559,534)	(21,124,355)	(35,683,889)	(2,591,669)	(38,275,558)
Cash paid for power supply and generation	(166,321,806)	-	(166,321,806)	-	(166,321,806)
Net cash provided (used) by operating activities	<u>32,166,892</u>	<u>45,334,845</u>	<u>77,501,737</u>	<u>-</u>	<u>77,501,737</u>
Cash flows from noncapital financing activities					
Cash received from intergovernmental agreements	-	2,897,079	2,897,079	-	2,897,079
Cash paid for intergovernmental agreements	(12,138,256)	-	(12,138,256)	-	(12,138,256)
Transfers in	-	3,935,918	3,935,918	774,764	4,710,682
Transfers out	(4,710,682)	-	(4,710,682)	-	(4,710,682)
Net cash provided (used) by noncapital financing activities	<u>(16,848,938)</u>	<u>6,832,997</u>	<u>(10,015,941)</u>	<u>774,764</u>	<u>(9,241,177)</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	165,012	186,982	351,994	-	351,994
Proceeds from debt issuance	1,522,948	88,049,997	89,572,945	-	89,572,945
Payment of finance costs on long-term debt	(20,289)	(383,296)	(403,585)	-	(403,585)
Contributed capital received	6,174,985	2,322,964	8,497,949	-	8,497,949
Acquisition and construction of capital assets	(32,235,974)	(73,884,831)	(106,120,805)	(774,764)	(106,895,569)
Principal payments on long-term debt	(9,240,073)	(30,648,425)	(39,888,498)	-	(39,888,498)
Other capital asset transactions	843,168	13,976,833	14,820,001	-	14,820,001
Interest payments	(741,756)	(8,996,408)	(9,738,164)	-	(9,738,164)
Net cash used by capital and related financing activities	<u>(33,531,979)</u>	<u>(9,376,184)</u>	<u>(42,908,163)</u>	<u>(774,764)</u>	<u>(43,682,927)</u>
Cash flows from investing activities					
Interest earned on investments	4,683,893	2,549,868	7,233,761	-	7,233,761
Net change in investments	7,407,781	(628,663)	6,779,118	-	6,779,118
Net cash provided in investing activities	<u>12,091,674</u>	<u>1,921,205</u>	<u>14,012,879</u>	<u>-</u>	<u>14,012,879</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,122,351)</u>	<u>44,712,863</u>	<u>38,590,512</u>	<u>-</u>	<u>38,590,512</u>
Cash and cash equivalents					
Beginning of year	<u>62,437,767</u>	<u>46,129,825</u>	<u>108,567,592</u>	<u>-</u>	<u>108,567,592</u>
End of year	<u>\$ 56,315,416</u>	<u>\$ 90,842,688</u>	<u>\$ 147,158,104</u>	<u>\$ -</u>	<u>\$ 147,158,104</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Statement of Cash Flows

Year ended June 30, 2019

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Fund Major Fund	Total Business-Type Activities PWC
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 21,873,113	\$ 19,875,473	\$ 41,748,586	\$ -	\$ 41,748,586
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	16,864,661	25,068,167	41,932,828	153,029	42,085,857
Allowance for uncollectible accounts	10,050	94,576	104,626	-	104,626
Change in assets and liabilities					
(Increase) decrease in receivables	(5,221,297)	(1,781,714)	(7,003,011)	391,014	(6,611,997)
(Increase) decrease in internal balances	183,925	(1,033,747)	(849,822)	849,822	-
(Increase) decrease in inventories	1,494,176	72,374	1,566,550	-	1,566,550
(Increase) decrease in deferred outflows-other	7,032,258	2,779,470	9,811,728	-	9,811,728
(Increase) decrease in deferred outflows-OPEB	(132,550)	(157,210)	(289,760)	(18,496)	(308,256)
(Increase) decrease in deferred outflows-pension related	(1,826,402)	(2,166,198)	(3,992,600)	(254,847)	(4,247,447)
(Increase) decrease in other current assets	(737,794)	201,895	(535,899)	-	(535,899)
(Increase) decrease in other assets	(109,139)	7,898	(101,241)	(4,029)	(105,270)
Increase (decrease) in OPEB liability	(223,657)	(265,267)	(488,924)	237,457	(251,467)
Increase (decrease) in pension liability	-	2,283,647	2,283,647	-	2,283,647
Increase (decrease) in unearned deposits	170	145	315	-	315
Increase (decrease) in accounts payable and accrued expenses	(5,746,502)	115,620	(5,630,882)	(1,358,556)	(6,989,438)
Increase (decrease) in other liabilities	(3,065,199)	-	(3,065,199)	-	(3,065,199)
Increase (decrease) in deferred inflows-other	88,314	282,443	370,757	-	370,757
(Increase) decrease in deferred inflows-OPEB	(1,882)	(2,233)	(4,115)	(263)	(4,378)
(Increase) decrease in deferred inflows-pension related	1,848,371	(91,393)	1,756,978	(10,752)	1,746,226
Increase (decrease) in accrued vacation	(69,777)	11,120	(58,657)	5,890	(52,767)
Increase (decrease) in accrued sick leave	(93,947)	39,779	(54,168)	9,731	(44,437)
Total adjustments	10,293,779	25,459,372	35,753,151	-	35,753,151
Net cash provided by (used in) operating activities	\$ 32,166,892	\$ 45,334,845	\$ 77,501,737	\$ -	\$ 77,501,737
Noncash investing, capital, and financing activities:					
Contributed capital assets	\$ -	\$ 12,784,242	\$ 12,784,242	\$ -	\$ 12,784,242
FIF credits applied	\$ -	\$ 156,812	\$ 156,812	\$ -	\$ 156,812
Adjustment to market for long term investments	\$ 480,253	\$ 246,802	\$ 727,055	\$ -	\$ 727,055
Reconciliation to cash and cash equivalents					
Unrestricted	\$ 23,607,728	\$ 5,399,871	\$ 29,007,599	\$ -	\$ 29,007,599
Restricted	32,707,688	85,442,817	118,150,505	-	118,150,505
Total	\$ 56,315,416	\$ 90,842,688	\$ 147,158,104	\$ -	\$ 147,158,104

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

Notes to the Financial Statements

June 30, 2019

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, 2019

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. Intergovernmental Revenues and Payment in Lieu of Taxes (PILOT) are considered non-operating revenues and expense.

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

Use of estimates

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

Cash and investments

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

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

Internal balances

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

Receivables

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

Inventories

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 1 – Summary of significant accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items.

Capital assets

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

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

Utility plant systems are depreciated over estimated useful lives ranging from 20 to 45 years. Other property and equipment are depreciated over estimated useful lives ranging from 5 to 15 years. All capital assets are depreciated using the straight-line method.

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

Deferred outflows/inflows of resources

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

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, 2019

Note 1 – Summary of significant accounting policies (continued)

Pensions

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

Compensated absences

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

Unearned deposits

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

Statement of cash flows

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

Other post-employment benefits

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

Net Position

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

At June 30, 2019, the Electric fund had restricted assets and a resultant restricted net position of \$103,288,897 related to debt service, renewable energy and other internally restricted assets offset by \$11,463,045 of other internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$91,825,852. The Water/Wastewater Fund had restricted assets of \$116,687,329 related to debt service, capital projects and other internally restricted assets offset by

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 1 – Summary of significant accounting policies (continued)

Net Position (continued)

\$58,546,517 of unspent bond proceeds and \$4,992,534 of internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$53,148,278.

Implemented Pronouncements

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

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

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

Upcoming Pronouncements

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

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

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 1 – Summary of significant accounting policies (continued)

GASB issued Statement No. 91, “Conduit Debt Obligations.” The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Note 2 - Business of the Commission

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

Note 3 - Legal compliance - budgets

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

Note 4 - Cash and investments

A - Deposits

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

All of the Commission's deposits are either insured or collateralized by the depositories, which use one of two methods. Under the dedicated method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Commission's agent in the Commission's name. Under the pooling method, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Commission, these deposits are considered to be held by the Commission's agent in the Commission's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Commission or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Commission under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each pooling method depository.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 4 - Cash and investments (continued)

A – Deposits (continued)

At June 30, 2019, the Commission had deposits in pooling method banks with a carrying amount of \$44,017,670 and a bank balance of \$44,566,323. Of the total bank balance, \$539,100 was covered by federal depository insurance and \$44,027,223 was covered by collateral under the pooling method.

At June 30, 2019, the Commission had \$20,388,116 in Certificate of Deposits.

At June 30, 2019, the Commission had \$4,550 in petty cash.

B - Investments

At June 30, 2019, the Commission had the following investments and maturities.

Investment Type	Valuation Measurement Method	Reported Value	Less than 6 Months	6 Mos - 1 Yr	1-5 Years	6-10 Years
U.S. Government agencies	Fair Value-Level 2	\$ 124,631,339	\$ -	\$ 4,199,232	\$ 114,268,755	\$ 6,163,352
Commercial paper	Fair Value-Level 2	56,110,061	50,191,530	5,918.531	-	-
NC Capital Management Trust - Term Portfolio*	Fair Value-Level 1	7,050,100	7,050,100	-	-	-
NC Capital Management Trust - Government Portfolio	Amortized Cost	88,404,408	88,404,408	-	-	-
Total		\$276,195,908	\$ 145,646,038	\$10,117,76	\$ 114,268,755	\$ 6,163,352

*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, 2019.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 4 - Cash and investments (continued)

B – Investments (continued)

The Commission's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

Concentration of Credit Risk. The Commission limits investments to avoid over-concentration in securities from a specific issuer or business sector. More than 5% of the Commission's investments are in Freddie Mac, Federal Home Loan Bank, Fannie Mae and Federal Farm Credit. These investments are 30%, 21%, 11% and 8%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

	Reported
Total investments	\$ 276,195,908
Cash	44,017,670
Plus Certificates of Deposit	20,388,116
Petty cash	<u>4,550</u>
Total cash and investments	340,606,244
Less: Investments with maturities of more than 3 months	(193,448,140)
Total cash and cash equivalents	<u><u>\$ 147,158,104</u></u>

Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 29,007,599
Cash and cash equivalents - restricted	<u>118,150,505</u>
Total cash and cash equivalents	<u><u>\$ 147,158,104</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, 2019, this asset had a value of \$3,065,199.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 6 – Accounts Receivable

At June 30, 2019, the Commission's unrestricted receivable balances were as follows:

	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Fund	Total
Unrestricted:				
Accounts	\$ 26,561,644	\$ 12,230,204	\$ -	\$ 38,791,848
Sales taxes	2,011,142	186,604	20,964	\$ 2,218,710
Due from City - Assessments	-	7,634,232	-	\$ 7,634,232
Due from City - Assessments Interest	-	315,989	-	\$ 315,989
Accrued interest	595,840	265,395	-	\$ 861,235
Other	4,063,847	291,628	703,741	\$ 5,059,216
Total	<u>\$ 33,232,473</u>	<u>\$ 20,924,052</u>	<u>\$ 724,705</u>	<u>\$ 54,881,230</u>

Note 7 - Restricted assets and restricted liabilities

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

	Internally Restricted		Externally Restricted	
	Electric	Water	Electric	Water
Restricted Assets and Restricted Liabilities:				
Cash and Cash Equivalents				
Annexation Phase V Fund Cash	\$ -	\$ 6,473,085	\$ -	\$ -
Rate Stabilization Fund Cash	3,937,672	843,291	-	-
NC Renewable Rider	-	-	8,081,799	-
Customer Deposits	8,310,495	3,825,502	-	-
Debt Service	1,347,067	10,883,690	736	2,261,100
TPA - Cash	485,604	431,348	-	-
Health Insurance Reserve	1,500,000	1,500,000	-	-
Coal Ash Reserve	2,612,680	-	-	-
BWG Startup Costs	1,498,925	-	-	-
CPF - Cash	4,726,020	678,284	-	-
Construction Fund	-	-	-	58,546,517
Generation Fuel Reserve	206,690	-	-	-
Total restricted cash and cash equivalents	<u>\$ 24,625,153</u>	<u>\$ 24,635,200</u>	<u>\$ 8,082,535</u>	<u>\$ 60,807,617</u>
Investments	<u>\$ 65,576,298</u>	<u>\$ 30,539,771</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral pledges in lieu of deposits	<u>\$ 630,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receivables				
Accounts	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	518,861	-	-
Other	4,033,810	-	-	-
Accrued interest	340,984	185,880	-	-
Total restricted receivables	<u>\$ 4,374,794</u>	<u>\$ 704,741</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts payable and accrued expenses				
Trade	\$ -	\$ 8,503,692	\$ -	\$ -
Meter Deposits	8,937,202	3,914,653	-	-
NCDOT	-	299,396	-	-
Other	2,525,843	1,700,709	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 11,463,045</u>	<u>\$ 14,418,450</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, 2019

Note 8 – Capital assets

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Electric Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 6,839,414	\$ -	\$ -	\$ 31,912	\$ 6,871,326
Construction in progress	32,189,981	29,270,732	(1,562,216)	(14,186,377)	45,712,120
Capital assets being depreciated:					
Electric utility system	464,053,206	1,362,947	(2,772,189)	12,653,431	475,297,395
Buildings	46,140,405	108,352	-	1,254,375	47,503,132
Equipment and machinery	19,141,882	146,694	(62,487)	207,280	19,433,369
Intangibles	22,041,054	47,650	-	-	22,088,704
Computer equipment	5,640,266	163,541	-	39,379	5,843,186
Vehicles	8,944,198	1,136,058	(26,330)	-	10,053,926
Office equipment	1,318,778	-	(42,482)	-	1,276,296
Total Capital assets being depreciated	<u>567,279,789</u>	<u>2,965,242</u>	<u>(2,903,488)</u>	<u>14,154,465</u>	<u>581,496,008</u>
Less accumulated depreciation for:					
Electric utility system	(269,112,466)	(12,476,018)	2,208,218	-	(279,380,266)
Buildings	(23,778,266)	(1,198,258)	-	-	(24,976,524)
Equipment and machinery	(11,232,344)	(670,131)	42,218	-	(11,860,257)
Intangibles	(14,734,853)	(1,392,617)	-	-	(16,127,470)
Computer equipment	(4,525,926)	(417,299)	-	-	(4,943,225)
Vehicles	(5,481,610)	(678,283)	24,692	-	(6,135,201)
Office equipment	(1,133,099)	(32,055)	27,407	-	(1,137,747)
Total accumulated depreciation:	<u>(329,998,564)</u>	<u>(16,864,661)</u>	<u>2,302,535</u>	<u>-</u>	<u>(344,560,690)</u>
Electric fund capital assets, net	<u>\$ 276,310,620</u>	<u>\$ 15,371,313</u>	<u>\$ (2,163,169)</u>	<u>\$ -</u>	<u>\$ 289,518,764</u>

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and land rights	\$ 11,179,833	\$ -	\$ -	\$ 622,399	\$ 11,802,232
Construction in progress	38,441,180	72,532,405	-	(42,379,932)	68,593,653
Capital assets being depreciated:					
Water system	388,709,674	36,495	(475,663)	19,775,499	408,046,005
Sewer system	550,628,971	172,100	(1,050)	21,829,860	572,629,881
Buildings	6,147,624	102,981	-	109,758	6,360,363
Equipment and machinery	12,586,484	337,579	(48,390)	(11,739)	12,863,934
Intangibles	18,348,598	81,966	-	-	18,430,564
Computer equipment	5,087,130	160,548	-	42,416	5,290,094
Vehicles	8,787,928	460,757	(31,348)	11,739	9,229,076
Office equipment	472,048	-	(414)	-	471,634
Total Capital assets being depreciated	<u>990,768,457</u>	<u>1,352,426</u>	<u>(556,865)</u>	<u>41,757,533</u>	<u>1,033,321,551</u>
Less accumulated depreciation for:					
Water system	(146,848,316)	(10,328,112)	212,993	-	(156,963,435)
Sewer system	(206,923,472)	(11,931,848)	-	-	(218,855,320)
Buildings	(3,473,173)	(156,796)	-	-	(3,629,969)
Equipment and machinery	(10,052,883)	(475,753)	26,858	-	(10,501,778)
Intangibles	(12,980,720)	(1,163,120)	-	-	(14,143,840)
Computer equipment	(4,035,761)	(318,701)	-	-	(4,354,462)
Vehicles	(4,932,117)	(691,242)	31,186	-	(5,592,173)
Office equipment	(449,605)	(2,595)	414	-	(451,786)
Total accumulated depreciation:	<u>(389,696,047)</u>	<u>(25,068,167)</u>	<u>271,451</u>	<u>-</u>	<u>(414,492,763)</u>
Water and Sewer capital assets, net	<u>\$ 650,693,423</u>	<u>\$ 48,816,664</u>	<u>\$ (285,414)</u>	<u>\$ -</u>	<u>\$ 699,224,673</u>

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>Balance June 30, 2019</u>
Fleet Maintenance Fund:					
Capital assets not being depreciated:					
Construction in process	\$ -	\$ 700,603	\$ -	\$ -	700,603
Capital assets being depreciated:					
Buildings	3,593,210	24,086	-	-	3,617,296
Equipment and machinery	589,176	44,170	-	-	633,346
Intangibles	252,381	-	-	-	252,381
Computer equipment	41,086	5,905	-	-	46,991
Vehicles	395,883	-	(1,588)	-	394,295
Office equipment	6,448	-	-	-	6,448
Total Capital assets being depreciated	<u>4,878,184</u>	<u>74,161</u>	<u>(1,588)</u>	<u>-</u>	<u>4,950,757</u>
Less accumulated depreciation for:					
Buildings	(1,880,027)	(103,036)	-	-	(1,983,063)
Equipment and machinery	(531,298)	(20,166)	-	-	(551,464)
Intangibles	(252,381)	-	-	-	(252,381)
Computer equipment	(41,086)	(1,280)	-	-	(42,366)
Vehicles	(274,696)	(28,547)	1,588	-	(301,655)
Office equipment	(6,448)	-	-	-	(6,448)
Total accumulated depreciation:	<u>(2,985,936)</u>	<u>(153,029)</u>	<u>1,588</u>	<u>-</u>	<u>(3,137,377)</u>
Fleet Maintenance Fund capital assets, net	<u>\$ 1,892,248</u>	<u>\$ 621,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,513,983</u>

** Depreciation includes amortization of intangible assets.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 9 – Accounts Payable and Accrued Expenses

At June 30, 2019, the Commission's unrestricted accounts payable and accrued expenses balances were as follows:

	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Fund	Total
Unrestricted:				
Trade	\$ 3,770,831	\$ 5,622,034	\$ 261,135	\$ 9,654,000
Purchased power	12,545,755	-	-	12,545,755
Power supply true up adjustment	(3,353,461)	-	-	(3,353,461)
Coal Ash liability	3,065,198	-	-	3,065,198
Payroll related	1,137,466	1,310,170	122,496	2,570,132
Interest	330,476	3,636,046	-	3,966,522
Incurred but not reported claims	706,513	706,513	-	1,413,026
Other	(443,812)	1,587,685	(164,517)	979,356
	<u>\$ 17,758,966</u>	<u>\$ 12,862,448</u>	<u>\$ 219,114</u>	<u>\$ 30,840,528</u>

Note 10 - Long-term debt

A - Defeased debt

On December 13, 2018, the Commission issued \$83,645,000 in par amount of Revenue Bonds, Series 2018, a portion of which (\$14,765,000) currently refunded a portion of the Commission's Revenue Refunding Bonds, Series 2009A in the aggregate principal amount of \$15,510,000. The all-in true interest cost of the portion of the Series 2018 Bonds that current refunded the Series 2009A bonds was 2.21% vs. an average interest rate on the bonds of 5.00%. The refunded Series 2009A bonds matured on an annual basis from March 1, 2020 to March 1, 2024 and were callable on March 1, 2019. The refunding bonds were issued at a premium and, after paying issuance costs of \$27,537, the net proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to pay off the refunded Series 2009A bonds on March 1, 2019.

As a result of the refunding, the Commission reduced its total debt service requirements by \$1,020,103, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$921,230, or 5.94% of the refunded Series 2009A bonds. There was also a net deferred inflow (gain) of \$99,275 based on the difference between reacquisition cost and the book value of the refunded debt.

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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, 2019

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 placement obligations and pledge the full faith and credit of the City. The general obligation bonds outstanding for the year ended June 30, 2019 were as follows:

	<u>June 30, 2019</u>
 \$4,403,885 Direct Placement General Obligation Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at 4.0%	 <u>\$341,814</u>
Total Direct Placement General Obligation Bonds	341,814
Add: Unamortized Premium	<u>29,916</u>
Total	<u><u>\$371,730</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, 2019 were as follows:

	<u>June 30, 2019</u>
 \$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%.	 106,385,000
\$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%.	106,680,000
\$83,645,000 Series 2018 Revenue and Refunding Bonds due in various annual installments through March 1, 2044; interest at various rates between 3.0% and 5.0%.	<u>83,645,000</u>
Total Revenue Bonds	296,710,000
Add: Unamortized Premium	22,261,707
Less: Unamortized Discount	<u>-</u>
Total	<u><u>\$318,971,707</u></u>

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 10 - Long-term debt (continued)

C - Revenue bonds (continued)

Maturities of bonds payable are as follows

Electric Fund:						
Year ending	General Obligation Bonds		Revenue Bonds		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 1,767,678	\$ 991,429	\$ 1,767,678	\$ 991,429
2021	-	-	1,223,808	903,045	1,223,808	903,045
2022	-	-	1,116,804	847,063	1,116,804	847,063
2023	-	-	1,165,438	791,223	1,165,438	791,223
2024	-	-	1,106,506	732,951	1,106,506	732,951
2025-2029	-	-	5,287,886	3,023,753	5,287,886	3,023,753
2030-2034	-	-	6,090,502	2,055,322	6,090,502	2,055,322
2035-2039	-	-	6,954,158	862,223	6,954,158	862,223
2040-2044	-	-	338,722	17,581	338,722	17,581
	-	-	25,051,502	10,224,590	25,051,502	10,224,590
Add: Unamortized premium			1,676,600		1,676,600	
Total Electric	\$ -	\$ -	\$ 26,728,102	\$ 10,224,590	\$ 26,728,102	\$ 10,224,590
Water and Wastewater Fund:						
Year ending	General Obligation Bonds		Revenue Bonds		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 170,907	\$ 13,673	\$ 14,702,322	\$ 10,844,571	\$ 14,873,229	\$ 10,858,244
2021	170,907	6,836	12,461,192	10,109,455	12,632,099	10,116,291
2022	-	-	12,633,196	9,545,487	12,633,196	9,545,487
2023	-	-	13,144,562	8,913,828	13,144,562	8,913,828
2024	-	-	11,548,494	8,256,599	11,548,494	8,256,599
2025-2029	-	-	53,317,114	34,041,747	53,317,114	34,041,747
2030-2034	-	-	60,219,498	23,788,078	60,219,498	23,788,078
2035-2039	-	-	64,770,842	12,569,702	64,770,842	12,569,702
2040-2044	-	-	28,861,278	2,931,568	28,861,278	2,931,568
	341,814	20,509	271,658,498	121,001,035	272,000,312	121,021,544
Add: Unamortized premium	29,916		20,585,107		20,615,023	
Less: Unamortized loss	-				-	
Total Water and Wastewater	\$ 371,730	\$ 20,509	\$ 292,243,605	\$ 121,001,035	\$ 292,615,335	\$ 121,021,544
Total Electric and Water and Wastewater	\$ 371,730	\$ 20,509	\$ 318,971,707	\$ 131,225,625	\$ 319,343,437	\$ 131,246,134

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

Notes to the Financial Statements (continued)

June 30, 2019

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 \$309,505,000 in revenue and revenue refunding bonds issued at various times from 2014 through 2018. 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 \$427,935,625. Principal and interest paid for the current year and total customer revenues were \$42,719,281 and \$338,180,825, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$11,122,117 for the year ended June 30, 2019.

PWC's revenue bonds are payable from and secured by a pledge of and lien upon the Net Revenues of the System. The Bond Order governing the revenue bonds contains various events of default including nonpayment of principal or interest, unreasonable delays in the reconstruction of any essential part of the System which is destroyed or damaged and is not promptly repaired or replaced or the failure to observe or perform particular covenants, conditions or agreements for a specific period of time after receiving notice of such failure. In the event one of these defaults occurs, the trustee under the Bond Order may, and upon the written request of the owners of not less than 25% of the principal amount of revenue bonds outstanding, shall, declare the principal of all bonds outstanding to be due and payable immediately.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage. The Commission is in compliance with all such significant covenants at June 30, 2019.

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 direct placement loans are payable solely from the revenues of the project or benefited systems, or other available funds.

These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the Commission and the City of Fayetteville. Notes payables outstanding for the year ended June 30, 2019 were as follows:

	<u>June, 30 2019</u>
\$382,788 Direct Placement State Revolving Loan due in annual installments through May 1, 2033; interest at 2.0% paid semi-annually on May 1 and November 1.	\$ 267,952
\$5,299,942 Direct Placement State Revolving Loan due in annual installments through May 1, 2033; no interest.	3,713,049
\$3,901,648 Direct Placement State Revolving Loan due in annual installments through May 1, 2034; interest at 2.0% paid semi-annually on May 1 and November 1.	2,926,236

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 10 - Long-term debt (continued)

D – Notes payable (continued)

\$15,890,541 Direct Placement State Revolving Loan due in annual installments through May 1, 2036; no interest.	13,506,960
\$2,243,830 Direct Placement State Revolving Loan due in annual installments through May 1, 2035; interest at 2.0% paid semi-annually on May 1 and November 1.	<u>1,795,064</u>
	<u>\$ 22,209,261</u>

Maturities of the notes payable are as follows:

Year ending June 30	Water and Wastewater Fund	
	Principal	Interest
2020	\$ 1,386,158	\$ 99,785
2021	1,386,158	93,257
2022	1,386,158	86,729
2023	1,386,158	80,200
2024	1,386,158	73,672
2025-2029	6,930,791	270,436
2030-2034	6,646,434	107,229
2035-2036	1,701,246	2,243
	<u>\$ 22,209,261</u>	<u>\$ 813,551</u>

Total interest expense related to the notes payable obligations totaled \$105,225 for the year ended June 30, 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, 2019

Note 10 - Long-term debt (continued)

E – Changes in long-term liabilities

	June 30, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Electric Fund:					
Revenue bonds	32,768,627	1,522,948	9,240,073	25,051,502	1,767,678
Unearned deposits	7,076	17,535	17,365	7,246	-
Compensated absences	1,722,260	1,885,984	1,722,260	1,885,984	1,092,029
Total OPEB liability	12,370,452	1,928,387	2,152,044	12,146,795	-
Net pension liability (LGERS)	3,646,841	1,925,428	-	5,572,269	-
	<u>50,515,256</u>	<u>7,280,282</u>	<u>13,131,742</u>	<u>44,663,796</u>	<u>2,859,707</u>
 Add: Unamortized premium	 2,437,199			 1,676,600	 -
Total Electric long-term liabilities	<u>52,952,455</u>			<u>46,340,396</u>	<u>2,859,707</u>
 Water and Wastewater Fund:					
Direct general obligation bonds	517,341	-	175,527	341,814	170,907
Revenue bonds*	212,586,373	88,049,997	28,977,872	271,658,498	14,702,323
Direct notes payable	23,704,287	-	1,495,026	22,209,261	1,386,158
Unearned deposits	720,476	181,419	338,086	563,809	-
Arbitrage payable	32,293	-	32,293	-	-
Compensated absences	1,881,716	1,932,615	1,881,716	1,932,615	1,093,195
Total OPEB liability	14,394,609	2,297,657	2,562,924	14,129,342	-
Net pension liability (LGERS)	4,342,522	2,283,647	-	6,626,169	-
	<u>258,179,617</u>	<u>94,745,335</u>	<u>35,463,444</u>	<u>317,461,508</u>	<u>17,352,583</u>
 Add: Unamortized premium	 19,188,688			 20,615,023	 -
Less: Unamortized discount	<u>(765)</u>				<u>-</u>
 Total Water and Wastewater long-term liabilities	<u>277,367,540</u>			<u>338,076,531</u>	<u>17,352,583</u>
 Fleet Maintenance Fund:					
Compensated absences	139,719	155,340	139,719	155,340	98,025
Total OPEB liability	2,003,602	270,864	302,072	1,972,394	-
Net pension liability (LGERS)	760,373	268,665	-	1,029,038	-
 Total Fleet long-term liabilities	<u>2,903,694</u>	<u>694,869</u>	<u>441,791</u>	<u>3,156,772</u>	<u>98,025</u>

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 10 - Long-term debt (continued)

F – Net investment in capital assets

	<u>Electric</u>	<u>Water</u>	<u>Fleet</u>
Capital Assets, Net	\$ 289,518,764	\$ 699,224,673	\$ 2,513,983
Less: Outstanding debt related to capital assets	(25,051,502)	(294,209,573)	-
Less: Premium on outstanding debt	(1,676,600)	(20,615,023)	-
Less: Deferred loss related to unspent bond proceeds	-	(307,133)	-
Less: Retainage related to capital asset	(268,462)	(1,186,525)	-
Add: Deferred loss on bond refunding	12,981	1,557,670	-
Add: Refunding premium related to unspent bond proceeds	-	1,041,737	-
Add: Outstanding unspent bond proceeds	-	58,546,517	-
Total Net Investment in Capital Assets	<u>\$ 262,535,181</u>	<u>\$ 444,052,343</u>	<u>\$ 2,513,983</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, 2019

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, 2019, was 12.98% 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 \$5,461,957 for the year ended June 30, 2019.

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, 2019, the Commission reported a liability of \$13,227,467 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, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Commission's proportion was 0.558%, which was an increase of 0.015% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Commission recognized pension expense of \$5,504,101. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,040,684	\$ 68,464
Changes of assumptions	3,510,059	-
Net Difference between projected and actual earning on pension plans investments	1,815,737	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	4,152,143	-
Commission contributions subsequent to the measurement date	5,461,958	-
	<u>\$ 16,980,581</u>	<u>\$ 68,464</u>

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

Notes to the Financial Statements (continued)

June 30, 2019

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

\$5,461,958 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ 5,176,581
2020	3,525,109
2021	1,279,444
2022	1,469,025
2023	-
Thereafter	-
	<u><u>\$ 11,450,159</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

Notes to the Financial Statements (continued)

June 30, 2019

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

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 2017 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Commission's proportionate share of the net pension asset to changes in the discount rate. The following presents the Commission's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability (asset)	\$31,773,522	\$13,227,467	\$(2,269,906)

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 2009 GO Refunding Bonds, the 2016 Revenue Refunding Bonds and the 2018 Revenue Refunding Bonds have been adjusted for the net loss from defeasance (net amortization) of \$1,199,894. These deferred inflows and outflows of resources are included as unamortized bond refunding charges in the statement of net position.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 13 - Risk management

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

A – Workers' Compensation

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

B – Health Insurance Claims

The Commission uses a third party administrator to process health insurance claims. At June 30, 2019 and 2018, a liability for incurred but not reported claims of \$1,413,025 and \$1,429,079 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>2019</u>	<u>2018</u>
Liability as of beginning of the year	\$ 1,429,079	\$ 1,695,376
Current year claims and changes in estimates	7,489,263	7,397,413
Actual claim payments	<u>(7,505,317)</u>	<u>(7,663,710)</u>
Liability as of end of the year	<u>\$ 1,413,025</u>	<u>\$ 1,429,079</u>

C – Commercial Crime Policy Insurance

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

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

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

E – Flood Insurance

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 13 - Risk management (continued)

F – Other Commercial Coverage Insurance

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

Note 14 - Commitments and contingencies

A – Arbitrage

During the year ended June 30, 2019 the following bonds were subject to arbitrage regulations:

- 2014 Electric, Water and Wastewater Revenue
- 2016 Electric, Water and Wastewater Revenue
- 2018 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.

B – Capital Expenditures

The Commission has authorized expenditures totaling approximately \$388.9 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2019, cumulative expenditures to date totaled approximately \$106.3 million leaving an unexpended balance of \$282.6 million for projects that are expected to be completed at various dates through the year ending June 30, 2025.

C – Litigation

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

D – Power Supply Contracts

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 14 - Commitments and contingencies (continued)

Either party may challenge the correctness of any bill pursuant to the PSCA no later than 24 months after the payment date such bill was due. DEP provides PWC estimated energy and capacity rates each calendar year and calculates a true-up charge or credit, with interest, following the completion of DEP's calendar year period once the actual costs are known. Calendar year 2017 and 2018 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, 2019, the purchased power cost from DEP was \$159,859,937, including transmission costs, coal ash costs (see Note 14), and contractual true up and challenge net (credits)/charges of \$3,465,911).

E – Coal Ash

In September 2014, the Coal Ash Management Act (CAMA) became law in North Carolina. Subsequent to its passage, the Environmental Protection Agency (EPA) issued its own regulations and together with CAMA, requires DEP to take remedial actions to its plants producing Coal Combustion Residuals (CCRs). On April 26, 2017, DEP and PWC executed an amendment to the PSCA incorporating the recovery of CCR costs and in May 2017, DEP filed the amended contract with the Federal Energy Regulatory Commission (FERC). As of July 20, 2017, FERC accepted the contract with a July 1, 2017 effective date. Based on this acceptance and the terms of the contract, DEP began billing PWC for prior CCR costs (CCRCs) dating back to January 2015 in fixed monthly installments over a period of 24 months in January 2018. Another component of the charges related to coal ash recovery is Beneficial Reuse Costs (BRCs) and PWC was billed accordingly for DEP's cost incurred from January 2017. In January 2018, current and future costs going forward is estimated in the energy and demand rates of the PSCA for BRCs and CCRCs, respectively, and are subject to true-up provisions of the PSCA. The prior BRCs and CCRCs for 2015, 2016 and 2017 have been recorded as a liability and corresponding Regulatory Asset (see Note 5). DEP has shared with PWC the estimated cost to be recovered from PWC over the next 20 years, with the majority being due in the first 10 years. For this purpose, PWC collected approximately \$27.3 million through fiscal year 2017 restricted for this purpose and intends to fund the remaining costs through a combination of Electric Rate Stabilization funds and a pass-through charge to all customers through customer billings. Fiscal year 2019 coal ash costs of \$18,918,198 are included in the purchased power costs above. This amount was \$9,280,885 in fiscal year 2018.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 14 - Commitments and contingencies (continued)

F – Leases

The Commission leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2019 to 2023. Minimum lease provisions at June 30, 2019 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2020	\$ 408,522
2021	364,488
2022	58,778
2023	<u>23,666</u>
Total	<u><u>\$ 855,454</u></u>

Note 15 - Related party transactions/transfers out

The Commission operates as a component unit of the City of Fayetteville, North Carolina. As such, the Commission provides fleet, electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,960,801 in 2019. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions to/from the City amounted to \$9,241,177 in 2019. Balances due to/from the Commission were as follows:

	<u>June 30, 2019</u>
Receivables (due from the City of Fayetteville)	\$ 1,053,642
Assessments (due from the City of Fayetteville)	7,634,232
Assessments interest (due from the City of Fayetteville)	<u>315,989</u>
	<u><u>\$ 9,003,863</u></u>
 Payables (due to the City of Fayetteville)	 <u><u>\$ 899,060</u></u>

Note 16 - Other post-employment benefits

Healthcare Benefits

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

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 16 - Other postemployment benefits (continued)

Membership of the health benefits plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Commission's total OPEB liability of \$28,248,531 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.0 percent, average
Discount rate	3.87 percent
Healthcare cost trend rates	Composite - Medical & Rx – 4.5 - 8.10%
	Admin Rate – 3%

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 29,768,662
Changes for the year	
Service cost	533,802
Interest	996,634
Changes of benefit terms	-
Differences between expected and actual experience	1,283,176
Changes in assumptions or other inputs	(380,720)
Benefit payments	<u>(2,953,023)</u>
Net changes	<u>(520,131)</u>
Balance at June 30, 2019	\$ 28,248,531

Changes in assumptions and other inputs reflect a change in the discount rate from 3.55% to 3.87%.

Mortality rates were based on the PUB-2010 General Classification headcount-weighted table projected generationally with Scale MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 2017 through June 30, 2018.

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 16 - Other postemployment benefits (continued)

Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$30,493,541	\$28,248,531	\$26,216,621

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

	1% Decrease (7.10% decreasing to 3.5% ultimate)	Trend Rate (8.10% decreasing to 4.5% ultimate)	1% Increase (9.10% decreasing to 5.5 ultimate)
Total OPEB liability	\$25,822,132	\$28,248,531	\$31,003,432

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

For the year ended June 30, 2019, the Commission recognized OPEB expense of \$1,824,713. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,923,914	\$ -
Changes of assumptions	-	1,420,920
Commission contributions subsequent to the measurement date	2,445,563	-
Retiree contributions subsequent to the measurement date	<u>-</u>	<u>198,414</u>
Total	<u>\$ 4,369,477</u>	<u>\$ 1,619,334</u>

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 16 - Other postemployment benefits (continued)

Total OPEB Liability (continued)

\$2,445,563 reported as deferred outflows of resources related to OPEB resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ 95,863
2021	95,863
2022	95,863
2023	118,714
2024	96,691
Thereafter	-
	<u>\$ 502,994</u>

Note 17 – Interfund Activity

	DUE TO (FROM)			
	Electric	Water	Capital Projects Funds	Total
Electric Fund:				
Substation Rebuild CPF	\$ 238,786	\$ -	\$ (238,786)	\$ -
Electric NCDOT U-4405 Raeford Rd CPF	4,336,748	-	(4,336,748)	-
Fleet Maintenance Fund	103,138	-	-	103,138
Water Fund:				
Electric	-	-	-	-
Water Rate Stabilization Fund	-	-	-	-
Annexation Ph V Reserve	42,000	-	(42,000)	-
2014 Water/Wastewater	-	-	-	-
Annex V, 18-19 CPF	-	3,136	(3,136)	-
Annex V, 20-21 CPF	-	139,357	(139,357)	-
Annex V, 22-23 CPF	-	31,617	(31,617)	-
Annex V, 24-25 CPF	-	25,376	(25,376)	-
Annex V, 32-34 CPF	-	77,990	(77,990)	-
Series 2016 Water/Wastewater CPF	-	167,698	(167,698)	-
Series 2018 Water/Wastewater CPF	-	439,647	(439,647)	-
Hurricane Matthew CPF	-	1,619,630	(1,619,630)	-
Rockfish Creek Basin Peak Flow Facilities	-	1,003,762	(1,003,762)	-
20' N Fayetteville Force Main CPF	-	1,877,160	(1,877,160)	-
Fleet Maintenance Fund	-	(1,650,153)	-	(1,650,153)
TOTAL PER FUNDS	\$ 4,720,672	\$ 3,735,220	\$ (10,002,907)	\$ (1,547,015)
LESS ELIMINATIONS	(4,575,534)	(5,385,373)	9,960,907	-
TOTAL AFTER ELIMINATIONS	\$ 145,138	\$ (1,650,153)	\$ (42,000)	\$ (1,547,015)
Fleet Fund:				
Fleet Maintenance Fund	<u>\$ (103,138)</u>	<u>\$ 1,650,153</u>	<u>\$ -</u>	<u>\$ 1,547,015</u>

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

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

Notes to the Financial Statements (continued)

June 30, 2019

Note 17 – Interfund Activity (continued)

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

Transfers In/Transfers Out:

	TRANSFER IN (OUT)				
	Electric	Water	Fleet	Annex V Reserve	Capital Project Funds
Electric Fund:					
transfer to Fleet Maintenance Fund	\$ (387,382)	\$ -	\$ 387,382	\$ -	\$ -
transfer to Electric Rate Stabilization Fund	(4,091,500)	-	-	-	4,091,500
transfer to Transportation Equipment CPF	(830,000)	-	-	-	830,000
transfer to Substation Rebuild CPF	(5,000,000)	-	-	-	5,000,000
transfer to Annexation Ph V Reserve	(4,323,300)	-	-	4,323,300	-
transfer to Electric (from Electric Rate Stabilization)	3,335,352	-	-	-	(3,335,352)
transfer to Electric (from Series 2014 LED Lighting)	7,936,286	-	-	-	(7,936,286)
transfer to Electric (from Water Fund)	-	-	-	-	-
Water Fund:					
transfer to Fleet Maintenance Fund	-	(387,382)	387,382	-	-
transfer to Water Rate Stabilization Fund	-	(250,000)	-	-	250,000
transfer to Annexation V Reserve Fund	-	(4,029,434)	-	4,029,434	-
transfer to Hurricane Matthew CPF	-	(80,000)	-	-	80,000
transfer to Series 2018 Annexation, 20/21 Fund	-	(13,679,234)	-	-	13,679,234
transfer to Series 2018 Water and Wastewater Fund	-	(62,945,000)	-	-	62,945,000
transfer to NCDOT Prj Fund	-	(1,280,398)	-	-	1,280,398
transfer to Water (from Annexation Ph V Reserve)	-	4,336,021	-	(4,336,021)	-
transfer to Water (from 2018 Water Wastewater)	-	6,464,567	-	-	(6,464,567)
transfer to Water (from 2016 Water Wastewater)	-	2,999,784	-	-	(2,999,784)
transfer to Water (from 2014 Water Wastewater)	-	6,778,114	-	-	(6,778,114)
transfer to Water (from Annexation V, 18 & 19)	-	7,242,844	-	-	(7,242,844)
transfer to Annexation V Reserve (from Annex V Reserve, 20-21)	-	-	-	572,914	(572,914)
transfer to Annexation V Reserve 18-19 (from Annex V Reserve)	-	-	-	(3,139,815)	3,139,815
transfer to Annexation v Reserve 22-23 (from Annex V Reserve)	-	-	-	(1,105,560)	1,105,560
transfer to Annexation v Reserve 24-25 (from Annex V Reserve)	-	-	-	(86,608)	86,608
transfer to Annexation v Reserve 32-34 (from Annex V Reserve)	-	-	-	(641,674)	641,674
TOTAL PER FUNDS	\$ (3,360,544)	\$ (54,830,118)	\$ 774,764	\$ (384,030)	\$ 57,799,928
LESS ELIMINATIONS	(1,350,138)	54,442,736	-	4,707,330	(57,799,928)
TOTAL AFTER ELIMINATIONS	\$ (4,710,682.00)	\$ (387,382.00)	\$ 774,764.00	\$ 4,323,300.00	\$ -

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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, 2019

Note 18 – Subsequent Events

The Commission has evaluated events subsequent to October 03, 2019 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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Required Supplementary Information
(Unaudited)

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

**Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information
(Unaudited)**

Schedule of Changes in the Total OPEB Liability and Related Ratios

Last Two Fiscal Years*

	2019	2018
Total OPEB Liability		
Service Cost	533,802	565,873
Interest	996,634	836,244
Changes of benefit terms	-	-
Differences between expected and actual experience	1,283,176	1,346,521
Changes in assumptions	(380,720)	(1,715,410)
Benefit payments	(2,953,023)	(2,066,658)
Net change in total OPEB liability	(520,131)	(1,033,430)
Total OPEB liability - beginning	28,768,662	29,802,092
Total OPEB liability - ending	28,248,531	28,768,662
Covered payroll	38,860,875	38,396,209
Total OPEB liability as a percentage of covered payroll	72.69%	74.93%

Notes to Schedule

- 1 Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

	2019	2018
Discount Rate	3.87%	2.85%

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

* Information is not available for years prior to 2018.

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
(Unaudited)

Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PWC'S proportion of the net pension liability (asset) (%)	0.5575%	0.5727%	0.5647%	0.5617%	0.5597%	0.5439%
PWC's proportion of the net pension liability (asset) (\$)	\$ 13,227,467	\$ 8,749,736	\$ 11,984,401	\$ 2,521,055	\$ (3,301,280)	\$ 6,556,084
PWC's covered payroll	\$ 38,860,875	\$ 38,396,209	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227	\$ 34,013,831
PWC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.04%	22.79%	32.60%	7.00%	-9.29%	19.27%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

**Local Government Employees' Retirement System
Required Supplementary Information
(Unaudited)**

Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,461,958	\$ 4,946,988	\$ 4,791,848	\$ 4,374,095	\$ 4,429,479	\$ 2,513,615
Contributions in relation to the contractually required contribution	<u>5,461,958</u>	<u>4,946,988</u>	<u>4,791,848</u>	<u>4,374,095</u>	<u>4,429,479</u>	<u>2,513,615</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PWC's covered payroll	\$ 42,079,777	\$ 38,860,875	\$ 38,396,209	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227
Contributions as a percentage of covered-employee payroll	12.98%	12.73%	12.48%	11.90%	12.30%	7.07%

* Information is not available for years prior to 2014.

Supplementary Information

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

Combining Schedule of Net Position
Electric Utility
June 30, 2019

	Electric Fund	Electric Rate Stabilization Fund	LED Lighting Fund	Substation Rebuild Capital Project Fund	Electric NCDOT U-4405 Raeford Rd Fund	Transportation Equipment Capital Project Fund	Total
ASSETS							
Current unrestricted assets							
Cash and cash equivalents	\$ 23,607,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,607,728
Investments	65,693,258	-	-	-	-	-	65,693,258
Receivables	33,232,473	-	-	-	-	-	33,232,473
Internal balances	4,720,671	-	-	(238,786)	(4,336,747)	-	145,138
Less allowance for doubtful accounts	(284,876)	-	-	-	-	-	(284,876)
Inventories	13,542,418	-	-	-	-	-	13,542,418
Other current assets	2,447,686	-	-	-	-	-	2,447,686
Total current unrestricted assets	142,959,358	-	-	(238,786)	(4,336,747)	-	138,383,825
Current restricted assets							
Cash and cash equivalents	24,043,996	3,937,672	-	3,896,020	-	830,000	32,707,688
Investments	18,695,353	46,880,945	-	-	-	-	65,576,298
Collateral	630,117	-	-	-	-	-	630,117
Receivables	-	340,984	-	-	4,033,810	-	4,374,794
Total current restricted assets	43,369,466	51,159,601	-	3,896,020	4,033,810	830,000	103,288,897
Total current assets	186,328,824	51,159,601	-	3,657,234	(302,937)	830,000	241,672,722
Noncurrent assets							
Other assets	308,593	-	-	-	-	-	308,593
Capital assets:							
Land and land rights	6,871,326	-	-	-	-	-	6,871,326
Construction in process	32,618,353	-	-	6,489,852	6,603,915	-	45,712,120
Electric utility systems	195,917,129	-	-	-	-	-	195,917,129
Buildings	22,526,608	-	-	-	-	-	22,526,608
Equipment and machinery	7,573,112	-	-	-	-	-	7,573,112
Computer programs	899,961	-	-	-	-	-	899,961
Intangibles	5,961,234	-	-	-	-	-	5,961,234
Vehicles	3,918,725	-	-	-	-	-	3,918,725
Office equipment	138,549	-	-	-	-	-	138,549
Capital assets, net	276,424,997	-	-	6,489,852	6,603,915	-	289,518,764
Total noncurrent assets	276,733,590	-	-	6,489,852	6,603,915	-	289,827,357
Total assets	463,062,414	51,159,601	-	10,147,086	6,300,978	830,000	531,500,079
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	12,981	-	-	-	-	-	12,981
Regulatory asset - coal ash	3,065,199	-	-	-	-	-	3,065,199
OPEB deferrals	1,878,875	-	-	-	-	-	1,878,875
Pension deferrals	7,301,649	-	-	-	-	-	7,301,649
Total deferred outflows of resources	12,258,704	-	-	-	-	-	12,258,704
LIABILITIES							
Current liabilities to be paid from unrestricted current assets							
Current portion of long-term liabilities	2,859,707	-	-	-	-	-	2,859,707
Accounts payable and accrued expenses	17,758,966	-	-	-	-	-	17,758,966
Total current liabilities to be paid from unrestricted current assets	20,618,673	-	-	-	-	-	20,618,673
Current liabilities to be paid from restricted current assets							
Accounts payable and accrued expenses	8,973,016	-	-	222,861	2,267,168	-	11,463,045
Total current liabilities to be paid from restricted current assets	8,973,016	-	-	222,861	2,267,168	-	11,463,045
Total current liabilities	29,591,689	-	-	222,861	2,267,168	-	32,081,718
Noncurrent liabilities							
Long-term liabilities	25,754,379	-	-	-	-	-	25,754,379
Total OPEB liability	12,146,795	-	-	-	-	-	12,146,795
Net pension liability	5,572,269	-	-	-	-	-	5,572,269
Unearned deposits	7,246	-	-	-	-	-	7,246
Total noncurrent liabilities	43,480,689	-	-	-	-	-	43,480,689
Total liabilities	73,072,378	-	-	222,861	2,267,168	-	75,562,407
DEFERRED INFLOWS OF RESOURCES							
OPEB deferral	696,314	-	-	-	-	-	696,314
Pension deferral	29,439	-	-	-	-	-	29,439
Refunding deferral	88,314	-	-	-	-	-	88,314
Total deferred inflows of resources	814,067	-	-	-	-	-	814,067
NET POSITION							
Net investment in capital assets	249,674,227	-	-	6,363,513	6,497,441	-	262,535,181
Restricted for -							
Capital Projects	736	-	-	-	-	830,000	830,736
Renewable energy	8,081,798	-	-	-	-	-	8,081,798
Other internal restrictions	26,313,915	51,159,601	-	3,673,159	1,766,643	-	82,913,318
Unrestricted Net Position	117,363,997	-	-	(112,447)	(4,230,274)	-	113,021,276
Total Net Position	\$ 401,434,673	\$ 51,159,601	\$ -	\$ 9,924,225	\$ 4,033,810	\$ 830,000	\$ 467,382,309

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

Combining Schedule of Revenues, Expenses and Changes in Net Position
Electric Utility
Year ended June 30, 2019

	Electric Fund	Electric Rate Stabilization Fund	LED Lighting Fund	Substation Rebuild Capital Project Fund	Electric NCDOT U-4405 Raeford Rd Fund	Transportation Equipment Capital Project Fund	Total
Operating revenues							
Residential, commercial, and industrial sales	\$ 200,899,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,899,188
Other charges for services	38,885,930	-	-	-	-	-	38,885,930
Total operating revenues	<u>239,785,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,785,118</u>
Operating expenses							
Power supply and generation	163,256,607	-	-	-	-	-	163,256,607
Electric operation	19,397,355	-	-	-	-	-	19,397,355
General and administrative	18,393,381	-	-	-	-	-	18,393,381
Depreciation	16,864,662	-	-	-	-	-	16,864,662
Total operating expenses	<u>217,912,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,912,005</u>
Operating income	<u>21,873,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,873,113</u>
Nonoperating revenue (expense)							
Intergovernmental expense	(1,200,000)	-	-	-	-	-	(1,200,000)
Payment in lieu of taxes	(10,938,256)	-	-	-	-	-	(10,938,256)
Interest earned on investments	3,112,841	1,556,827	-	14,225	-	-	4,683,893
Gain (loss) on disposal of assets	(721,838)	-	-	-	-	-	(721,838)
Interest expense	(741,756)	-	-	-	-	-	(741,756)
Finance costs	(20,289)	-	-	-	-	-	(20,289)
Total nonoperating revenue (expense)	<u>(10,509,298)</u>	<u>1,556,827</u>	<u>-</u>	<u>14,225</u>	<u>-</u>	<u>-</u>	<u>(8,938,246)</u>
Income before transfers and contributions	<u>11,363,815</u>	<u>1,556,827</u>	<u>-</u>	<u>14,225</u>	<u>-</u>	<u>-</u>	<u>12,934,867</u>
Contributions	2,141,175	-	-	-	4,033,810	-	6,174,985
Transfers in	11,271,638	4,091,500	-	5,000,000	-	830,000	21,193,138
Transfers out	(14,632,182)	(3,335,352)	(7,936,286)	-	-	-	(25,903,820)
Change in Net Position	<u>10,144,446</u>	<u>2,312,975</u>	<u>(7,936,286)</u>	<u>5,014,225</u>	<u>4,033,810</u>	<u>830,000</u>	<u>14,399,170</u>
Total Net Position - beginning	<u>391,290,227</u>	<u>48,846,626</u>	<u>7,936,286</u>	<u>4,910,000</u>	<u>-</u>	<u>-</u>	<u>452,983,139</u>
Total Net Position - ending	<u>\$ 401,434,673</u>	<u>\$ 51,159,601</u>	<u>\$ -</u>	<u>\$ 9,924,225</u>	<u>\$ 4,033,810</u>	<u>\$ 830,000</u>	<u>\$ 467,382,309</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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019			2018
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Electric operations				
Residential, commercial, and industrial sales	\$ 199,759,400	\$ 1,139,788	\$ 200,899,188	\$ 199,319,549
Other sales of electric	11,804,400	(482,016)	11,322,384	11,282,519
Wholesale power cost adjustment	-	222	222	(3,769,557)
City Services	1,513,400	(43,953)	1,469,447	1,465,492
Non-utility charges	1,954,600	39,626	1,994,226	1,651,174
Service charges	6,718,400	(4,606)	6,713,794	6,682,308
Miscellaneous	17,575,700	(189,843)	17,385,857	15,676,796
Total operating revenues	239,325,900	459,218	239,785,118	232,308,281
Non-operating revenues				
Interest earned on investments	1,900,000	1,212,841	3,112,841	1,229,031
Total non-operating revenues	1,900,000	1,212,841	3,112,841	1,229,031
Contributions				
Contributions	747,100	1,394,075	2,141,175	524,807
Total contributions	747,100	1,394,075	2,141,175	524,807
Transfers in				
Transfer from Electric Rate Stabilization Fund	3,335,400	(48)	3,335,352	-
Transfer from Series 2014 LED Lighting Fund	1,490,000	-	1,490,000	-
Total transfers in	4,825,400	(48)	4,825,352	-
Budgetary appropriations				
Reserve for REPS	6,045,500	(2,536,328)	3,509,172	(550,189)
Reserve for Electric capital project	1,060,000	(259,180)	800,820	-
Transfer from Coal Ash reserve	18,968,700	(50,502)	18,918,198	8,943,890
Appropriated net position	8,000	(8,000)	-	-
Total budgetary appropriations	26,082,200	(2,854,010)	23,228,190	8,393,701
Total revenues	\$ 272,880,600	\$ 212,076	\$ 273,092,676	\$ 242,455,820
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 168,396,300	\$ 5,139,693	\$ 163,256,607	\$ 155,562,287
Administration	1,174,200	228,415	945,785	795,572
Apparatus repair shop	481,500	46,956	434,544	401,420
Electric meter shop	(15,200)	143,319	(158,519)	222,663
Construction and maintenance	10,880,200	(241)	10,880,441	7,738,515
Substation construction	2,856,300	66	2,856,234	2,186,818
Engineering	3,120,900	112,092	3,008,808	2,703,760
Fiber	282,200	242	281,958	257,826
CT metering crews	354,700	2,074	352,626	319,128
Compliance	863,300	67,822	795,478	1,307,824
Total electric operations	188,394,400	5,740,438	182,653,962	171,495,813

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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019			2018 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,187,350	\$ 91,131	\$ 1,096,219	\$ 1,027,210
Internal audit	59,750	92	59,658	52,627
Communications and community relations	912,550	48,281	864,269	779,179
Financial administration	287,950	131,991	155,959	240,342
Financial planning administration	209,250	27	209,223	-
Human resources	1,000,800	109,004	891,796	852,973
Accounting	522,600	627	521,973	476,640
Accounts receivable	739,950	5,202	734,748	634,368
Payroll	67,750	1,795	65,955	63,506
Customer accounts	1,947,300	63,563	1,883,737	1,802,129
Utility field services	805,550	17,775	787,775	758,787
Meter data management	326,300	60	326,240	-
Corporate development	869,450	18,756	850,694	784,663
Risk management	1,011,950	55,453	956,497	1,088,790
Collections	1,078,100	1,540	1,076,560	689,952
Capital Projects	184,100	66,534	117,566	388,110
Rates	244,400	27,181	217,219	302,577
Budget	115,600	8,960	106,640	106,594
Purchasing	368,700	47,851	320,849	251,675
Warehouse	536,150	66	536,084	419,965
Fleet maintenance	1,460,150	352,134	1,108,016	1,010,722
Facilities maintenance	333,400	66	333,334	294,642
Customer programs and call center	579,450	35,838	543,612	666,730
Corporate services administration	156,950	10,549	146,401	143,597
Development and marketing	464,950	998	463,952	411,550
Telecommunications systems	2,536,350	833,869	1,702,481	1,936,547
Information systems	3,207,750	971,204	2,236,546	2,207,466
Medical insurance	4,510,800	(4,087)	4,514,887	3,701,030
Other	4,383,850	1,338,804	3,045,046	2,110,701
Allocated rent and fiber clearing	(1,983,100)	54,010	(2,037,110)	(2,082,902)
Overhead clearing	(5,374,400)	(230,661)	(5,143,739)	(4,655,862)
Total general and administrative	22,751,700	4,058,613	18,693,087	16,464,308
Total operating expenditures	211,146,100	9,799,051	201,347,049	187,960,121
Non-operating expenditures				
Intergovernmental expense	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 1,200,000
Payment in lieu of taxes	10,938,300	44	10,938,256	10,428,117
Loss on asset disposal	-	(721,838)	721,838	1,060,418
Interest expense	974,700	1	974,699	1,364,477
Finance costs	23,900	3,611	20,289	13,645
Total non-operating expenditures	13,136,900	(718,182)	13,855,082	14,066,657

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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019			2018
	Budget	Variance Positive (Negative)	Actual	Actual
Transfers out				
Transfers to Electric Rate Stabilization Fund	\$ 4,091,500	\$ -	\$ 4,091,500	\$ 4,750,000
Transfers to Transportation Equipment Fund	830,000	-	830,000	-
Transfers to Annexation V Reserve Fund	4,323,300	-	4,323,300	2,500,000
Transfers to Substation Rebuild Fund	5,000,000	-	5,000,000	4,910,000
Transfers to Fleet Maintenance Fund	715,250	327,868	387,382	4,327
Total transfers out	<u>14,960,050</u>	<u>327,868</u>	<u>14,632,182</u>	<u>12,164,327</u>
Budgetary appropriations				
Inventory increase (decrease)	-	7,800	(7,800)	39,031
Vehicle and equipment increase (decrease)	-	746,769	(746,769)	(721,719)
Debt principal payments	1,712,300	586,305	1,125,995	2,461,547
Transfer to REPS Reserve	3,756,200	1,530,994	2,225,206	2,221,754
BWGP Start up Cost Reserve	420,700	55	420,645	270,062
Capital outlay	24,387,700	2,419,794	21,967,906	18,228,619
Budget Carryover Reserve	-	-	-	1,060,000
Transfer to Coal Ash Reserve	3,006,100	325,221	2,680,879	447,390
Appropriated Net Position	354,550	354,550	-	-
Total budgetary appropriations	<u>33,637,550</u>	<u>5,971,488</u>	<u>27,666,062</u>	<u>24,006,684</u>
Total expenditures	<u>\$ 272,880,600</u>	<u>\$ 15,380,225</u>	<u>\$ 257,500,375</u>	<u>\$ 238,197,789</u>
Reconciliation of change in Net Position				
Total revenues		\$ 212,076	\$ 273,092,676	\$ 242,455,820
Total expenditures		15,380,225	257,500,375	238,197,789
Subtotal		<u>\$ 15,592,301</u>	15,592,301	4,258,031
Reconciling items:				
Budgetary appropriations			4,437,872	15,612,983
Depreciation			(16,864,662)	(16,588,914)
Amortization for refunding			232,943	225,925
OPEB expense			321,675	603,914
LGERS expense			(21,969)	248,718
Series 2016 Electric Connect Bond Proceeds			-	3,162,641
Series 2016 LED Conversion Bond Proceeds			6,224,234	-
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			222,052	2,316,570
Total reconciling items			<u>(5,447,855)</u>	<u>5,581,837</u>
Change in Net Position			<u>\$ 10,144,446</u>	<u>\$ 9,839,868</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, 2019**

	<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	6,811,200	5,618,102	1,556,827	7,174,929
Total revenues	<u>10,980,925</u>	<u>9,787,827</u>	<u>1,556,827</u>	<u>11,344,654</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>10,980,925</u>	<u>9,787,827</u>	<u>1,556,827</u>	<u>11,344,654</u>
Other financing sources (uses)				
Transfer from Electric Fund	74,377,155	74,127,200	250,000	74,377,200
Transfer from Electric Fund - WPCA	3,861,615	3,861,615	-	3,861,615
Transfer from Electric Fund - True-up credits	4,594,627	682,484	3,841,500	4,523,984
Transfer to Electric Fund	(39,186,300)	(35,850,900)	(3,335,352)	(39,186,252)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,600)	-	(3,761,600)
Appropriated Net Position	<u>(50,866,422)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,980,925)</u>	<u>39,058,799</u>	<u>756,148</u>	<u>39,814,947</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 48,846,626</u>	<u>2,312,975</u>	<u>\$ 51,159,601</u>
Reconciling items:				
Change in Net Position			<u>\$ 2,312,975</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, 2019

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 131,561	\$ -	\$ 131,561
Total revenues	<u>-</u>	<u>131,561</u>	<u>-</u>	<u>131,561</u>
Expenditures				
Construction	-	8,810,316	(214,510)	8,595,806
Total expenditures	<u>8,678,755</u>	<u>8,810,316</u>	<u>(214,510)</u>	<u>8,595,806</u>
Revenues under expenditures	<u>(8,678,755)</u>	<u>(8,678,755)</u>	<u>214,510</u>	<u>(8,464,245)</u>
Other financing sources				
Transfer from Electric REPS Reserve	-	1,490,000	(1,490,000)	-
2014 Revenue Bond Proceeds	4,901,603	4,901,603	-	4,901,603
2016 Revenue Bond Proceeds	3,777,152	10,001,386	(6,224,234)	3,777,152
Total other financing sources	<u>8,678,755</u>	<u>16,392,989</u>	<u>(7,714,234)</u>	<u>8,678,755</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 7,714,234</u>	<u>(7,499,724)</u>	<u>\$ 214,510</u>
Reconciling items:				
Capital outlay			(214,510)	
Transfer of assets (to)/from the Electric Fund			(222,052)	
Change in Net Position			<u>\$ (7,936,286)</u>	

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

Schedule of Changes in the Status of Substation Rebuild Capital Project Fund
From Inception and for the Period Ended June 30, 2019

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on other investments	-	-	14,225	14,225
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,225</u>	<u>\$ 14,225</u>
Expenditures				
Construction	-	703,773	3,130,441	3,834,214
Engineering	-	77,871	278,848	356,719
Right of Way	-	1,381,641	5,452	1,387,093
Other	-	-	911,825	911,825
Total expenditures	<u>40,276,000</u>	<u>2,163,285</u>	<u>4,326,566</u>	<u>6,489,851</u>
Revenues under expenditures	<u>(40,276,000)</u>	<u>(2,163,285)</u>	<u>(4,312,341)</u>	<u>(6,475,626)</u>
Other financing sources				
Transfer from Electric Fund	40,276,000	4,910,000	5,000,000	9,910,000
Total other financing sources	<u>40,276,000</u>	<u>4,910,000</u>	<u>5,000,000</u>	<u>9,910,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,746,715</u>	<u>687,659</u>	<u>\$ 3,434,374</u>
Reconciling items:				
Capital outlay			4,326,566	
Change in Net Position			<u>\$ 5,014,225</u>	

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

**Schedule of Changes in the Status of Electric NCDOT U-4405 Raeford Road
Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	2,129,496	2,129,496
Right of way	-	960,900	2,158,648	3,119,548
Other	-	150,587	1,204,284	1,354,871
Total expenditures	<u>24,200,000</u>	<u>1,111,487</u>	<u>5,492,428</u>	<u>6,603,915</u>
Revenues under expenditures	<u>(24,200,000)</u>	<u>(1,111,487)</u>	<u>(5,492,428)</u>	<u>(6,603,915)</u>
Other financing sources				
NCDOT proceeds	24,200,000	-	4,033,810	4,033,810
Total other financing sources	<u>24,200,000</u>	<u>-</u>	<u>4,033,810</u>	<u>4,033,810</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,111,487)</u>	<u>(1,458,618)</u>	<u>\$ (2,570,105)</u>
Reconciling items:				
Capital outlay			5,492,428	
Change in Net Position			<u>\$ 4,033,810</u>	

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

**Schedule of Changes in the Status of Transportation Equipment
Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Total expenditures	3,261,000	-	-	-
Revenues under expenditures	(3,261,000)	-	-	-
Other financing sources				
NCDOT proceeds	3,261,000	-	830,000	830,000
Total other financing sources	3,261,000	-	830,000	830,000
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	830,000	<u>\$ 830,000</u>
Reconciling items:				
Change in Net Position			<u>\$ 830,000</u>	

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

Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2019

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Series 2014 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund
ASSETS							
Current unrestricted assets							
Cash and cash equivalents	\$ 5,399,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	31,638,813	-	-	-	-	-	-
Receivables	20,924,052	-	-	-	-	-	-
Internal balances	3,735,221	-	(42,000)	-	(3,136)	-	(167,698)
Less Allowance for doubtful accounts	(130,854)	-	-	-	-	-	-
Inventories	2,538,311	-	-	-	-	-	-
Other current assets	658,057	-	-	-	-	-	-
Total current unrestricted assets	64,763,471	-	(42,000)	-	(3,136)	-	(167,698)
Current restricted assets							
Cash and cash equivalents	18,901,640	843,292	6,473,084	-	-	678,284	824,151
Investments	6,907,761	-	18,429,421	-	-	5,202,589	-
Receivables	-	-	150,496	-	3,126	35,384	124,427
Total current restricted assets	25,809,401	843,292	25,053,001	-	3,126	5,916,257	948,578
Total current assets	90,572,872	843,292	25,011,001	-	(10)	5,916,257	780,880
Noncurrent assets							
Other assets	41,101	-	-	-	-	-	-
Capital Assets:							
Land and land rights	11,802,232	-	-	-	-	-	-
Construction in process	26,415,855	-	-	-	-	-	10,128,953
Water system	251,082,570	-	-	-	-	-	-
Sewer system	353,774,561	-	-	-	-	-	-
Buildings	2,730,394	-	-	-	-	-	-
Equipment and machinery	2,362,156	-	-	-	-	-	-
Computer equipment	935,632	-	-	-	-	-	-
Intangibles	4,286,724	-	-	-	-	-	-
Vehicles	3,636,903	-	-	-	-	-	-
Office equipment	19,848	-	-	-	-	-	-
Capital assets, net	657,046,875	-	-	-	-	-	10,128,953
Total noncurrent assets	657,087,976	-	-	-	-	-	10,128,953
Total assets	747,660,848	843,292	25,011,001	-	(10)	5,916,257	10,909,833
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	1,557,670	-	-	-	-	-	-
OPEB deferrals	2,228,433	-	-	-	-	-	-
Pension deferrals	8,504,479	-	-	-	-	-	-
Total deferred outflows of resources	12,290,582	-	-	-	-	-	-

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

Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2019

Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund	Annexation Phase V Areas 32/33/34 Capital Project Fund	Series 2018 Water/Wastewater Capital Project Fund	Rockfish Creek Basin Peak Flow Facilities Capital Project Fund	Annexation Phase V Areas 24/25 Capital Project Fund	Replacement of 20" N Fayetteville Force Main Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,399,871
-	-	-	-	-	-	-	-	31,638,813
(139,357)	(1,619,630)	(31,617)	(77,990)	(439,647)	(1,003,762)	(25,377)	(1,877,160)	20,924,052
-	-	-	-	-	-	-	-	(1,692,153)
-	-	-	-	-	-	-	-	(130,854)
-	-	-	-	-	-	-	-	2,538,311
-	-	-	-	-	-	-	-	658,057
<u>(139,357)</u>	<u>(1,619,630)</u>	<u>(31,617)</u>	<u>(77,990)</u>	<u>(439,647)</u>	<u>(1,003,762)</u>	<u>(25,377)</u>	<u>(1,877,160)</u>	<u>59,336,097</u>
6,951,220	-	-	-	50,771,146	-	-	-	85,442,817
-	-	-	-	-	-	-	-	30,539,771
135,494	7,548	-	-	163,671	-	-	84,595	704,741
<u>7,086,714</u>	<u>7,548</u>	<u>-</u>	<u>-</u>	<u>50,934,817</u>	<u>-</u>	<u>-</u>	<u>84,595</u>	<u>116,687,329</u>
<u>6,947,357</u>	<u>(1,612,082)</u>	<u>(31,617)</u>	<u>(77,990)</u>	<u>50,495,170</u>	<u>(1,003,762)</u>	<u>(25,377)</u>	<u>(1,792,565)</u>	<u>176,023,426</u>
-	-	-	-	-	-	-	-	41,101
-	-	-	-	-	-	-	-	11,802,232
9,092,280	5,305,922	1,175,001	1,378,167	11,343,235	1,081,762	259,729	2,412,749	68,593,653
-	-	-	-	-	-	-	-	251,082,570
-	-	-	-	-	-	-	-	353,774,561
-	-	-	-	-	-	-	-	2,730,394
-	-	-	-	-	-	-	-	2,362,156
-	-	-	-	-	-	-	-	935,632
-	-	-	-	-	-	-	-	4,286,724
-	-	-	-	-	-	-	-	3,636,903
-	-	-	-	-	-	-	-	19,848
<u>9,092,280</u>	<u>5,305,922</u>	<u>1,175,001</u>	<u>1,378,167</u>	<u>11,343,235</u>	<u>1,081,762</u>	<u>259,729</u>	<u>2,412,749</u>	<u>699,224,673</u>
<u>9,092,280</u>	<u>5,305,922</u>	<u>1,175,001</u>	<u>1,378,167</u>	<u>11,343,235</u>	<u>1,081,762</u>	<u>259,729</u>	<u>2,412,749</u>	<u>699,265,774</u>
<u>16,039,637</u>	<u>3,693,840</u>	<u>1,143,384</u>	<u>1,300,177</u>	<u>61,838,405</u>	<u>78,000</u>	<u>234,352</u>	<u>620,184</u>	<u>875,289,200</u>
-	-	-	-	-	-	-	-	1,557,670
-	-	-	-	-	-	-	-	2,228,433
-	-	-	-	-	-	-	-	8,504,479
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,290,582</u>

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

Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2019

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Series 2014 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund
LIABILITIES							
Current liabilities to be paid from unrestricted current assets							
Current portion of long-term liabilities	\$ 17,352,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	12,862,448	-	-	-	-	-	-
Total current liabilities to be paid from unrestricted current assets	<u>30,215,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities to be paid from restricted current assets							
Accounts payable and accrued expenses	4,177,402	-	-	-	-	299,397	320,433
Total current liabilities to be paid from restricted current assets	<u>4,177,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,397</u>	<u>320,433</u>
Total current liabilities	<u>34,392,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,397</u>	<u>320,433</u>
Noncurrent liabilities							
Long-term liabilities	299,404,629	-	-	-	-	-	-
Total OPEB liability	14,129,342	-	-	-	-	-	-
Net pension liability	6,626,169	-	-	-	-	-	-
Unearned deposits	563,809	-	-	-	-	-	-
Total noncurrent liabilities	<u>320,723,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>355,116,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,397</u>	<u>320,433</u>
DEFERRED INFLOWS OF RESOURCES							
OPEB deferral	825,860	-	-	-	-	-	-
Pension deferral	30,718	-	-	-	-	-	-
Refunding deferral	282,443	-	-	-	-	-	-
Total deferred inflows of resources	<u>1,139,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	402,901,843	-	-	-	-	-	9,957,799
Restricted for -							
Capital Projects	2,261,100	-	6,473,084	-	-	-	-
Other internal restrictions	19,370,899	843,292	18,579,917	-	3,126	5,616,860	-
Unrestricted Net Position	(20,837,815)	-	(42,000)	-	(3,136)	-	631,601
Total Net Position	<u>\$ 403,696,027</u>	<u>\$ 843,292</u>	<u>\$ 25,011,001</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 5,616,860</u>	<u>\$ 10,589,400</u>

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

Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2019

Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund	Annexation Phase V Areas 32/33/34 Capital Project Fund	Series 2018 Water/Wastewater Capital Project Fund	Rockfish Creek Basin Peak Flow Facilities Capital Project Fund	Annexation Phase V Areas 24/25 Capital Project Fund	Replacement of 20" N Fayetteville Force Main Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,352,583
-	-	-	-	-	-	-	-	12,862,448
-	-	-	-	-	-	-	-	30,215,031
2,097,648	1,030,366	35,755	253,549	5,357,972	78,000	147,744	620,184	14,418,450
2,097,648	1,030,366	35,755	253,549	5,357,972	78,000	147,744	620,184	14,418,450
2,097,648	1,030,366	35,755	253,549	5,357,972	78,000	147,744	620,184	44,633,481
-	-	-	-	-	-	-	-	299,404,629
-	-	-	-	-	-	-	-	14,129,342
-	-	-	-	-	-	-	-	6,626,169
-	-	-	-	-	-	-	-	563,809
-	-	-	-	-	-	-	-	320,723,949
2,097,648	1,030,366	35,755	253,549	5,357,972	78,000	147,744	620,184	365,357,430
-	-	-	-	-	-	-	-	825,860
-	-	-	-	-	-	-	-	30,718
-	-	-	-	-	-	-	-	282,443
-	-	-	-	-	-	-	-	1,139,021
8,798,733	5,249,386	1,175,001	1,378,167	10,955,420	1,081,762	259,729	2,294,503	444,052,343
-	-	-	-	-	-	-	-	8,734,184
-	-	-	-	-	-	-	-	44,414,094
5,143,256	(2,585,912)	(67,372)	(331,539)	45,525,013	(1,081,762)	(173,121)	(2,294,503)	23,882,710
\$ 13,941,989	\$ 2,663,474	\$ 1,107,629	\$ 1,046,628	\$ 56,480,433	\$ -	\$ 86,608	\$ -	\$ 521,083,331

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

Combining Schedule of Revenues, Expenses and Changes in Net Position
Water and Wastewater Utility
Year ended June 30, 2019

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Series 2014 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund
Operating revenues							
Residential, commercial, and industrial sales	\$ 89,293,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	9,053,510	-	-	-	-	-	-
Total operating revenues	<u>98,347,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses							
Water operations	16,845,418	-	-	-	-	-	-
Wastewater operations	19,315,810	-	-	-	-	-	-
General and administrative	17,290,839	-	-	-	-	-	-
Depreciation	25,068,167	-	-	-	-	-	-
Total operating expenses	<u>78,520,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	<u>19,827,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating revenue (expense)							
Intergovernmental revenue	2,897,079	-	-	-	-	-	-
Interest earned on investments	1,670,482	15,006	719,551	-	-	144,829	-
Gain (loss) on disposal of assets	(332,942)	-	-	-	-	-	-
Interest expense	(8,996,408)	-	-	-	-	-	-
Finance costs	(383,296)	-	-	-	-	-	-
Total nonoperating revenue (expense)	<u>(5,145,085)</u>	<u>15,006</u>	<u>719,551</u>	<u>-</u>	<u>-</u>	<u>144,829</u>	<u>-</u>
Income (loss) before transfers and contributions	<u>14,682,188</u>	<u>15,006</u>	<u>719,551</u>	<u>-</u>	<u>-</u>	<u>144,829</u>	<u>-</u>
Capital Contributions	14,680,544	-	-	-	-	-	-
Transfers in	27,821,329	250,000	15,235,463	-	3,139,815	1,280,398	-
Transfers out	<u>(82,651,147)</u>	<u>-</u>	<u>(15,619,793)</u>	<u>(6,778,114)</u>	<u>(7,242,844)</u>	<u>-</u>	<u>(2,999,784)</u>
Change in Net Position	<u>(25,467,086)</u>	<u>265,006</u>	<u>335,221</u>	<u>(6,778,114)</u>	<u>(4,103,029)</u>	<u>1,425,227</u>	<u>(2,999,784)</u>
Total Net Position - beginning	<u>429,163,113</u>	<u>578,286</u>	<u>24,675,780</u>	<u>6,778,114</u>	<u>4,103,019</u>	<u>4,191,633</u>	<u>13,589,184</u>
Total Net Position - ending	<u>\$ 403,696,027</u>	<u>\$ 843,292</u>	<u>\$ 25,011,001</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 5,616,860</u>	<u>\$ 10,589,400</u>

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

Combining Schedule of Revenues, Expenses and Changes in Net Position
Water and Wastewater Utility
Year ended June 30, 2019

Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund	Annexation Phase V Areas 32/33/34 Capital Project Fund	Series 2018 Water/Wastewater Capital Project Fund	Rockfish Creek Basin Peak Flow Facilities Capital Project Fund	Annexation Phase V Areas 24/25 Capital Project Fund	Replacement of 20" N Fayetteville Force Main Capital Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,293,997
-	48,200	-	-	-	-	-	-	9,101,710
-	48,200	-	-	-	-	-	-	98,395,707
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	16,845,418
-	-	-	-	-	-	-	-	19,315,810
-	-	-	-	-	-	-	-	17,290,839
-	-	-	-	-	-	-	-	25,068,167
-	-	-	-	-	-	-	-	78,520,234
-	48,200	-	-	-	-	-	-	19,875,473
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,897,079
-	-	-	-	-	-	-	-	2,549,868
-	-	-	-	-	-	-	-	(332,942)
-	-	-	-	-	-	-	-	(8,996,408)
-	-	-	-	-	-	-	-	(383,296)
-	-	-	-	-	-	-	-	(4,265,699)
-	48,200	-	-	-	-	-	-	15,609,774
-	583,474	-	-	-	-	-	-	15,264,018
13,679,234	80,000	1,105,560	641,674	62,945,000	-	86,608	-	126,265,081
(572,914)	-	-	-	(6,464,567)	-	-	-	(122,329,163)
13,106,320	711,674	1,105,560	641,674	56,480,433	-	86,608	-	34,809,710
835,669	1,951,800	2,069	404,954	-	-	-	-	486,273,621
\$ 13,941,989	\$ 2,663,474	\$ 1,107,629	\$ 1,046,628	\$ 56,480,433	\$ -	\$ 86,608	\$ -	\$ 521,083,331

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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

		2019		
	Budget	Variance Positive (Negative)	Actual	2018 Actual
Revenues				
Operating revenues				
Water operations				
Residential, commercial, and industrial sales	\$ 39,437,500	\$ 1,639,260	\$ 41,076,760	\$ 38,384,411
Other sales of water	2,850,200	450,924	3,301,124	3,136,816
Connection fees	280,000	145,323	425,323	449,288
City services	307,400	47,572	354,972	341,176
Total water operations	<u>42,875,100</u>	<u>2,283,079</u>	<u>45,158,179</u>	<u>42,311,691</u>
Wastewater operations				
Residential, commercial, and industrial sales	47,825,300	391,937	48,217,237	45,757,930
Other sales of wastewater	620,600	66,983	687,583	514,630
Connection fees	135,000	52,389	187,389	191,097
City services	127,700	33,658	161,358	129,687
Total wastewater operations	<u>48,708,600</u>	<u>544,967</u>	<u>49,253,567</u>	<u>46,593,344</u>
Other operating revenues				
Non-utility charges	1,352,500	15,193	1,367,693	1,135,954
Service charges	1,644,200	705,734	2,349,934	1,931,942
Miscellaneous	26,800	191,334	218,134	73,253
Total other operating revenues	<u>3,023,500</u>	<u>912,261</u>	<u>3,935,761</u>	<u>3,141,149</u>
Total operating revenues	<u>94,607,200</u>	<u>3,740,307</u>	<u>98,347,507</u>	<u>92,046,184</u>
Non-operating revenues				
Intergovernmental revenue	2,530,000	367,079	2,897,079	4,661,326
Gain (loss) on asset disposal	-	(332,942)	(332,942)	15,700
Interest earned on investments	1,040,000	630,482	1,670,482	536,502
Total non-operating revenues	<u>3,570,000</u>	<u>664,619</u>	<u>4,234,619</u>	<u>5,213,528</u>
Contributions				
Contributions	1,748,500	(9,010)	1,739,490	2,776,991
Total contributions	<u>1,748,500</u>	<u>(9,010)</u>	<u>1,739,490</u>	<u>2,776,991</u>
Transfers in				
Transfer from Annexation Phase V Reserve Fund	4,336,000	21	4,336,021	2,757,138
Total transfers in	<u>4,336,000</u>	<u>21</u>	<u>4,336,021</u>	<u>2,757,138</u>
Budgetary appropriations				
Transfer from Debt Service Reserve-Series 2008	-	-	-	624,000
Reserve for W/WW capital projects	794,000	53,862	847,862	94,966
Appropriation of Net Position	11,350,550	(10,316,158)	1,034,392	1,288,200
Total budgetary appropriations	<u>12,144,550</u>	<u>(10,262,296)</u>	<u>1,882,254</u>	<u>2,007,166</u>
Total revenues	<u>\$ 116,406,250</u>	<u>\$ (5,866,359)</u>	<u>\$ 110,539,891</u>	<u>\$ 104,801,007</u>
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 2,436,950	\$ 539,728	\$ 1,897,222	\$ 1,427,191
Water meter shop	(37,800)	12	(37,812)	156,620
Water maintenance and repair	5,358,400	2,285	5,356,115	4,998,501
Contract system maintenance	178,020	56	177,964	78,073
P. O. Hoffer water treatment plant	6,424,100	573,741	5,850,359	4,711,580
Glenville Lake water treatment plant	3,220,100	516,095	2,704,005	2,455,429
Environmental system protection	248,050	25,191	222,859	242,528
Laboratory	299,650	48	299,602	281,911
Environmental	121,050	751	120,299	117,698
Watersheds	255,400	595	254,805	254,666
Total water operations	<u>18,503,920</u>	<u>1,658,502</u>	<u>16,845,418</u>	<u>14,724,197</u>

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

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

Year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

		2019		
	Budget	Variance Positive (Negative)	Actual	2018 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 2,436,950	\$ 539,728	\$ 1,897,222	\$ 1,427,191
Sewer maintenance and repair	9,379,400	4,841	9,374,559	7,670,791
Contract system maintenance	118,680	37	118,643	52,049
Cross Creek WW treatment plant	3,451,600	11,232	3,440,368	2,896,084
Rockfish Creek WW treatment plant	3,606,800	27,998	3,578,802	3,286,064
Residuals management	282,200	18,744	263,456	240,393
Environmental system protection	248,050	25,191	222,859	242,528
Laboratory	299,650	48	299,602	281,911
Environmental	121,050	751	120,299	117,698
Total wastewater operations	19,944,380	628,570	19,315,810	16,214,709
General and administrative				
Executive	658,350	88,872	569,478	511,166
Internal audit	59,750	92	59,658	52,382
Communications and community relations	848,050	4,611	843,439	748,358
Financial administration	287,950	135,503	152,447	240,071
Financial planning administration	205,350	1,403	203,947	-
Human resources	996,300	115,007	881,293	847,399
Accounting	507,200	56	507,144	464,641
Accounts receivable	739,950	6,104	733,846	631,608
Payroll	67,750	1,884	65,866	63,355
Customer accounts	1,976,200	101,151	1,875,049	1,796,363
Utility field service	845,650	4	845,646	804,851
Meter data management	273,300	253	273,047	-
Corporate development	869,450	27,883	841,567	781,195
Risk management	978,550	89,414	889,136	988,465
Collections	610,600	13	610,587	337,209
Capital projects	193,500	76,032	117,468	387,911
Rates	244,400	111,249	133,151	151,035
Budget	115,600	10,269	105,331	106,508
Purchasing	368,700	58,462	310,238	240,781
Warehouse	526,550	37,387	489,163	216,782
Fleet maintenance	1,722,250	14,806	1,707,444	1,533,605
Facilities maintenance	332,900	53	332,847	293,198
Customer programs administration and call center	561,450	45,202	516,248	644,559
Corporate services administration	156,950	14,267	142,683	125,840
Development and marketing	174,450	56,729	117,721	196,629

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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019			2018
	Budget	Variance Positive (Negative)	Actual	Actual
General and administrative (continued)				
Telecommunications systems	\$ 2,536,350	\$ 892,210	\$ 1,644,140	\$ 1,891,531
Information systems	3,041,750	780,759	2,260,991	2,179,609
Medical insurance	4,780,600	(90,565)	4,871,165	4,008,041
Other	2,051,550	503,676	1,547,874	1,345,439
Overhead clearing	(4,352,200)	1,649,665	(6,001,865)	(5,351,188)
Total general and administrative	<u>22,379,200</u>	<u>4,732,451</u>	<u>17,646,749</u>	<u>16,237,343</u>
Total operating expenditures	<u>60,827,500</u>	<u>7,019,523</u>	<u>53,807,977</u>	<u>47,176,249</u>
Non-operating expenditures				
Interest expense	10,252,800	156	10,252,644	9,152,234
Finance costs	435,800	52,504	383,296	21,935
Total non-operating expenditures	<u>10,688,600</u>	<u>52,660</u>	<u>10,635,940</u>	<u>9,174,169</u>
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	4,317,200	288,066	4,029,134	4,102,644
Transfer to NCDOT Fund	1,000,000	-	1,000,000	6,000,000
Transfer to Hurricane Matthew Fund	80,000	-	80,000	-
Transfer to Fleet Maintenance Fund	715,250	327,868	387,382	4,327
Total transfers out	<u>6,362,450</u>	<u>615,934</u>	<u>5,746,516</u>	<u>10,356,971</u>
Budgetary appropriations				
Inventory increase (decrease)	-	68,108	(68,108)	(290,579)
Vehicle and equipment increase (decrease)	-	805,378	(805,378)	(606,778)
Debt principal payments	16,738,400	184	16,738,216	16,802,885
Capital outlay	21,789,300	4,497,816	17,291,484	13,295,487
Total budgetary appropriations	<u>38,527,700</u>	<u>5,371,486</u>	<u>33,156,214</u>	<u>29,201,015</u>
Total expenditures	<u>\$ 116,406,250</u>	<u>\$ 13,059,603</u>	<u>\$ 103,346,647</u>	<u>\$ 95,908,404</u>

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

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

Year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019		2018
	Budget	Variance Positive (Negative)	Actual
Reconciliation of change in Net Position			Actual
Total revenue		\$ (5,866,359)	\$ 110,539,891
Total expenditures		13,059,603	103,346,647
Subtotal		<u>\$ 7,193,244</u>	<u>7,193,244</u>
Reconciling items:			
Budgetary appropriations			31,273,960
Depreciation			(25,068,167)
Amortization for refunding			1,256,237
OPEB expense			381,966
LGERS expense			(26,056)
Developer and FIF credits			12,941,054
Series 2016 Annex 16 & 17 bond proceeds			-
Series 2016 Annex 18 & 19 bond proceeds			-
Series 2016 Annex 20 & 21 bond proceeds			(6,224,234)
Series 2018 Annex 20 & 21 bond proceeds			(7,455,000)
Series 2016 Water Connect bond proceeds			-
Series 2016 Water & Wastewater bond proceeds			-
Series 2018 Water & Wastewater bond proceeds			(62,945,000)
Transfer of assets (to) / from Annexation Phase V, Areas 16-17			-
Transfer of assets (to) / from Annexation Phase V, Areas 18-19			7,242,844
Transfer of assets (to) / from Annexation Phase V, Areas 20-21			-
Transfer of assets (to) / from NCDOT Capital Project Fund			(280,398)
Transfer of assets (to) / from Series 2014 Water/WW Capital Project Fund			6,778,113
Transfer of assets (to) / from Series 2016 Water/WW Capital Project Fund			2,999,784
Transfer of assets (to) / from Series 2018 Water/WW Capital Project Fund			6,464,567
Transfer of assets (to) / from Series 2013 PO Hoffer Phase 1 SRL Fund			-
Total reconciling items			<u>(32,660,330)</u>
Change in Net Position			<u>\$ (25,467,086)</u>
			<u>\$ 32,124,871</u>

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
From Inception and for the Period Ended June 30, 2019

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 455,000	\$ 413,286	\$ 15,006	\$ 428,292
Total revenues	<u>455,000</u>	<u>413,286</u>	<u>15,006</u>	<u>428,292</u>
Other financing sources				
Transfer from Water and Wastewater Fund	7,500,000	7,250,000	250,000	7,500,000
Transfer to Water and Wastewater Fund	(7,085,000)	(7,085,000)	-	(7,085,000)
Appropriated Net Position	(870,000)	-	-	-
Total other financing sources	<u>(455,000)</u>	<u>165,000</u>	<u>250,000</u>	<u>415,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 578,286</u>	<u>265,006</u>	<u>\$ 843,292</u>
Change in Net Position			<u>\$ 265,006</u>	

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

**Schedule of Changes in the Status of Annexation Phase V Reserve Fund
From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 1,253,500	\$ 515,757	\$ 719,551	\$ 1,235,308
Total revenues	<u>1,253,500</u>	<u>515,757</u>	<u>719,551</u>	<u>1,235,308</u>
Expenditures				
Interest	79,356	79,356	-	79,356
Total expenditures	<u>79,356</u>	<u>79,356</u>	<u>-</u>	<u>79,356</u>
Revenues over (under) expenditures	<u>1,174,144</u>	<u>436,401</u>	<u>719,551</u>	<u>1,155,952</u>
Other financing sources (uses)				
Transfer from Electric Fund	16,363,116	8,267,316	4,323,300	12,590,616
Assessments transfer	16,826,700	11,549,751	2,071,934	13,621,685
Transfer from Water and Wastewater Fund	18,483,923	14,510,823	1,957,200	16,468,023
Transfer (to) Water and Wastewater Fund-Debt Service	(19,612,000)	(10,604,373)	(4,336,021)	(14,940,394)
Transfer (to) Water and Wastewater Fund	(811,600)	-	-	-
Transfer from the City	11,261,179	11,242,372	-	11,242,372
Transfer from (to) Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer from (to) Annexation Phase V, Areas 8-13 Fund	(729,548)	(729,549)	-	(729,549)
Transfer from (to) Annexation Phase V, Areas14-15 Fund	(198,512)	(198,512)	-	(198,512)
Transfer from (to) Annexation Phase V, Areas16-17 Fund	(1,212,013)	(1,212,013)	-	(1,212,013)
Transfer from (to) Annexation Phase V, Areas18-19 Fund	(12,945,000)	(7,958,297)	(3,139,815)	(11,098,112)
Transfer from (to) Annexation Phase V, Areas 20-21 Fund	(800,309)	(949,020)	572,914	(376,106)
Transfer from (to) Annexation Phase V, Areas 22-23 Fund	(15,850,000)	(2,069)	(1,105,560)	(1,107,629)
Transfer from (to) Annexation Phase V, Areas 24-25 Fund	(500,000)	-	(86,608)	(86,608)
Transfer from (to) Annexation Phase V, Areas 32-34 Fund	(8,000,000)	(404,954)	(641,674)	(1,046,628)
Appropriated Net Position	(4,177,983)	-	-	-
Total other financing sources (uses)	<u>(1,174,144)</u>	<u>24,239,378</u>	<u>(384,330)</u>	<u>23,855,048</u>
Revenues and other financing sources (uses) over(under) expenditures	<u>\$ -</u>	<u>\$ 24,675,779</u>	<u>335,221</u>	<u>\$ 25,011,000</u>
Reconciling items:				
Change in Net Position			<u>\$ 335,221</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, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ -	\$ 158,358	\$ -	\$ 158,358
Total revenues	<u>-</u>	<u>158,358</u>	<u>-</u>	<u>158,358</u>
Expenditures				
Construction	-	46,817,660	(4,181,980)	42,635,680
Engineering	-	5,542,806	(2,157,661)	3,385,145
Right of way	-	662,720	-	662,720
Other	-	1,425,865	(145,172)	1,280,693
Total expenditures	<u>54,384,442</u>	<u>54,449,051</u>	<u>(6,484,813)</u>	<u>47,964,238</u>
Revenues under expenditures	<u>(54,384,442)</u>	<u>(54,290,693)</u>	<u>6,484,813</u>	<u>(47,805,880)</u>
Other financing sources				
Transfer from Water/Wastewater Fund	103,987	-	-	-
2014 Revenue Bond Proceeds	54,280,455	54,290,694	(1)	54,290,693
Total other financing sources	<u>54,384,442</u>	<u>54,290,694</u>	<u>(1)</u>	<u>54,290,693</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1</u>	<u>6,484,812</u>	<u>\$ 6,484,813</u>
Reconciling items:				
Capital outlay			(6,484,813)	
Transfer of assets (to)/from the Water and Wastewater Fund			(6,778,113)	
Change in Net Position			<u>\$ (6,778,114)</u>	

Capital Project Fund closed at June 30, 2019.

**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, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ 25,975	\$ -	\$ 25,975
Expenditures				
Construction	-	12,262,300	1,667,853	13,930,153
Engineering	-	1,322,072	67,580	1,389,652
Right of way	-	168,481	33,045	201,526
City participation		(404,883)	(92,285)	(497,168)
Other	-	607,632	47,302	654,934
Total expenditures	<u>18,225,000</u>	<u>13,955,602</u>	<u>1,723,495</u>	<u>15,679,097</u>
Revenues under expenditures	<u>(18,225,000)</u>	<u>(13,929,627)</u>	<u>(1,723,495)</u>	<u>(15,653,122)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	13,670,000	7,958,297	3,139,815	11,098,112
Bond proceeds	<u>4,555,000</u>	<u>4,555,000</u>	-	<u>4,555,000</u>
Total other financing sources	<u>18,225,000</u>	<u>12,513,297</u>	<u>3,139,815</u>	<u>15,653,112</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (1,416,330)</u>	1,416,320	<u>\$ (10)</u>
Reconciling items:				
Capital outlay			1,723,495	
Transfer of assets (to)/from the Water and Wastewater Fund			<u>(7,242,844)</u>	
Change in Net Position			<u>\$ (4,103,029)</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, 2019

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Total revenues	\$ -	\$ 3,357	\$ -	\$ 144,830	\$ 148,187
Expenditures					
Construction	25,675,300	3,322,000	(2,742,206)	(280,397)	299,397
Total expenditures	25,675,300	3,322,000	(2,742,206)	(280,397)	299,397
Revenues under expenditures	(25,675,300)	(3,318,643)	2,742,206	425,227	(151,210)
Other financing sources					
Transfer from Water/Wastewater Fund	25,675,300	7,510,276	(2,742,206)	1,000,000	5,768,070
Total other financing sources	25,675,300	7,510,276	(2,742,206)	1,000,000	5,768,070
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,191,633</u>	-	1,425,227	<u>\$ 5,616,860</u>
Reconciling items:					
Capital outlay			-	(280,397)	
Transfer of assets (to)/from the Water/Wastewater Fund			-	280,397	
Change in Net Position			<u>\$ -</u>	<u>\$ 1,425,227</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, 2019

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on bond proceeds	\$ -	\$ 372,324	\$ 111,371	\$ 483,695
Total revenues	<u>-</u>	<u>372,324</u>	<u>111,371</u>	<u>483,695</u>
Expenditures				
Construction	-	27,034,131	7,944,591	34,978,722
Engineering	-	1,191,700	244,643	1,436,343
ROW	-	127,551	31,843	159,394
Other	-	1,301,703	342,553	1,644,256
Total expenditures	<u>38,195,466</u>	<u>29,655,085</u>	<u>8,563,630</u>	<u>38,218,715</u>
Revenues under expenditures	<u>(38,195,466)</u>	<u>(29,282,761)</u>	<u>(8,452,259)</u>	<u>(37,735,020)</u>
Other financing sources				
2016 Revenue Bond Proceeds	38,195,466	38,195,466	-	38,195,466
Total other financing sources	<u>38,195,466</u>	<u>38,195,466</u>	<u>-</u>	<u>38,195,466</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 8,912,705</u>	<u>(8,452,259)</u>	<u>\$ 460,446</u>
Reconciling items:				
Capital outlay			8,452,259	
Transfer of assets (to)/from the Water and Wastewater Fund			(2,999,784)	
Change in Net Position			<u>\$ (2,999,784)</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, 2019**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ 172,238	\$ 172,238
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,238</u>	<u>\$ 172,238</u>
Expenditures				
Construction	-	511,136	7,409,014	7,920,150
Engineering	-	737,422	216,632	954,054
Right of way	-	113,351	-	113,351
City Participation	-	-	(79,625)	(79,625)
Other	-	107,099	363,839	470,938
Total expenditures	<u>14,479,633</u>	<u>1,469,008</u>	<u>7,909,860</u>	<u>9,378,868</u>
Revenues under expenditures	<u>(14,479,633)</u>	<u>(1,469,008)</u>	<u>(7,737,622)</u>	<u>(9,206,630)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	800,309	949,020	(572,914)	376,106
Bond proceeds	<u>13,679,324</u>	<u>-</u>	<u>13,679,234</u>	<u>13,679,234</u>
Total other financing sources	<u>14,479,633</u>	<u>949,020</u>	<u>13,106,320</u>	<u>14,055,340</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (519,988)</u>	<u>5,368,698</u>	<u>\$ 4,848,710</u>
Reconciling items:				
Capital outlay			<u>7,737,622</u>	
Change in Net Position			<u>\$ 13,106,320</u>	

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

**Schedule of Changes in the Status of Hurricane Matthew Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	145,558	4,354,978	4,500,536
Engineering	-	329,840	410,713	740,553
Right of Way	-	-	12,250	12,250
Other	-	-	52,583	52,583
Total expenditures	<u>11,271,080</u>	<u>475,398</u>	<u>4,830,524</u>	<u>5,305,922</u>
Revenues under expenditures	<u>(11,271,080)</u>	<u>(475,398)</u>	<u>(4,830,524)</u>	<u>(5,305,922)</u>
Other financing sources				
Insurance proceeds	5,508,810	1,951,800	48,200	2,000,000
FEMA proceeds	5,682,270	-	583,474	583,474
Transfer from Water/Wastewater Fund	80,000	-	80,000	80,000
Total other financing sources	<u>11,271,080</u>	<u>1,951,800</u>	<u>711,674</u>	<u>2,663,474</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,476,402</u>	<u>(4,118,850)</u>	<u>\$ (2,642,448)</u>
Reconciling items:				
Capital outlay			4,830,524	
Change in Net Position			<u>\$ 711,674</u>	

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

**Schedule of Changes in the Status of Annexation Phase V - Areas 22 through 23 Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Engineering	-	111,439	912,326	1,023,765
Right of Way	-	-	103,609	103,609
Other	-	2,069	45,558	47,627
Total expenditures	<u>15,850,000</u>	<u>113,508</u>	<u>1,061,493</u>	<u>1,175,001</u>
Revenues under expenditures	<u>(15,850,000)</u>	<u>(113,508)</u>	<u>(1,061,493)</u>	<u>(1,175,001)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	15,850,000	2,069	1,105,560	1,107,629
Total other financing sources	<u>15,850,000</u>	<u>2,069</u>	<u>1,105,560</u>	<u>1,107,629</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (111,439)</u>	44,067	<u>\$ (67,372)</u>
Reconciling items:				
Capital outlay			1,061,493	
Change in Net Position			<u>\$ 1,105,560</u>	

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

**Schedule of Changes in the Status of Annexation Phase V - Areas 32 through 34 Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Engineering	-	456,573	885,780	1,342,353
Other	-	19,700	16,114	35,814
Total expenditures	<u>79,200,000</u>	<u>476,273</u>	<u>901,894</u>	<u>1,378,167</u>
Revenues under expenditures	<u>(79,200,000)</u>	<u>(476,273)</u>	<u>(901,894)</u>	<u>(1,378,167)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	8,000,000	404,954	641,674	1,046,628
Bond proceeds	<u>71,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>79,200,000</u>	<u>404,954</u>	<u>641,674</u>	<u>1,046,628</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (71,319)</u>	<u>(260,220)</u>	<u>\$ (331,539)</u>
Reconciling items:				
Capital outlay			901,894	
Change in Net Position			<u>\$ 641,674</u>	

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

**Schedule of Changes in the Status of Series 2018 Water/Wastewater Revenue Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ 770,560	\$ 770,560
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,560</u>	<u>\$ 770,560</u>
Expenditures				
Construction	-	-	15,224,840	15,224,840
Engineering	-	-	2,207,797	2,207,797
Right of Way	-	-	219,364	219,364
Other	-	-	926,360	926,360
Total expenditures	<u>71,758,022</u>	<u>-</u>	<u>18,578,361</u>	<u>18,578,361</u>
Revenues under expenditures	<u>(71,758,022)</u>	<u>-</u>	<u>(17,807,801)</u>	<u>(17,807,801)</u>
Other financing sources				
2018 Revenue Bond Proceeds	71,758,022	-	62,945,000	62,945,000
Total other financing sources	<u>71,758,022</u>	<u>-</u>	<u>62,945,000</u>	<u>62,945,000</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>45,137,199</u>	<u>\$ 45,137,199</u>
Reconciling items:				
Capital outlay			17,807,801	
Transfer of assets to the Water and Wastewater Fund			(6,464,567)	
Change in Net Position			<u>\$ 56,480,433</u>	

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

**Schedule of Changes in the Status of Rockfish Creek Basin Peak Flow Facilities Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Engineering	-	-	806,600	806,600
Right of Way	-	-	275,162	275,162
Total expenditures	<u>17,912,000</u>	<u>-</u>	<u>1,081,762</u>	<u>1,081,762</u>
Revenues under expenditures	<u>(17,912,000)</u>	<u>-</u>	<u>(1,081,762)</u>	<u>(1,081,762)</u>
Other financing sources				
State Loan proceeds	17,912,000	-	-	-
Total other financing sources	<u>17,912,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(1,081,762)</u>	<u>\$ (1,081,762)</u>
Reconciling items:				
Capital outlay			1,081,762	
Change in Net Position			<u>\$ -</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 24 through 25 Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	255,663	255,663
Other	-	-	4,066	4,066
Total expenditures	<u>18,775,000</u>	<u>-</u>	<u>259,729</u>	<u>259,729</u>
Revenues under expenditures	<u>(18,775,000)</u>	<u>-</u>	<u>(259,729)</u>	<u>(259,729)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	500,000	-	86,608	86,608
Bond proceeds	<u>18,275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>18,775,000</u>	<u>-</u>	<u>86,608</u>	<u>86,608</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(173,121)</u>	<u>\$ (173,121)</u>
Reconciling items:				
Capital outlay			259,729	
Change in Net Position			<u>\$ 86,608</u>	

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

**Schedule of Changes in the Status of Replacement of 20" N Fayetteville Force Main Capital Project Fund
From Inception and for the Period Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	2,280,323	2,280,323
Engineering	-	-	132,425	132,425
Total expenditures	<u>9,800,000</u>	<u>-</u>	<u>2,412,748</u>	<u>2,412,748</u>
Revenues under expenditures	<u>(9,800,000)</u>	<u>-</u>	<u>(2,412,748)</u>	<u>(2,412,748)</u>
Other financing sources				
Bond proceeds	9,800,000	-	-	-
Total other financing sources	<u>9,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(2,412,748)</u>	<u>\$ (2,412,748)</u>
Reconciling items:				
Capital outlay			2,412,748	
Change in Net Position			<u>\$ -</u>	

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

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

Year ended June 30, 2019
(with comparative actual amounts for the period ended June 30, 2018)

	2019			2018
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
City services	\$ 7,508,000	\$ (1,295,284)	\$ 6,212,716	\$ 6,638,260
PWC services	2,316,700	(66,579)	2,250,121	2,286,856
Other revenue	-	71,794	71,794	-
Total operating revenues	<u>9,824,700</u>	<u>(1,290,069)</u>	<u>8,534,631</u>	<u>8,925,116</u>
Transfers in				
Transfers from Electric Fund	215,000	172,382	387,382	4,327
Transfers from Water and Wastewater Fund	215,000	172,382	387,382	4,327
Total transfers-in	<u>430,000</u>	<u>344,764</u>	<u>774,764</u>	<u>8,654</u>
Total revenues	<u>\$ 10,254,700</u>	<u>\$ (945,305)</u>	<u>\$ 9,309,395</u>	<u>\$ 8,933,770</u>
Expenditures				
Operating expenditures				
Fleet maintenance	9,824,700	(1,419,534)	8,405,166	8,829,998
Total operating expenditures	<u>9,824,700</u>	<u>(1,419,534)</u>	<u>8,405,166</u>	<u>8,829,998</u>
Budgetary appropriations				
Capital outlay	430,000	344,764	774,764	8,654
Total budgetary appropriations	<u>430,000</u>	<u>344,764</u>	<u>774,764</u>	<u>8,654</u>
Total expenditures	<u>\$ 10,254,700</u>	<u>\$ (1,074,770)</u>	<u>\$ 9,179,930</u>	<u>\$ 8,838,652</u>
Reconciliation of changes in Net Position				
Total revenues		\$ (945,305)	\$ 9,309,395	\$ 8,933,770
Total expenditures		(1,074,770)	9,179,930	8,838,652
Subtotal		<u>\$ 129,465</u>	<u>129,465</u>	<u>95,118</u>
Reconciling items:				
Budgetary appropriations			774,764	8,654
Depreciation			(153,029)	(179,247)
OPEB expense			23,564	84,129
Total reconciling items			<u>645,299</u>	<u>(86,464)</u>
Change in Net Position			<u>\$ 774,764</u>	<u>\$ 8,654</u>

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

Schedule of Bonded Indebtedness

June 30, 2019

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
10/21/09	2009A Electric & Water & Wastewater	114,155,000	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>22,590,000</u>	<u>-</u>	<u>22,590,000</u>	<u>-</u>	<u>-</u>
10/21/09	2009B Water & Wastewater	36,710,000	4.00%	2019	1,600,000	-	1,600,000	-	-
					<u>1,600,000</u>	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>
9/11/14	2014 Electric & Water & Wastewater	111,455,000	5.00%	2019	3,355,000	-	3,355,000	-	-
			5.00%	2020	3,520,000	-	-	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	<u>7,410,000</u>	<u>-</u>	<u>-</u>	<u>7,410,000</u>	<u>-</u>
					<u>109,740,000</u>	<u>-</u>	<u>3,355,000</u>	<u>106,385,000</u>	<u>3,520,000</u>
10/22/09	G.O. Water & Wastewater	4,403,885	4.00%	2019	175,527	-	175,527	-	-
			4.00%	2020	170,907	-	-	170,907	170,907
			4.00%	2021	170,907	-	-	170,907	-
					<u>517,341</u>	<u>-</u>	<u>175,527</u>	<u>341,814</u>	<u>170,907</u>

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

Schedule of Bonded Indebtedness

June 30, 2019

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
6/29/16	2016 Electric & Water & Wastewater	114,405,000	5.00%	2019	4,745,000	-	4,745,000	-	-
			5.00%	2020	6,545,000	-	-	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	-
					111,425,000	-	4,745,000	106,680,000	6,545,000
12/13/19	2018 Electric & Water & Wastewater	83,645,000	5.00%	2019	-	-	-	-	-
			5.00%	2020	-	6,405,000	-	6,405,000	6,405,000
			5.00%	2021	-	3,215,000	-	3,215,000	-
			5.00%	2022	-	3,460,000	-	3,460,000	-
			5.00%	2023	-	3,605,000	-	3,605,000	-
			5.00%	2024	-	3,590,000	-	3,590,000	-
			5.00%	2025	-	2,025,000	-	2,025,000	-
			5.00%	2026	-	2,125,000	-	2,125,000	-
			5.00%	2027	-	2,230,000	-	2,230,000	-
			5.00%	2028	-	2,345,000	-	2,345,000	-
			5.00%	2029	-	2,460,000	-	2,460,000	-
			5.00%	2030	-	2,585,000	-	2,585,000	-
			4.00%	2031	-	2,710,000	-	2,710,000	-
			4.00%	2032	-	2,820,000	-	2,820,000	-
			4.00%	2033	-	2,935,000	-	2,935,000	-
			4.00%	2034	-	3,050,000	-	3,050,000	-
			4.00%	2035	-	3,170,000	-	3,170,000	-
			4.00%	2036	-	3,300,000	-	3,300,000	-
			4.00%	2037	-	3,430,000	-	3,430,000	-
			4.00%	2038	-	3,570,000	-	3,570,000	-
			4.00%	2039	-	3,710,000	-	3,710,000	-
			4.00%	2040	-	3,860,000	-	3,860,000	-
			4.00%	2041	-	4,015,000	-	4,015,000	-
4.00%	2042	-	4,175,000	-	4,175,000	-			
4.00%	2043	-	4,340,000	-	4,340,000	-			
4.00%	2044	-	4,515,000	-	4,515,000	-			
					-	83,645,000	-	83,645,000	6,405,000
Total bond indebtedness					\$ 245,872,341	\$ 83,645,000	\$ 32,465,527	\$ 297,051,814	\$ 16,640,907

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION

(Unaudited)

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

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

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

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

	Fiscal Year				Fiscal Year					
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities										
Net investment in capital assets	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 535,997,739	\$ 586,162,269	663,345,767	709,101,507
Restricted for:										
Renewable Energy	-	-	-	-	-	-	-	6,593,822	9,365,765	9,564,920
Capital projects	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050	1,151,800	1,476,402	8,081,798
Debt service	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117	1,995,312	6,456	3,437,495
Other internal restrictions	-	-	-	-	-	-	-	-	138,363,342	123,889,917
Unrestricted	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548	231,126,138	338,366,487	320,888,601	128,670,749	137,136,488
Total primary government net positions	<u>\$ 688,671,070</u>	<u>\$ 745,980,209</u>	<u>\$ 810,463,338</u>	<u>\$ 821,956,778</u>	<u>\$ 836,548,581</u>	<u>\$ 854,707,717</u>	<u>\$ 877,013,393</u>	<u>\$ 916,791,804</u>	<u>941,228,481</u>	<u>991,212,125</u>
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Primary government										
Net investment in capital assets	\$ 535,992,337	\$ 569,436,756	\$ 570,473,290	\$ 593,295,534	\$ 630,452,261	\$ 558,573,471	\$ 535,997,739	\$ 586,162,269	663,345,767	709,101,507
Restricted for:										
Renewable Energy	-	-	-	-	-	-	-	6,593,822	9,365,765	9,564,920
Capital projects	9,758	20,494	9,758	9,758	9,758	63,088,028	7,050	1,151,800	1,476,402	8,081,798
Debt service	41,258	41,390	40,952	60,723	108,014	1,920,080	2,642,117	1,995,312	6,456	3,437,495
Other internal restrictions	-	-	-	-	-	-	-	-	138,363,342	123,889,917
Unrestricted	152,627,717	176,481,569	239,939,338	228,590,763	205,978,548	231,126,138	338,366,487	320,888,601	128,670,749	137,136,488
Total primary government net positions	<u>\$ 688,671,070</u>	<u>\$ 745,980,209</u>	<u>\$ 810,463,338</u>	<u>\$ 821,956,778</u>	<u>\$ 836,548,581</u>	<u>\$ 854,707,717</u>	<u>\$ 877,013,393</u>	<u>\$ 916,791,804</u>	<u>941,228,481</u>	<u>991,212,125</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business type activities										
Operating revenue										
Charges for services	\$ 244,256,719	\$ 270,705,131	\$ 276,016,274	\$ 291,114,342	\$ 300,781,049	\$ 308,619,610	\$ 311,122,241	\$ 322,721,879	\$ 334,079,581	\$ 290,193,185
Misc operating revenue	11,065,254	328,726	16,400	5,021	1,104	334	-	-	-	71,794
Operating revenues	-	-	-	-	-	-	-	-	-	56,450,477
Total operating revenue	<u>255,321,973</u>	<u>271,033,857</u>	<u>276,032,674</u>	<u>291,119,363</u>	<u>300,782,153</u>	<u>308,619,944</u>	<u>311,122,241</u>	<u>322,721,879</u>	<u>334,079,581</u>	<u>346,715,456</u>
Operating expenses										
Power supply and generation	103,856,516	107,702,994	103,619,819	148,520,775	163,175,003	157,248,396	141,085,995	141,770,054	155,562,287	163,256,607
Electric operations	11,249,470	11,439,256	12,501,170	14,276,714	15,475,385	11,059,845	15,378,277	15,148,402	15,933,526	19,397,355
Water operations	12,415,704	13,149,818	14,059,094	14,562,693	14,575,051	12,822,428	14,225,334	14,898,419	14,724,197	16,845,418
Miscellaneous operating expense-water	11,063,969	327,681	15,010	-	-	-	-	-	-	-
Sanitary sewer operations	11,390,966	11,602,787	12,743,659	13,016,609	13,615,899	13,428,070	15,071,362	16,007,573	16,214,709	19,315,810
General and administrative	23,357,418	24,634,211	26,259,839	31,067,333	33,002,023	37,216,879	35,088,657	33,384,126	30,837,790	35,684,220
Depreciation	29,622,994	30,841,253	31,529,852	36,754,827	34,671,469	36,348,935	37,091,903	39,073,770	40,633,549	42,085,858
Fleet maintenance	6,597,213	7,360,542	7,337,737	7,826,061	8,253,426	7,947,859	8,528,872	8,993,274	8,745,869	8,381,602
Total operating expenses	<u>209,554,250</u>	<u>207,058,542</u>	<u>208,066,180</u>	<u>266,025,012</u>	<u>282,768,256</u>	<u>276,072,412</u>	<u>266,470,400</u>	<u>269,275,618</u>	<u>282,651,927</u>	<u>304,966,870</u>
Operating income (loss)	<u>45,767,723</u>	<u>63,975,315</u>	<u>67,966,494</u>	<u>25,094,351</u>	<u>18,013,897</u>	<u>32,547,532</u>	<u>44,651,842</u>	<u>53,446,261</u>	<u>51,427,654</u>	<u>41,748,586</u>
Nonoperating revenue (expense)										
Intergovernmental revenue	-	-	-	-	-	-	117,531	1,463,287	4,456,255	2,897,079
Intergovernmental expense	-	-	-	-	-	-	-	(1,200,000)	(1,200,000)	(1,200,000)
Payment in lieu of taxes	-	-	-	-	-	-	(9,547,800)	(9,966,765)	(10,428,117)	(10,938,256)
Interest earned on investments	3,050,641	2,149,498	2,984,481	1,463,337	2,902,109	1,490,911	2,125,856	1,739,044	2,632,993	7,233,761
Gain (loss) on disposal of assets	(356,749)	(1,201,165)	(142,064)	1,961,214	(462,840)	(1,142,805)	(8,877,903)	(4,719,440)	(1,044,718)	(1,054,780)
Interest expense	(7,602,623)	(8,087,136)	(7,489,731)	(7,270,893)	(6,601,453)	(8,227,011)	(7,989,038)	(8,950,190)	(9,211,341)	(9,738,164)
Amortization	(1,081,256)	(1,487,207)	(1,480,623)	(1,004,424)	(714,299)	(661,958)	(677,796)	(677,796)	-	-
Finance costs	(132,616)	(21,225)	(19,425)	(100,162)	(62,588)	(678,741)	(745,198)	(71,880)	(35,580)	(403,585)
Total nonoperating revenue (expense)	<u>(6,122,603)</u>	<u>(8,647,235)</u>	<u>(6,147,362)</u>	<u>(4,950,928)</u>	<u>(4,939,071)</u>	<u>(9,219,604)</u>	<u>(25,594,348)</u>	<u>(22,383,740)</u>	<u>(14,830,508)</u>	<u>(13,203,945)</u>
Income (loss) before transfers and contributions	<u>39,645,120</u>	<u>55,328,080</u>	<u>61,819,132</u>	<u>20,143,423</u>	<u>13,074,826</u>	<u>23,327,928</u>	<u>19,057,494</u>	<u>31,062,521</u>	<u>36,597,146</u>	<u>28,544,641</u>
Capital contributions	24,243,346	12,154,156	11,152,573	3,803,969	9,440,775	7,804,945	10,396,313	7,121,955	6,432,684	21,439,003
Special Item- Hope Mills	-	-	-	-	-	-	(7,148,131)	1,593,935	-	-
Transfers in	65,577,715	33,595,642	594,334	28,461,707	44,565,331	350,594	3,156,186	2,786,080	2,508,654	5,098,064
Transfers out	(65,577,715)	(33,595,642)	(594,334)	(28,461,707)	(44,565,331)	(350,594)	(3,156,186)	(2,786,080)	(2,508,654)	(5,098,064)
Transfers in -City of Fayetteville	1,063,025	627,172	1,332,077	2,934,498	4,379,817	3,596,493	-	-	-	-
Transfers out -City of Fayetteville	(8,691,240)	(10,800,269)	(9,820,653)	(10,961,399)	(12,303,615)	(12,527,760)	-	-	-	-
Change in net position	<u>\$ 56,260,251</u>	<u>\$ 57,309,139</u>	<u>\$ 64,483,129</u>	<u>\$ 15,920,491</u>	<u>\$ 14,591,803</u>	<u>\$ 22,201,606</u>	<u>\$ 22,305,676</u>	<u>\$ 39,778,411</u>	<u>\$ 43,029,830</u>	<u>\$ 49,983,644</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
2019	904,232,137	653,345,453	351,432,824	23,049,017	60,463,224	1,992,522,655	\$ 20.00	\$ 0.1300	\$ 0.1300
2018	913,765,977	652,143,703	397,416,709	23,924,437	65,120,505	2,052,371,331	17.50	0.1010	0.1010
2017	871,261,877	639,983,403	395,652,590	29,345,656	61,090,581	1,997,334,107	15.00	0.1004	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

Notes: .

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

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

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

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Total Direct Rate						
							Water						
							Base Rate ^a	Usage Rate ^b					
								first 6 Mgals	ea Mgal > 6	first 2 Mgals	next 3-5Mgals	next 5-10Mgals	ea add'l Mgals
2019	3,544,544	1,743,063	994,892	1,224,276	773,277	8,280,052	\$ 14.50	\$ -	\$ -	\$ 2.58	\$ 3.07	\$ 4.17	\$ 4.99
2018	3,573,103	1,735,985	976,535	1,228,020	854,158	8,367,801	13.00	-	-	2.45	2.91	3.96	4.73
2017	3,596,178	1,709,864	1,006,967	1,241,483	816,849	8,371,341	11.50	-	-	2.36	2.81	3.82	4.56
2016	3,679,770	1,657,998	985,208	1,278,857	835,982	8,437,815	10.00	-	-	2.34	2.78	3.78	4.52
2015	3,693,708	1,602,583	914,301	1,211,695	897,337	8,319,624	9.00	-	-	2.26	2.69	3.65	4.37
2014	3,719,832	1,610,970	829,204	1,166,850	842,321	8,169,177	7.75	-	-	2.22	2.64	3.59	4.29
2013	3,761,361	1,867,535	608,837	1,371,392	845,782	8,454,907	7.00	-	-	2.22	2.64	3.59	4.29
2012	3,916,053	1,868,417	677,498	1,400,959	1,097,494	8,960,421	6.27	-	-	2.22	2.64	3.59	4.29
2011	4,068,240	1,908,371	643,140	1,490,678	1,177,400	9,287,829	5.74	-	-	2.17	2.59	3.54	4.24
2010	4,030,403	1,803,698	594,930	659,493	1,095,799	8,184,323	5.24	-	-	2.10	2.52	3.47	4.17

Notes: Mgal = 1,000 gallons

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

^b Rate shown is for Residential - inside city customer category. See Schedule 7 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
Wastewater MGALS Treated
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Wholesale	Other	Total	Base Rate ^a	Total Direct Rate Wastewater			
								Usage Rate			
								per Mgal ^b	Sewer Only Flat Rate		
									Inside	Outside	
2019	3,154,180	1,704,928	690,129	168,757	450,789	6,168,783	\$ 14.50	\$ 5.28	\$ 35.62	\$ 62.34	
2018	3,166,639	1,623,932	650,239	123,128	439,535	6,003,473	13.00	5.25	35.05	61.34	
2017	3,179,056	1,587,572	694,893	144,252	472,606	6,078,379	11.50	5.25	34.60	58.82	
2016	3,245,044	1,533,267	694,225	176,163	488,497	6,137,196	10.00	5.00	34.50	56.93	
2015	3,242,175	1,482,458	636,480	194,606	483,543	6,039,262	9.00	4.89	32.96	52.74	
2014	3,252,419	1,498,619	615,777	187,458	473,640	6,027,916	7.75	4.87	32.10	49.74	
2013	3,245,769	1,707,549	387,928	133,323	459,421	5,933,990	7.00	4.87	31.35	47.05	
2012	3,326,474	1,718,225	373,945	94,442	459,677	5,972,763	6.40	4.87	30.75	44.58	
2011	3,418,513	1,710,285	371,696	82,085	460,746	6,043,325	5.88	4.77	29.73	41.63	
2010	3,382,934	1,677,976	398,290	96,380	443,717	5,999,297	5.41	4.67	28.76	38.83	

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential										
Basic	\$ 9.90	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80	\$ 13.50	\$ 13.50	\$ 15.00	\$ 17.50	\$ 20.00
Energy, first 500 kWh	0.0825	0.0900	0.0946	0.0946	0.0964	0.0990	0.0990	0.1004	0.1010	0.1300
All additional kWh	0.0896	0.0977	-	-	-	-	-	-	-	-
General service										
Basic	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00	\$ 30.00
Demand, first 10 kW	-	-	0.1013	0.1013	0.1013	0.1013	0.0990	0.0990	0.1050	0.1350
all additional kW	7.4000	8.1000	-	-	-	-	-	-	-	-
Energy, first 2,000 kWh	0.0929	0.1013	-	-	-	-	-	-	-	-
all additional kW	0.0555	0.0605	-	-	-	-	-	-	-	-
Lg General service										
Basic	\$ 220.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00	\$ 265.00	\$ 275.00	\$ 290.00	\$ 290.00	\$ 290.00
Demand, all kW	11.10	12.10	12.10	12.10	13.00	14.00	15.25	17.00	17.25	19.63
Excess Off Peak	-	2.00	-	-	-	-	-	-	-	-
Energy On Peak	0.0462	0.0383	-	-	-	-	-	-	-	-
Off Peak	-	0.0300	-	-	-	-	-	-	-	-
Energy (1000kW and greater)	-	0.0300	0.0504	0.0504	0.0523	0.0542	0.0515	0.0515	0.0525	0.0520
Small industrial service										
Basic	\$ 16.50	\$ 18.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, first 10 kW	-	-	-	-	-	-	-	-	-	-
all additional kW	7.4000	8.1000	-	-	-	-	-	-	-	-
Energy, first 2,000 kWh	0.0928	0.1012	-	-	-	-	-	-	-	-
all additional kW	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	\$ 550.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00	\$ 650.00	\$ 675.00	\$ 700.00	\$ 700.00	\$ -
Demand, first 5,000 kW	13.45	14.50	-	-	-	-	-	-	-	-
next 5,000 kW	12.50	13.45	-	-	-	-	-	-	-	-
All additional kW	11.90	12.80	-	-	-	-	-	-	-	-
Energy, all kWh	0.0462	0.0383	0.0504	0.0504	0.0523	0.0542	0.0515	0.0515	0.0525	0.0290
Traffic signal service										
Basic	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00	\$ -
Energy, all kWh	0.05820	0.06350	0.06350	0.06350	0.06790	0.07250	0.07250	0.07250	0.07250	-
Church service										
Basic	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00	\$ -
Energy, first 500 kWh	0.09680	0.10560	-	-	-	-	-	-	-	-
NEXT 2,000 kWh	0.09070	-	-	-	-	-	-	-	-	-
all additional kWh	0.09070	0.09890	0.09960	0.09960	0.10130	0.10130	0.09900	0.10040	0.10500	-
Sports field lighting service										
Basic	\$ 16.50	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00	\$ 30.00	\$ 35.00	\$ 37.00
Energy, all kWh	0.06230	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.10500	0.13500
Minimum, all kW	-	-	-	-	-	-	-	-	-	-

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

	2010		2011		2012		2013		2014	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 5.24	\$ 7.07	\$ 5.74	\$ 8.04	\$ 6.27	\$ 9.09	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00
3/4"	5.24	7.07	5.74	8.04	6.27	9.09	7.00	10.50	7.75	12.00
1"	7.96	10.75	8.62	12.07	9.52	13.80	11.00	16.50	12.00	18.60
1.5"	14.19	19.16	15.19	21.27	16.94	24.56	19.00	28.50	21.00	32.55
2"	21.97	29.66	23.41	32.77	26.22	38.02	30.00	45.00	33.00	51.15
3"	40.25	54.34	42.73	59.82	48.00	69.64	55.00	82.50	60.00	93.00
4"	66.31	89.52	70.27	98.38	79.12	114.72	90.00	135.00	100.00	155.00
6"	130.89	176.70	138.49	193.89	156.14	226.40	175.00	262.50	195.00	302.25
8"	208.69	281.73	220.69	308.97	248.94	360.96	280.00	420.00	310.00	480.50
Usage rate										
1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	-	-	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	2.10	2.84	2.17	3.04	2.22	3.22	2.22	3.33	2.22	3.44
next 3,000 gallons (3-5Mgals)	2.52	3.40	2.59	3.63	2.64	3.83	2.64	3.96	2.64	4.09
next 5,000 gallons=(6-10Mgals)	3.47	4.68	3.54	4.96	3.59	5.21	3.59	5.39	3.59	5.56
each additional gallon	4.17	5.63	4.24	5.94	4.29	6.22	4.29	6.44	4.29	6.65
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.49	6.06	4.56	6.38	4.61	6.68	4.61	6.92	4.61	7.15
next 30,000 gallons=(31-60Mgals)	5.53	7.47	5.60	7.84	5.65	8.19	5.65	8.48	5.65	8.76
each additional gallon	8.66	11.69	8.73	12.22	8.78	12.73	8.78	13.17	8.78	13.61
Backflow Prevention Assembly Inspection Charge	-	-	0.90	0.90	0.90	0.90	0.90	0.90	0.9	0.9
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.40	\$ 3.24	\$ 2.56	\$ 3.58	\$ 2.67	\$ 3.87	\$ 2.67	\$ 4.01	\$ 2.67	\$ 4.14
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 1.84	\$ 1.84	\$ 1.94	\$ 1.94	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.03	\$ 2.06
Fire hydrant delivery										
<i>Basic Facilities per Meter Set</i>	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
per 1,000 gallons = 1 Mgal	2.40	2.40	2.56	2.56	2.67	2.67	2.67	2.67	2.67	2.67
Bulk water delivery										
<i>Basic Facilities per Truckload</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	225.00	225.00	275.00	275.00	275.00	275.00	275.00	275.00	275	275
Temporary Permit=1 Month	50.00	50.00	-	-	-	-	-	-	-	-
each additional month <3 months	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

	2015		2016		2017		2018		2019	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (<i>meter size</i>)										
5/8"	\$ 9.00	\$ 14.40	\$ 10.00	\$ 16.50	\$ 10.00	\$ 16.50	\$ -	\$ -	\$ -	\$ -
3/4"	9.00	14.40	10.00	16.50	10.00	16.50	13.00	22.75	14.50	25.40
1"	14.00	22.40	16.00	26.40	18.40	31.30	20.80	36.40	23.10	40.40
1.5"	24.00	38.40	27.00	44.55	31.05	52.80	35.10	61.45	38.30	67.00
2"	39.00	62.40	45.00	74.25	51.75	88.00	58.50	102.40	63.70	111.50
3"	70.00	112.00	80.00	132.00	92.00	156.40	104.00	182.00	149.10	260.90
4"	115.00	184.00	130.00	214.50	149.50	254.15	169.00	295.75	248.70	435.20
6"	225.00	360.00	255.00	420.75	293.25	498.55	331.50	580.15	444.00	777.00
8"	360.00	576.00	400.00	660.00	460.00	782.00	520.00	910.00	732.10	1281.20
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	2.26	3.62	2.34	3.86	2.36	4.01	2.45	4.29	2.58	4.52
next 3,000 gallons (3-5Mgals)	2.69	4.30	2.78	4.59	2.81	4.78	2.91	5.09	3.07	5.37
next 5,000 gallons=(6-10Mgals)	3.65	5.84	3.78	6.24	3.82	6.49	3.96	6.93	4.17	7.3
each additional gallon	4.37	6.99	4.52	7.46	4.56	7.75	4.73	8.28	4.99	8.73
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.69	7.50	4.86	8.02	4.9	8.33	5.09	8.91	5.36	9.38
next 30,000 gallons=(31-60Mgals)	5.75	9.20	5.96	9.83	6.01	10.22	6.24	10.92	6.57	11.50
each additional gallon	8.94	14.30	9.25	15.26	9.33	15.86	9.69	16.96	10.2	17.85
Backflow Prevention Assembly Inspection Char	0.9	0.9	0.9	0.9	1.6	1.6	1.6	1.6	1.97	2.0
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.71	\$ 4.34	\$ 2.81	\$ 4.64	\$ 2.83	\$ 4.81	\$ 2.94	\$ 5.15	\$ 3.10	\$ 5.43
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 2.10	\$ 2.10	\$ 2.18	\$ 2.18	\$ 2.34	\$ 2.34	\$ 2.43	\$ 2.43	\$ 2.59	\$ 2.59
Fire hydrant delivery										
Basic Facilities per Meter Set	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 51.75	\$ 51.75	\$ 58.50	\$ 58.50	\$ 63.70	\$ 63.70
per 1,000 gallons = 1 Mgal	2.71	2.71	2.81	2.81	2.83	2.83	2.94	2.94	3.10	3.10
Bulk water delivery										
Basic Facilities per Truckload	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	300	300	300	300	315	315	330	330	350	350
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

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

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

	2015		2016		2017		2018		2019	
	<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"	\$ 9.00	\$ 14.40	\$ 10.00	\$ 10.00	\$ 11.50	\$ 19.55	\$ -	\$ -	\$ -	\$ -
3/4"	9.00	14.40	10.00	10.00	11.50	19.55	13.00	22.75	14.50	25.40
1"	14.00	22.40	16.00	26.40	18.40	31.30	20.80	36.40	23.10	40.40
1.5"	24.00	38.40	27.00	44.55	31.05	52.80	35.10	61.45	38.30	67.00
2"	39.00	62.40	45.00	74.25	51.75	88.00	58.50	102.40	63.70	111.50
3"	70.00	112.00	80.00	132.00	92.00	156.40	104.00	182.00	149.10	260.90
4"	115.00	184.00	130.00	214.50	149.50	254.15	169.00	295.75	248.70	435.20
6"	225.00	360.00	255.00	420.75	293.25	498.55	331.50	580.15	444.00	777.00
8"	360.00	576.00	400.00	660.00	460.00	782.00	520.00	910.00	732.10	1,281.20
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.89	7.82	5.00	8.25	5.25	8.93	5.25	9.19	5.28	9.24
<i>Commercial wastewater service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	4.89	7.82	5.00	8.25	5.25	8.93	5.25	9.19	5.28	9.24
Sewer only										
Flat monthly	\$ 32.96	\$ 52.74	\$ 34.50	\$ 56.93	\$ 34.60	\$ 58.82	\$ 35.05	\$ 61.34	\$ 35.62	\$ 62.34
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	\$ 3.75	\$ 3.75	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.96	\$ 3.96
Bulk liquid waste service										
<i>Basic Facilities</i>	\$ 14.00	\$ 14.00	\$ 16.00	\$ 16.00	\$ 18.40	\$ 18.40	\$ 20.80	\$ 20.80	\$ 23.10	\$ 23.10
per 1,000 gallons = 1 Mgal	33.00	53.00	35.00	57.00	35.00	58.82	35.10	61.34	35.62	62.34

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

Electric Revenue

Fiscal Year 2010	Fiscal Year 2019
CAPE FEAR VALLEY MEDICAL CENTER	CAPE FEAR VALLEY HOSPITAL
CARGILL	CARGILL
CBL	CC COLISEUM
FAYETTEVILLE STATE UNIVERSITY	FAYETTEVILLE STATE UNIVERSITY
FOOD LION	GODYEAR TIRE & RUBBER
GOODYEAR TIRE & RUBBER	LAW ENFORCEMENT CENTER
HEXION	MANN+HUMMEL(PUROLATOR)
M J SOFFEE	MOMENTIVE SPLTY CHEM
PUROLATOR	NITTA GELATIN
WALMART	V A HOSPITAL

These customers represented kWh sales for 2010 and 2019 of 399,639,529 and 334,155,163, respectively; and revenue of \$19,834,280 and \$23,815,850. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 12.02% and 11.25%.

No individual customer comprised more than 4.62% and 4.65% of total electric sales revenue.

Water Revenue

Fiscal Year 2010	Fiscal Year 2019
AQUA WATER	AQUA WATER
CAPE FEAR VALLEY MEDICAL CENTER	CAPE FEAR VALLEY HOSPITAL
CARGILL	CARGILL
CAROLINA BY PRODUCTS	CAROLINA BY PRODUCTS
DAK RESINS	DAK RESINS
GOODYEAR TIRE & RUBBER	FT BRAGG
HEXION	GOODYEAR TIRE & RUBBER
HOKE COUNTY	HOKE COUNTY
PUROLATOR TOTALIZED	MOMENTIVE SPLTY CHEM
TOWN OF SPRING LAKE	TOWN OF SPRING LAKE

These customers represented sales for 2010 and 2019 of 1,164,696,237 and 2,027,304,861 gallons, respectively; and revenues of \$2,233,766 and \$5,296,944. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 7.77% and 12.78%. No individual customer comprised more than 1.79% and 4.54% of total water sales revenue.

Wastewater Revenue

Fiscal Year 2010	Fiscal Year 2019
CAPE FEAR VALLEY MEDICAL CENTER	CAPE FEAR VALLEY HOSPITAL
CARGILL	CARGILL
CAROLINA BY PRODUCTS	CAROLINA BY PRODUCTS
GOODYEAR TIRE & RUBBER	FAYETTEVILLE STATE UNIV
HEXION	GOODYEAR TIRE & RUBBER
HOKE COUNTY	MANN +HUMMEL (PUROLATOR)
NITTA GELATIN	METHODIST UNIVERSITY
NORCRESS	MOMENTIVE SPLTY CHEM
PUROLATOR TOTALIZED	NITTA GELATIN
TOWN OF STEDMAN	V A HOSPITAL

These customers represented sales for 2010 and 2019 of 533,494,971 and 660,146,627 gallons, respectively; and revenues of \$1,835,595 and \$2,670,579. The aggregate sum of the ten largest wastewater customers' revenue is 5.43% and 5.5%. No individual customer comprised more than 1.63% and 1.98% of total wastewater sales revenue.

GET INFO FROM NOTE 9

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⁾	
2019	\$ 371,730	\$ 318,971,707	\$ 22,209,261	\$ 341,552,698	\$ 1,027.75	4.35%
2018	565,206	266,932,257	23,704,287	291,201,750	893.69	3.97%
2017	758,682	286,712,408	25,036,011	312,507,101	978.32	4.10%
2016	1,162,500	305,949,298	25,241,350	332,353,148	1,026.29	4.38%
2015	2,741,682	233,551,959	33,792,073	270,085,714	818.87	3.58%
2014	3,411,254	127,467,576	25,874,625	156,753,455	473.40	2.13%
2013	4,270,372	140,451,030	22,224,936	166,946,338	522.64	2.38%
2012	5,051,325	142,065,254	15,415,501	162,532,080	434.24	2.12%
2011	5,901,470	151,607,212	16,683,349	174,192,031	510.28	2.35%
2010	6,453,885	169,120,000	17,951,198	193,525,083	612.86	2.85%

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	
2019	\$ 346,715,456	\$ 262,881,012	\$ -	\$ 83,834,444	\$ 18,275,026	\$ 9,216,917	\$ 27,491,943	\$ 3.05
2018	334,079,581	244,545,630	-	89,533,951	19,096,724	10,491,337	29,588,061	3.03
2017	322,721,879	230,201,848	-	92,520,031	18,540,882	10,228,444	28,769,326	3.22
2016	302,408,510	220,849,625	-	81,558,885	15,470,721	8,805,529	24,276,250	3.36
2015	300,484,378	231,775,618	-	68,708,760	13,892,288	8,875,916	22,768,204	3.02
2014	292,346,282	239,483,361	-	52,862,921	13,332,792	6,017,667	19,350,459	2.73
2013	283,193,071	221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80

(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
2019	332,330	\$ 7,851,960,910	\$ 23,627	5.80%
2018	325,841	7,325,892,978	22,483	4.70%
2017	319,431	7,616,193,333	23,843	5.30%
2016	323,838	7,582,019,094	23,413	5.10%
2015	329,827	7,540,834,701	22,863	7.50%
2014	331,126	7,354,639,586	22,211	7.60%
2013	319,431	7,013,107,605	21,955	9.5%
2012	374,295	7,667,807,370	20,486	9.8%
2011	341,363	7,417,135,264	21,728	10.1%
2010	315,772	6,793,834,580	21,515	8.9%

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>2019</u>			<u>2010</u>		
	<u>Percentage</u>			<u>Percentage</u>		
	<u>of Total County</u>			<u>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	5,886	4.50%	2
Cape Fear Valley Health System	6,317	4.54%	2	4,990	3.81%	3
Cumberland County Board of Education	6,022	4.33%	3	6,782	5.18%	1
Wal-Mart Associates Inc.	2,850	2.05%	4	3,448	2.63%	4
Cumberland County	2,337	1.68%	5	2,492	1.90%	6
Goodyear Tire & Rubber Inc. (Kelly Springfield)	2,114	1.52%	6	2,650	2.03%	5
Fayetteville Tech	1,431	1.03%	7		0.00%	
City of Fayetteville	1,785	1.28%	8	1,980	1.51%	7
Veterans Admin	1,000	0.72%	9	-		
Food Lion	900	0.65%	10	-		
State of NC	-	-	-	1,530	1.17%	8
U.S. Postal	-	-	-	1,300	0.99%	9
Methodist University	-	-	-	1,300	0.99%	10
 Total Employment (Ten Largest Civilian Employers)	 33,513	 24.08%		 32,358	 24.73%	

(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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Electric:										
Electric Substation	14	13	14	14	13	12	13	15	11	11
Electric Power Supply	3	3	3	3	3	3	2	2	1	1
Electric Generation	29	25	25	25	23	23	26	26	28	29
Electric Engineering	21	22	22	21	22	19	21	20	25	26
Electric Construction	79	74	73	76	68	72	68	67	66	73
Water/Wastewater:										
Water Plant Operations	16	15	15	15	15	14	14	14	14	14
Wastewater Plant Operations	18	16	16	17	17	17	17	17	17	18
Water/Wastewater Systems Maintenance	25	21	22	21	21	22	23	22	22	22
Water Resources Engineering	32	34	34	33	31	31	33	28	32	29
Water Resources Construction	99	97	93	100	97	97	96	96	89	89
Residual Management	2	2	2	2	2	2	2	2	2	2
Environmental Services	1	1	1	1	1	1	1	1	1	1
Laboratory	6	6	6	6	5	6	6	6	5	6
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	1	1	1	1	1	1	3	1	3	3
Administration:										
Billing/Customer Service	63	56	57	55	56	56	54	50	57	56
Meter Reading	4	5	5	5	5	4	4	4	10	11
Utility Field Services	17	19	18	21	21	23	28	29	29	31
Human Resources	9	8	7	7	6	5	6	6	7	7
Finance and Accounting	28	30	30	33	30	31	32	42	35	36
Management Information Systems	16	13	13	11	11	13	13	19	19	19
Executive Administration	143	141	148	147	150	146	130	111	104	104
Total Employees:	630	606	609	618	602	602	596	582	581	592

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water System:										
Water main breaks	180	182	165	104	137	113	110	115	174	98
Average daily consumption (Mgals) (1)	22,423	25,446	26,724	24,648	24,815	25,011	24,908	24,592	25,738	23,747
Peaks (MGD) (2) (3)	37.2	39.4	37.9	35.6	33.7	34.2	35.1	34.8	33.0	34.7
Total sold (Mgals) (1)	7,749,106	8,888,870	8,960,423	9,009,524	7,836,927	8,023,949	8,161,023	8,095,333	8,053,788	8,000,383
Sewer System:										
Main breaks	342	293	342	344	294	148	141	97	168	144
Average daily consumption (Mgals) (1)	16,436	16,557	24,720	24,400	27,000	25,800	27,800	27,400	23,700	31,800
Peaks (MGD) (3)	27.8	26.3	35.9	27.7	45.0	28.9	32.6	41.4	24.8	46.4
Total sold (Mgals) (1)	5,999,105	6,043,126	5,972,764	5,933,990	6,027,916	6,039,262	6,137,196	6,078,380	6,003,473	6,168,784
Electric System:										
Electric outages (minutes)	2,296,534	2,340,931	2,807,700	3,821,940	4,677,182	8,143,105	8,624,299	-	-	-
Peaks (MW) (4)	462.4	459.1	459.1	446.0	454.0	490.3	424.0	453.0	461.4	404.0
Total kWh sold (5)	2,139,521,914	2,194,905,986	2,053,384,900	2,037,402,888	2,079,806,749	2,055,323,594	2,025,935,664	1,991,911,083	2,047,248,575	1,987,145,590
Average daily consumption (kWh)	5,878,920	6,030,630	5,917,385	5,581,926	5,698,101	5,631,024	5,550,509	5,457,291	5,608,900	5,444,235

(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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water System:										
Miles of water main	1,316.4	1,329.2	1,351.5	1,364.3	1,374.4	1,384.6	1,375.0	1,385.0	1,383.2	1,395.0
Number of new service connections	616	962	2,649	1,375	1,258	1,778	1,128	222	425	180
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	317	1,140	1,612	1,375	1,358	2,635	1,072	262	899	737
Miles of sanitary sewer mains	1,231.9	1,246.0	1,272.0	1,219.0	1,281.0	1,293.0	1,318.0	1,333.0	1,345.0	1,333.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	650	533	1,359	64	432	1,456	965	388	352	546
Distribution line circuit miles	1305.49 (2)	1,313.79	1,316.73	1,316.48	1,323.60	1,323.97	1,337.16	1,339.41	1,349.19	1,346.62

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

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

COMPLIANCE SECTION

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

Independent Auditor's Report

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, 2019, 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 3, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of 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 VS LLP

Morehead City, North Carolina

October 3, 2019

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, 2019

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> </u> | Yes | <u> X </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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Section II Financial Statement Finding

None reported



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

FAYETTEVILLE PUBLIC WORKS COMMISSION
955 OLD WILMINGTON RD
P.O. BOX 1089
FAYETTEVILLE, NORTH CAROLINA 28302-1089
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**Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

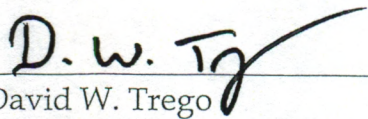
Finding: 2017-002, repeated as 2018-001

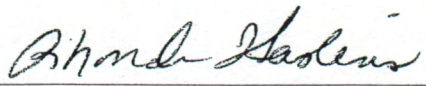
Status: Corrected. The full reconciliation between WAM and EBS went into Production in November 2018. The solution is functioning as designed.

Finding: 2018-002

Status: Corrected. PWC's IT and Accounting staff continues to work on the automated bank reconciliation solution within the Oracle System. The Accounting staff uses the solution daily and weekly to reconcile general ledger items to the bank statement but is still in the process of finalizing the solution for the full bank reconciliation process. Until then, PWC's staff has been able to manually reconcile the general ledger to the bank statement in a timely manner. The implementation of reviewing bank statement transactions daily and posting the related manual transactions daily, as well as, reconciling the payroll accrual entries at the fund level has been effective in producing timely bank reconciliations.

Respectfully submitted,


David W. Trego
Chief Executive Officer


Rhonda Haskins, CPA, CGMA
Chief Finance Officer

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HOMETOWN UTILITY
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