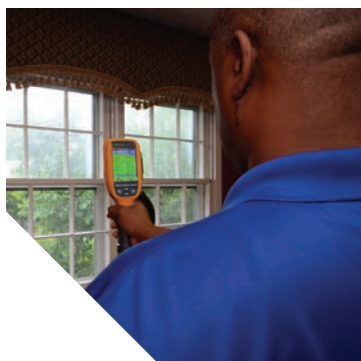


Service Strong



Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2020
(Component Unit of the City of Fayetteville, NC)



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, 2020

Commissioners

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

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
955 Old Wilmington Road
Fayetteville, North Carolina 28301

Chief Financial Officer

Rhonda Haskins, CPA, CGMA

Directors

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

Finance Division Staff

Marsha Krings, CPA, *Accounting Manager/Payroll Supervisor*
Lisa Buffaloe, *Financial Planning & Analysis Manager*
Rhonda Graham, *Budget Manager*
Carla Supples, *Financial Rates Manager*
Jill Parker, *Chief Accountant*
Sabrina King, *Chief Accountant*

Karen Aippersbach, CPA, CGMA, *Finance Accounting Analyst*
Lisa Barbee, *Rates Analyst*
Martin Cunningham, *Revenue Analyst*
Lakisha Figaro, *Payroll Administrator*
Anna Gray, *Budget Analyst*
Jenna Riglick, *Finance & Accounting Analyst*
Karen Shotwell, *Financial Analyst*
Aaran Quincey, *Financial Analyst*
Tina Vince, *Accountant*

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Marcus McLaurin ♦ Pam Owens ♦ Joyce Thrash
Christina Waters ♦ Deborah Williams ♦ Janet Wing
Constance Woods ♦ Brittany Wright

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

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COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

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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 20, 2020

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, 2020.

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, 2020. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Public Works Commission

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

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

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

PWC offers three utility services – electric, water and wastewater – to the citizens of Cumberland County and is a component unit of the City of Fayetteville, North Carolina. PWC is the largest municipal electric utility in North Carolina and the 37th 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. In November 2019, PWC and DEP amended the contract, with modification expected to save PWC \$313 million (net present value savings) compared to the current agreement, including \$33 million savings prior to 2024 when the terms of the current agreement end. The terms of the amended agreement run through 2042 and PWC has the option to end the contract in 2032 with a three-year notice. In a separate agreement, DEP agreed to extend its contract to lease PWC's Butler Warner Generation Plant. New terms extend the contract through June 2024 for additional \$5 million in PWC revenue. PWC may be able to achieve additional savings beyond 2024 if operational requirements are met. PWC provides electric service to approximately 60 percent of the Fayetteville/Cumberland County area. During fiscal year 2020, electric service was provided to more than 83,900 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 97,500 customers. PWC also, under wholesale contracts, furnishes water to Fort Bragg Army Installation and Pope Army Air Field (Fort Bragg), 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 89,600 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. 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 million 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 ranged from a low of 4.7% to a high 10.10%, the current 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 Carolinas, 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 2021 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 FY2020, PWC accomplished or continued to work on several financial, operational and economic development initiatives including:

- PWC modified its wholesale power supply agreement with Duke Energy Progress (DEP), resulting in over \$300 million of savings for PWC customers and provided both savings and long-term power supply stability for the next 22 years. As a result of the modification, electric rates were reduced 4.7% in May 2020. Through the first year of PWC's mandatory Time-of-Use rates, the average residential electric customer bill was reduced 1.7%.
- PWC began operation of its Community Solar Farm and battery storage unit that is used to lower PWC peak system demand. The one MW, 3,000+ solar panel farm and 500 kW battery storage is the first of its kind for a municipal electric system in North Carolina.
- PWC continued providing value-added services to customers made possible because of AMI meter installation. In FY20, PWC made hourly and unbilled electric and water usage information available through the Customer Web Portal, helping customer manage and save with mandatory Time-of-Use Electric rates. The first phase of PWC's Outage Management System was completed in FY20 and the second phase, providing customers on-line outage information and an outage notification system, is scheduled for completion in early FY21. Other technology services provided to customers in FY20 included PWC's first mobile app.
- PWC continued its efforts to increase and improve local vendor capacity and engage local vendors through a series of efforts including coordinating the fourth "Building Business Rally" to increase awareness of PWC and all municipal bidding opportunities with local business. PWC partnered with 17 organizations and agencies on the event that had 300+ attendees. The goal of the event and four-pre-workshops is increasing local spending and encouraging local economic development.
- During the 6th year of a system-wide conversion of streetlights to Lighting-Emitting Diode (LED) streetlights, PWC has installed over 30,000 neighborhood and thoroughfare streetlights and has completed 98% of its conversion. 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 5.82 million kWh.
- PWC customer conservation incentive programs continued to encourage efficiency and increase customer awareness of their utility usage. PWC now offers 13 incentive programs that help customers better understand and manage their utility use, including a Smart Wi-Fi thermostat program and Peak Savings Pilot

Program that helps customers save with Time-of-Use electric rates and PWC reduce peak energy demand. Annual projected energy savings for customers who participated in FY20 was 388,000 kWh and water savings of 709,000 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 on sanitary sewer service installation as part of the City of Fayetteville's Annexation Phase V utility retrofitting project. Over 5,400 services have been installed since 2007.
- On-going rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure continued in FY20. The electric system is rebuilding substations and has replaced 10 of its 32 substations and currently has five more in the process of being replaced. Plans for adding a fourth Point of Delivery from Duke Energy Progress is in process. PWC invested \$3 million in FY20 in its on-going replacement of aging underground cable and \$1.5 million in replacing aging wooden poles throughout the electric 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 hired its first graduates of the newly established Line Worker Course created by a partnership between PWC and Fayetteville Technical Community College. The course increases 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, 2019. This was the thirteen 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 2020 annual budget. PWC has received this award for the past 25 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 FY20, PWC was also recognized with several other awards and special honors to include but not limited to the following:

- PWC earned the inaugural Smart Energy Provider (SEP) designation from the American Public Power Association for demonstrating commitment to and proficiency in energy efficiency, distributed generation, and environmental initiatives that support a goal of providing low-cost, quality, safe, and reliable electric service.
- The Rockfish Creek Water Reclamation facility received the Professional Wastewater Treatment Plant Operators Committee (Eastern Region) Wastewater Treatment Plant Operations and Maintenance Excellence Award in 2019.
- The Research Triangle Cleantech Cluster awarded PWC's Community Solar and Battery Storage project its Cleantech Innovation Award. The award recognizes efforts that promote and accelerate the green technology economy.
- PWC was recognized by Business North Carolina magazine as one of the 20 Best Employers in NC for organizations with 250+ employees.
- PWC is a five-time winner of the American Public Power Association's highest honor for reliability, having earned its 5th Reliable Public Power Provider (RP³) Diamond Level designation for 2019-2022. 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 18 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.
- ElectriCities of NC honored PWC with four Public Power Awards of Excellence. PWC 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 the Excellence in Community Spirit Award for outstanding support and recognition in earning the Spirit of NC award for the 14th time. Locally, the United Way of Cumberland County recognized PWC for having the highest number of Leadership givers as well as the Campaign Excellence and Chairman's Awards.

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

**Fayetteville Public Works Commission
North Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

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*



SUSAN FRITZEN
*Chief Corporate Services
Officer*



RHONDA HASKINS
Chief Financial Officer



MARK LAWLER
Chief Information Officer



MICK NOLAND
*Chief Operations Officer
Water Resources*



JON RYNNE
*Chief Operations Officer
Electric Systems*



JAMES WEST
*Chief Legal Officer &
General Counsel*



MARK BROWN
*Sr. Customer Programs
Officer*



CAROLYN JUSTICE-HINSON
*Communications/
Community Relations Officer*



BOBBY RUSSELL
Human Resources Officer



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

FINANCIAL SECTION



Independent Auditor's Report

RSM US LLP

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 and the aggregate remaining fund information of the Fayetteville Public Works Commission (the "Commission"), a component unit of the City of Fayetteville, North Carolina, as of and for the year ended June 30, 2020 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 and the aggregate remaining fund information of Fayetteville Public Works Commission as of June 30, 2020, 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, 2019 (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, 2019 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 2019 financial statements. The major enterprise comparative fund statements have been subjected to the auditing procedures applied in the audit of the 2019 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 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, 2020.

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 20, 2020, 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 20, 2020

**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, 2020 (FY20). 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 \$1,036.1 million, an increase of \$44.9 million, or 4.5%, up from \$991.2 million in FY19.
- Total unrestricted and undesignated operating reserves were 130.5 days at June 30, 2020, down from 142.6 in the prior year.
- Income before Capital Contributions and Transfers was \$23.9 million compared to \$28.6 million in FY19, down \$4.7 million or 16.5%.
- In March of 2020, electric rate adjustments were approved effective May 1, 2020. Two new rate structures were approved for Medium Power Service. Effective May 1, 2020, all new Medium Power was switched to a Time of Use Rate Structure along with the addition of an opt-in Medium Power Coincident Peak effective January 1, 2021.
- In March of 2019, water/wastewater rate adjustments were approved effective May 1, 2020, but due to the COVID-19 pandemic, the effective date was delayed by the Commission until July 1, 2020.
- The Electric Rate Stabilization Fund net position was \$46.0 million at June 30, 2020, down from \$51.2 million in the prior year.
- The Water and Wastewater Rate Stabilization Fund net position was \$1.1 million at June 30, 2020, up from \$0.8 million in the prior year.
- Power Supply and Generation Expenses decreased by \$13.4 million to \$149.9 million in FY20, down from \$163.3 million in FY19.
- PWC maintained a \$0.2 million accumulated balance in a Coal Ash Reserve Fund at June 30, 2020, down from \$2.6 million in the prior year.
- Coal Ash Charges decreased by \$1.6 million to \$17.3 million in FY20, down from \$18.9 million in FY19.
- During FY20, 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 3.64, exceeding the minimum requirement of 1.10.
- In May 2020, the Fayetteville City Council approved assessments for sanitary sewer improvements made in the Aaran Lakes West area referenced as Area 21 in the Annexation Phase V utility installation plan totaling \$1.3 million.
- Developer contributions were \$1.8 million at June 30, 2020, down from \$12.8 million in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL STATEMENTS

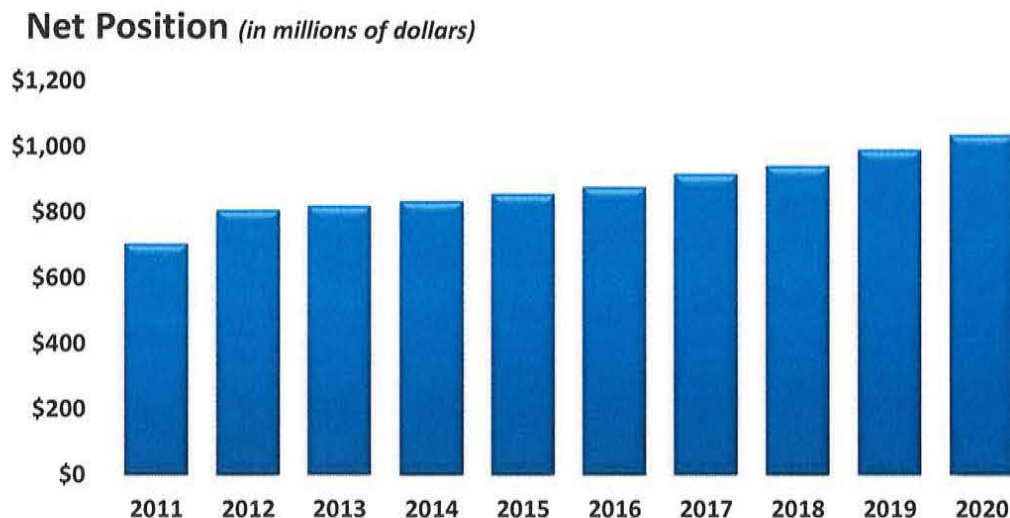
The financial statements of PWC report information about PWC using accounting methods like those used by private sector companies. These statements offer short and long-term financial information about PWC's activities. The Statement of Net Position includes all PWC's assets, deferred outflows, liabilities 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 discreetly presented component unit of the City of Fayetteville, North Carolina. PWC's financial statements consist of two 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 FY20. A summary of PWC's Statement of Net Position is presented in Figure A-2. Net position increased \$44.9 million to \$1,036.1 million in FY20, up from \$991.2 million in FY19. By far, the largest portion of PWC's net position, \$762.8 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 FY20. PWC's total assets increased by 1.9%, primarily due to the increase in capital assets of \$73.9 million or 7.5% over prior year and the decrease in current and other assets of \$46.6 million or 11.1% over prior year. The increase in capital assets is attributed to a net increase in Capital Project Funds CWIP, comprised of spending bond proceeds, loan proceeds and other restricted funds of \$67.4 million, offset by completion of \$37.6 million of these projects. The decrease in cash and other assets is due to the spending of prior year's unspent bond proceeds on capital assets this year and also the decrease in cash received from utility customers as a direct result of the COVID-19 impact on their ability to make their utility payments during the fourth quarter. Operating cash reserves decreased from 142.6 days to 130.5 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 2019	FY 2020	Total Dollar Change	Total Percentage Change
Current and Other Assets	\$ 420.3	\$ 373.7	\$ (46.6)	-11.1%
Capital Assets	991.3	1,065.2	73.9	7.5%
Total Assets	\$ 1,411.6	\$ 1,438.9	\$ 27.3	1.9%
Deferred Charge on Refunding	1.6	1.3	(0.3)	-18.8%
Regulatory Asset	3.0	-	(3.0)	-100.0%
OPEB Deferrals	4.4	10.2	5.8	131.8%
Resources Related to Pensions	17.0	16.5	(0.5)	-2.9%
Deferred Outflows of Resources	\$ 26.0	\$ 28.0	\$ 2.0	7.7%
Long-term Liabilities Outstanding	367.3	361.0	(6.3)	-1.7%
Other Liabilities	77.1	68.5	(8.6)	-11.2%
Total Liabilities	\$ 444.4	\$ 429.5	\$ (14.9)	-3.4%
OPEB Deferrals	1.6	1.2	(0.4)	-25.0%
Resources Related to Pensions	0.4	-	(0.4)	-100.0%
Deferred Inflows of Resources	\$ 2.0	\$ 1.2	\$ (0.8)	-40.0%
Net Investment in Capital Assets	709.1	762.8	53.7	7.6%
Restricted	145.0	140.9	(4.1)	-2.8%
Unrestricted	137.1	132.4	(4.7)	-3.4%
Total Net Position	\$ 991.2	\$ 1,036.1	\$ 44.9	4.5%

Deferred Outflows of Resources increased by \$2.0 million or 7.7%. This is primarily due to a decrease in Coal Ash Liability of \$3.0 million (see Note 5), offset by OPEB Deferrals of \$5.8 million.

Restricted Net Position of \$140.9 million includes externally restricted net position of \$21.9 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 \$119.0 million of Restricted Net Position is internally restricted by the Commission through enabling legislation and is set aside for various earmarked operations of PWC (see Note 7). The \$132.4 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 decreased by \$6.7 million, or 1.9%, while total expenses decreased by \$2.0 million, or 0.6%. The decrease in expenses is primarily due to \$13.4 million decrease in power supply and generation expense and expenses related to Fleet Maintenance. This resulted in a \$23.9 million Income before Capital Contributions and Transfers, down \$4.7 million compared to last year. Looking more closely at revenues, the \$6.7 million decrease arises from a decrease in charges for utility services of \$6.2 million, an increase in operating revenue of \$7.1 million and a decrease in non-operating revenue of \$2.4 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 \$46.0 million, of which approximately \$32.6 million will be used over the next several years to supplement the Electric Fund as rates are adjusted to meet its ongoing obligations. The remaining \$13.4 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 \$2.9 million was transferred in FY20. The transfer of \$2.6 million over the minimum was for an \$0.8 million energy true-up and a \$1.8 million demand and energy adjustment from DEP.

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 FY20, PWC collected \$2.7 million in revenue in addition to receiving a \$2.7 million true-up credit for Coal Combustion Residual (CCR) cost and Beneficial Reuse (BR). Coal Ash expenses excluding the true-up credit totaled \$17.3 million. Coupled with the Coal Ash Reserve, the ERSF transferred \$7.9 million to fund coal ash expenses. The FY20 Coal Ash Reserve balance is \$0.2 million down from \$2.6 million in FY19 (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 FY20 leaving an accumulated balance of \$1.1 million at June 30, 2020.

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

	FY 2019	FY 2020	Total Dollar Change	Total Percentage Change
Operating Revenues				
Charges for Utility Services	\$ 303.5	\$ 297.3	\$ (6.2)	-2.0%
Other Operating Revenue	34.7	41.8	7.1	20.5%
Charges for Fleet Services	8.5	3.3	(5.2)	-61.2%
Non-operating Revenues				
Intergovernmental	2.9	1.7	(1.2)	-41.4%
Interest on Investments	7.2	6.0	(1.2)	-16.7%
Total Revenue	<u>\$ 356.8</u>	<u>\$ 350.1</u>	<u>\$ (6.7)</u>	<u>-1.9%</u>
 Power Supply and Generation Expense	 163.3	 149.9	 (13.4)	 -8.2%
Electric Operating Expense	19.4	20.0	0.6	3.1%
Water/Wastewater Operating Expense	36.2	38.3	2.1	5.8%
General & Administrative	35.7	45.3	9.6	26.9%
Fleet Maintenance Expense	8.4	4.0	(4.4)	-52.4%
Depreciation Expense	42.0	43.6	1.6	3.8%
Non-Operating Expense				
Loss on Sale of Assets	1.0	1.5	0.5	50.0%
Payment in lieu of taxes	10.9	11.1	0.2	1.8%
Intergovernmental Expense	1.2	2.2	1.0	83.3%
Interest Expense	9.7	10.3	0.6	6.2%
Amortization Expense	0.4	0.0	(0.4)	100.0%
Total Expenses	<u>\$ 328.2</u>	<u>\$ 326.2</u>	<u>\$ (2.0)</u>	<u>-0.6%</u>
 Income before Capital Contributions and Transfers	 <u>28.6</u>	 <u>23.9</u>	 <u>(4.7)</u>	 <u>-16.5%</u>
 Capital Contributions	 21.4	 21.0	 (0.4)	 -1.9%
Change in Net Position	<u>50.0</u>	<u>44.9</u>	<u>(5.1)</u>	<u>-10.2%</u>
 Beginning Net Position	 941.2	 991.2	 50.0	 5.3%
Ending Net Position	<u>\$ 991.2</u>	<u>\$ 1,036.1</u>	<u>\$ 44.9</u>	<u>4.5%</u>

Electric operating revenues decreased \$10.6 million, or 4.4% to \$229.1 million. In May 1, 2020, an electric rate adjustment (decrease) of 4.7% or \$8.9 million went into effect. Of the total \$10.6 revenue decrease, a portion was attributed directly to the rate adjustment and the remaining decrease was predominantly due to the weather with a net decrease of 2.9% residential kwh. While weather is a part of the decrease for non-residential customers, the COVID-19 pandemic was a larger part of the 0.2% decrease in non-residential and 5.5% decrease in large user in kWh sales. The residential class represents 50% of electric sales revenue with a decreased of \$5.3 million, or approximately 4.9% revenue. FY20 was a milder year in weather over FY19, 8.2% warmer temperatures in the winter and 11% cooler temperature in summer produced a net effect of 10.2% decrease in degree days which impact electric sales. Overall, sales decreased 49,090 MWh from 1,994,199 to 1,945,109 MWh. Figure A-4 below illustrates the percentage changes by major customer classes.

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

		Average		Sales
	Customers	kWh/cust	kWh Sales	Revenue
Residential	0.7%	-3.7%	-2.9%	-4.9%
Non-Residential	0.3%	-0.5%	-0.2%	-2.9%
Large Users	0.0%	3.1%	-5.5%	-10.8%

Water and wastewater operating revenues collectively increased \$9.0 million, or 9.2% to \$107.4 million, and is attributable to increases in water and wastewater sales revenues of \$5.0 million and \$3.3 million from a new Utility Line Relocation Rider. 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 \$3.5 million, or 7.8% to \$47.8 million. The residential class represents over 68% of water sales revenue in total. The revenue increase is due to the rate adjustments effective April 1, 2019 of 8.5% per year. 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 remaining at 175%. Gallon sales per customer for the residential class increased 2.6% and the non-residential gallon sales saw a decline per customer of 4.1%, with large users also realizing a decline in gallon sales of 6.7%. Above average rainfall and COVID-19 pandemic were large drivers in these shifts. Although the number of irrigation customers declined by 1.9%, revenues increased by 13.1% due to rate adjustments and the average gallons per customer increased by 16.8%. Year to date rainfall in FY20 was 57.3", increasing by 3" over prior year. 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	0.9%	2.6%	3.6%	9.7%
Non-Residential	0.8%	-4.1%	-3.4%	3.8%
Large User	0.0%	-6.7%	-6.7%	-1.9%
Wholesale	0.0%	-3.0%	-3.0%	3.6%
Irrigation	-1.9%	16.8%	14.5%	13.1%

Wastewater System: Wastewater sales revenue increased \$1.5 million, or 3.0% to \$50.3 million. By far, the revenue increase is due to the rate adjustments effective in May 1, 2019 of 3.9%. The residential class represents 66% of wastewater sales revenue in total. Wastewater sales trend closely to water with an increase in gallon sales per customer of 1.7% for residential. There was a decrease due to COVID-19 pandemic in non-residential gallon sales per customer of 7.7% and large user gallon sales per customer of 3.9%. Wholesale customers had a decrease over previous year due to large amounts of runoff flows during Hurricane Florence. Figure A-5-B illustrates the percentage changes by major customer classes.

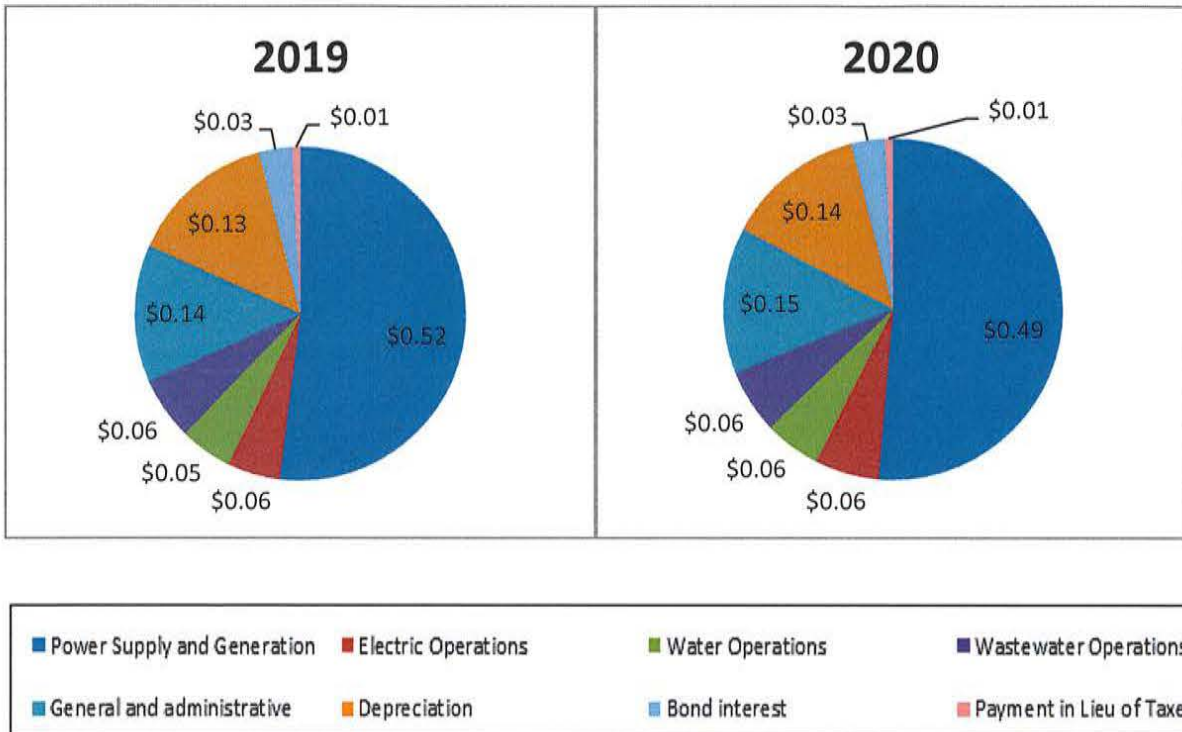
FIGURE A-5-B
Percent Change by Major Customer Class
Wastewater

	Customers	Average gal/cust	Gallon Sales	Sales Revenue
Residential	1.2%	1.7%	2.9%	6.5%
Non-Residential	0.8%	-7.7%	-7.0%	-0.9%
Large User	0.0%	-3.9%	-3.9%	-3.4%
Wholesale	0.0%	-18.1%	-18.1%	-11.9%

Electric Operating Expenses excluding Power Supply and Generation Expenses increased by \$0.6 million or 3.1% and Water and Wastewater Operating Expenses increased by \$2.1 million or 5.9%. 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 2019 and 2020 to better illustrate the changes.

FIGURE A-6
Dollar Breakdown of Expenses



Power Supply and Generation Expenses decreased by \$13.4 million to \$149.9 million in FY20 down from \$163.3 million in FY19. The decrease consists of a \$9.1 million decrease in purchased power cost and a \$1.7 million decrease in coal ash costs along with a \$3.4 million decrease in contractual true up costs with a slight increase in generation expense of \$0.8 million. Of the \$9.1 million decrease in purchase power, \$1.3 million is DEP price driven, and with the milder weather and the COVID-19 pandemic this fiscal year, the sales were lower than prior year. The total year decrease related to usage was \$7.8 million. DEP coal ash charges were lower this year by \$1.7 million, and PWC recognized \$17.3 million in the 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 2.02 billion kWh, a 5.5% decrease from the prior year. PWC's system peak demand for FY20 of 418 MW occurred in July, significantly lower than the all-time system peak of 499 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 2019	FY 2020	Total Dollar Change	Total Percent Change
Purchased Power - DEP	\$ 136.3	\$ 127.5	\$ (8.8)	-6.5%
Purchased Power - True Up	3.2	1.2	(2.0)	-62.5%
Purchase Power - Adjust.	(3.6)	(5.6)	(2.0)	-55.6%
Purchased Power - SEPA	0.4	0.5	0.1	25.0%
Transmission	6.7	6.3	(0.4)	-6.0%
Coal Ash	19.0	17.3	(1.7)	-8.9%
Coal Ash - True Up	(3.3)	(2.7)	0.6	18.2%
Other Generation Expenses	4.6	5.4	0.8	17.4%
Total	\$ 163.3	\$ 149.9	\$ (13.4)	-8.2%

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 2019	FY 2020	Total Dollar Change	Total Percent Change
Developers	\$ 12.8	\$ 1.8	\$ (11.0)	-85.9%
NCDOT	6.1	9.1	3.0	49.2%
Federal & State- FEMA	1.2	8.7	7.5	625.0%
Facility Investment Fee (SDF)	1.1	1.2	0.1	9.1%
FIF Credits Awarded/Applied/Expired	0.2	0.1	(0.1)	-50.0%
Total	\$ 21.4	\$ 20.9	\$ (0.5)	-2.3%

At June 30, 2020, capital contributions were \$20.9 million, down \$0.50 million from FY19. There was a decrease in contributions from developers of \$11.0 million. However, an increase in contributions from NCDOT of \$3.0 million and an increase in FEMA of \$7.5 million resulted in a net decrease in total contributions of \$0.5 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 FY20 by \$2.4 million primarily due to a \$1.2 million decrease in intergovernmental revenue to PWC for assessment activity. There was an assessment roll for one area (Area 21) in FY20 as compared to two areas (Area 18 & 19) in FY19 (See Figure A-9).

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

	FY 2019	FY 2020	Total Dollar Change	Total Percent Change
Payment in lieu of taxes (PILOT)	\$ 10.9	\$ 11.1	\$ 0.2	1.8%
Intergovernmental Expense				
Economic Development - City	1.2	1.2	-	0.0%
State of Emergency Assistance - City	-	1.0	1.0	100.0%
Total Transfers to the City	<u>\$ 12.1</u>	<u>\$ 13.3</u>	<u>1.2</u>	<u>9.9%</u>
Intergovernmental Revenues				
Additional -				
Assessments	2.5	1.3	(1.2)	-48.0%
Assessment Interest	0.4	0.4	-	0.0%
Total Intergovernmental Revenue	<u>\$ 2.9</u>	<u>\$ 1.7</u>	<u>\$ (1.2)</u>	<u>-41.4%</u>
Net PILOT and Intergovernmental Activity	<u>\$ 9.2</u>	<u>\$ 11.6</u>	<u>\$ 2.4</u>	<u>26.1%</u>

Additional intergovernmental activities are only allowable under certain specific limited instances defined by the Charter. 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.
- State of Emergency Assistance to the City – Pursuant to the State of Emergency issued by the Mayor due to COVID-19, the PWC transferred \$1 million under Section 6A.16 of the PWC Charter.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major improvements to the system during FY20:

Major capital asset expenditures include:	
\$ 43.3 million	Water and Wastewater System Improvements
\$ 11.5 million	Installation of Water and Wastewater Mains and Laterals in Annexed Areas
\$ 9.5 million	NCDOT Raeford Road Widening
\$ 6.6 million	Cross Creek Influent Pump Station Rehab
\$ 4.7 million	NCDOT Water and Sanitary Sewer Systems
\$ 4.6 million	LED Conversions and New Installations
\$ 3.7 million	Electric Underground Infrastructure Replacement
\$ 2.7 million	Substation Rebuild
\$ 2.3 million	Electric Underground Distribution Infrastructure Installations – New
\$ 1.7 million	System Reactive Power Compensation
\$ 1.6 million	Purchase of Padmount and Overhead Transformers
\$ 1.5 million	Sub-Transmission Pole Replacement
\$ 1.5 million	Electric Overhead Infrastructure Improvements
\$ 1.2 million	Substation Upgrade

Capital spending for the Electric System was \$37.9 million, up \$7.4 million from FY19. The increase is attributable to increased activity in the NCDOT U-4405 Widening Project, underground infrastructure replacement and the system reactive power compensation project.

Capital spending for the Water and Wastewater System was \$77.6 million, an increase of \$10.1 million from FY19. The increase is primarily attributable to various water and wastewater system improvement and rehabilitation projects.

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At June 30, 2020, 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	FY	Total	Total
	2019	2020	Dollar	Percent
			Change	Change
Land	\$ 18.7	\$ 19.3	\$ 0.6	3.2%
Buildings	57.5	59.3	1.8	3.1%
Machinery, Equipment and Vehicles	52.6	54.8	2.2	4.2%
Electric System	475.3	478.6	3.3	0.7%
Water System	408.0	425.4	17.4	4.3%
Wastewater System	572.6	598.7	26.1	4.6%
Office Equipment and Intangibles	53.7	55.0	1.3	2.4%
Construction in Progress	115.0	154.7	39.7	34.5%
Subtotal	1,753.4	1,845.8	92.4	5.3%
Accumulated Depreciation	(762.1)	(780.6)	(18.5)	-2.4%
Net Property, Plant and Equipment	\$ 991.3	\$ 1,065.2	\$ 73.9	7.5%

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

The \$39.7 million increase or 34.5% million increase in Construction in Progress is primarily attributed to the increased activity on existing projects to include, Series 2018 Water/Wastewater projects, replacement of a 20" Force Main for North Fayetteville, electric underground infrastructure installation and replacements (residential and non-residential), LED conversions and installations and the system reactive power compensation project 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 \$301.2 million in long-term debt (before loss on defeasance and reacquired debt, premiums, and discounts, see Note 10D in the financial statements). This is a decrease of \$18.1 million or 5.7% from \$319.3 million in FY19 which is attributed to principal payments.

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 3.70% and 2.87%, respectively, as of June 30, 2020. 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 Bonds, Series 2014	\$ 102.9	3.90%	3.27%
Revenue Refunding Bonds, Series 2016	100.1	3.69	2.47
Revenue Refunding Bonds, Series 2018	77.3	4.33	3.51
GO Refunding Bonds, Series 2009	0.2	4.00	2.16
2013 NCSRL - Hoffer Construction Phase 1	12.7	-	-
2012 NCSRL - Clearwell/Ferric Conversion	3.4	-	-
2013 NCSRL - Outfall Rehab (Large Diameter Rehab)	2.7	2.00	2.00
2014 NCSRL - Person Street Sanitary Sewer	1.7	2.00	2.00
2012 NCSRL - Edgewater Project	0.2	2.00	2.00
Total	\$ 301.2	3.70%	2.87%

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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 3.64 exceeding the minimum requirement of 1.10 and the additional bonds testing minimum of 1.25. Figure A-12 demonstrates PWC's coverage ratio.

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

	FY 2019	FY 2020	Percent Change
Change in Net Position (Figure A-3)	\$ 50.0	\$ 46.6	-6.8%
Adjustments			
Bond Interest Expense	9.7	10.3	6.2%
Depreciation and Amortization	42.0	43.4	3.3%
Payment of Lieu of Taxes	10.9	11.1	1.8%
Intergovernmental Expense	1.2	2.2	83.3%
Intergovernmental Revenue	(2.6)	(1.3)	50.0%
Capital Contributions	(21.4)	(20.9)	2.3%
(Gain)/Loss on Sale of Assets	1.1	1.5	36.4%
Facility Investment Fees	1.1	1.2	9.1%
Assessments Collected	0.1	0.1	0.0%
(Gain)/Loss on Investment Valuation	(1.8)	(2.0)	11.1%
Capital Transfer to Fleet	(0.8)	2.7	437.5%
Income Available for Debt Service	<u>89.5</u>	<u>94.9</u>	<u>6.0%</u>
Senior Lien Debt Coverage			
Revenue Bond Debt Service ¹	<u>26.6</u>	<u>26.1</u>	<u>-1.9%</u>
Senior Lien Debt Service Coverage	<u>3.37</u>	<u>3.64</u>	<u>8.0%</u>
Total System Debt Coverage			
Total System Debt Service ¹	<u>28.4</u>	<u>27.8</u>	<u>-2.1%</u>
Total System Debt Service Coverage	<u>3.15</u>	<u>3.42</u>	<u>8.6%</u>

¹ Net of capitalized interest from bond proceeds of \$0.6 million in FY19 and \$2.2 million in FY20.

In addition to long-term debt, PWC's long-term obligations include the total OPEB Liability of \$26.4 million and the total Net Pension Liability of \$15.6 million. 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.

Basic Financial Statements

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

June 30, 2020

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Internal Service Fund	Total Business-Type Activities PWC
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 27,125,834	\$ 2,193,660	\$ 29,319,494	\$ -	\$ 29,319,494
Investments	64,856,482	25,372,160	90,228,642	-	90,228,642
Receivables	30,853,916	21,592,202	52,446,118	-	52,446,118
Less allowance for doubtful accounts	(463,350)	(274,705)	(738,055)	-	(738,055)
Net receivables	30,390,566	21,317,497	51,708,063	-	51,708,063
Inventories	15,366,191	2,896,186	18,262,377	-	18,262,377
Other current assets	2,871,053	826,725	3,697,778	-	3,697,778
Total current unrestricted assets	140,610,126	52,606,228	193,216,354	-	193,216,354
Current restricted assets					
Cash and cash equivalents	48,412,750	50,215,519	98,628,269	-	98,628,269
Investments	43,904,329	26,489,158	70,393,487	-	70,393,487
Collateral pledged in lieu of deposits	464,005	192,671	656,676	-	656,676
Receivables	4,246,661	6,348,452	10,595,113	-	10,595,113
Total current restricted assets	97,027,745	83,245,800	180,273,545	-	180,273,545
Total current assets	237,637,871	135,852,028	373,489,899	-	373,489,899
Noncurrent assets					
Other assets	-	194,714	194,714	-	194,714
Capital assets:					
Land and land rights	7,074,781	12,180,177	19,254,958	-	19,254,958
Construction in process	52,487,326	102,169,071	154,656,397	-	154,656,397
Electric utility system	209,895,276	-	209,895,276	-	209,895,276
Water system	-	257,930,375	257,930,375	-	257,930,375
Wastewater system	-	367,426,997	367,426,997	-	367,426,997
Buildings	23,015,283	4,164,053	27,179,336	-	27,179,336
Equipment and machinery	7,248,920	2,685,307	9,934,227	-	9,934,227
Computer equipment	667,313	1,048,005	1,715,318	-	1,715,318
Intangibles	5,088,526	3,488,387	8,576,913	-	8,576,913
Vehicles	4,670,994	3,805,182	8,476,176	-	8,476,176
Office equipment	110,384	18,031	128,415	-	128,415
Capital assets, net	310,258,803	754,915,585	1,065,174,388	-	1,065,174,388
Total noncurrent assets	310,258,803	755,110,299	1,065,369,102	-	1,065,369,102
Total assets	547,896,674	890,962,327	1,438,859,001	-	1,438,859,001
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized bond refunding charges	10,199	1,321,207	1,331,406	-	1,331,406
OPEB deferrals	4,665,615	5,534,019	10,199,634	-	10,199,634
Pension deferrals	7,533,777	8,930,167	16,463,944	-	16,463,944
Total deferred outflows of resources	12,209,591	15,785,393	27,994,984	-	27,994,984

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

June 30, 2020

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Internal Service Fund	Total Business-Type Activities PWC
LIABILITIES					
Current liabilities to be paid from unrestricted current assets				-	
Current portion of long-term liabilities	\$ 2,630,794	\$ 15,401,112	\$ 18,031,906	\$ -	\$ 18,031,906
Accounts payable and accrued expenses	13,052,173	13,320,830	26,373,003	-	26,373,003
Total current liabilities to be paid from unrestricted current assets	<u>15,682,967</u>	<u>28,721,942</u>	<u>44,404,909</u>	<u>-</u>	<u>44,404,909</u>
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	11,862,902	12,259,011	24,121,913	-	24,121,913
Total current liabilities to be paid from restricted current assets	<u>11,862,902</u>	<u>12,259,011</u>	<u>24,121,913</u>	<u>-</u>	<u>24,121,913</u>
Total current liabilities	<u>27,545,869</u>	<u>40,980,953</u>	<u>68,526,822</u>	<u>-</u>	<u>68,526,822</u>
Noncurrent liabilities					
Long-term liabilities	24,426,593	284,250,556	308,677,149	-	308,677,149
Total OPEB liability	16,560,916	19,589,127	36,150,043	-	36,150,043
Net pension liability	7,085,103	8,536,326	15,621,429	-	15,621,429
Other liabilities	117,053	-	117,053	-	117,053
Unearned deposits	9,312	437,183	446,495	-	446,495
Total noncurrent liabilities	<u>48,198,977</u>	<u>312,813,192</u>	<u>361,012,169</u>	<u>-</u>	<u>361,012,169</u>
Total liabilities	<u>75,744,846</u>	<u>353,794,145</u>	<u>429,538,991</u>	<u>-</u>	<u>429,538,991</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB deferral	560,330	678,896	1,239,226	-	1,239,226
Total deferred inflows of resources	<u>560,330</u>	<u>678,896</u>	<u>1,239,226</u>	<u>-</u>	<u>1,239,226</u>
NET POSITION					
Net investment in capital assets	284,689,414	478,061,871	762,751,285	-	762,751,285
Restricted for -					
Capital projects	5,991,415	10,237,779	16,229,194	-	16,229,194
Renewable energy	5,688,332	-	5,688,332	-	5,688,332
Other internal restrictions	73,485,096	45,495,910	118,981,006	-	118,981,006
Unrestricted Net Position	113,946,832	18,479,119	132,425,951	-	132,425,951
Total Net Position	<u>\$ 483,801,089</u>	<u>\$ 552,274,679</u>	<u>\$ 1,036,075,768</u>	<u>\$ -</u>	<u>\$ 1,036,075,768</u>

Note: Internal restrictions are restrictions through enabling legislation via the Commission's regulatory authority.

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, 2020

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Internal Service Fund	Total Business-Type Activities PWC
Operating revenues					
Residential, commercial and industrial sales	\$ 189,415,003	\$ 94,248,000	\$ 283,663,003	\$ -	\$ 283,663,003
Other charges for services	39,722,161	15,761,950	55,484,111	3,339,861	58,823,972
Miscellaneous operating revenue	-	-	-	45	45
Total operating revenues	229,137,164	110,009,950	339,147,114	3,339,906	342,487,020
Operating expenses					
Power supply and generation	149,893,550	-	149,893,550	-	149,893,550
Electric operation	20,002,168	-	20,002,168	-	20,002,168
Water operations	-	18,346,817	18,346,817	-	18,346,817
Wastewater operations	-	19,947,339	19,947,339	-	19,947,339
General and administrative	23,079,605	22,266,466	45,346,071	-	45,346,071
Depreciation	17,559,924	25,875,770	43,435,694	140,278	43,575,972
Fleet maintenance expense	-	-	-	3,965,808	3,965,808
Total operating expenses	210,535,247	86,436,392	296,971,639	4,106,086	301,077,725
Operating income (loss)	18,601,917	23,573,558	42,175,475	(766,180)	41,409,295
Nonoperating revenue (expense)					
Intergovernmental revenue	-	1,676,853	1,676,853	-	1,676,853
Intergovernmental expense	(2,200,000)	-	(2,200,000)	-	(2,200,000)
Payment in lieu of taxes	(11,098,087)	-	(11,098,087)	-	(11,098,087)
Interest earned on investments	3,974,355	2,016,748	5,991,103	-	5,991,103
Gain (loss) on disposal of assets	(1,452,062)	(51,386)	(1,503,448)	-	(1,503,448)
Interest expense	(766,873)	(9,537,899)	(10,304,772)	-	(10,304,772)
Finance costs	(20,613)	(26,673)	(47,286)	-	(47,286)
Total nonoperating revenue (expense)	(11,563,280)	(5,922,357)	(17,485,637)	-	(17,485,637)
Income (loss) before transfers and contributions	7,038,637	17,651,201	24,689,838	(766,180)	23,923,658
Contributions	12,155,694	8,784,291	20,939,985	-	20,939,985
Transfers in	996,861	4,755,856	5,752,717	-	5,752,717
Transfers out	(3,772,412)	-	(3,772,412)	(1,980,305)	(5,752,717)
Change in Net Position	16,418,780	31,191,348	47,610,128	(2,746,485)	44,863,643
Total Net Position - beginning	467,382,309	521,083,331	988,465,640	2,746,485	991,212,125
Total Net Position - ending	\$ 483,801,089	\$ 552,274,679	\$ 1,036,075,768	\$ -	\$ 1,036,075,768

Note: The transfers within funds have been eliminated for FY 2020; \$16,937,423 for Electric & \$51,687,399 for Water/Wastewater.

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

Year ended June 30, 2020

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Internal Service Fund	Total Business-Type Activities PWC
Cash flows from operating activities					
Cash received from customers	\$ 231,990,506	\$ 103,649,269	\$ 335,639,775	\$ 4,064,611	\$ 339,704,386
Cash paid for goods and services	(21,206,049)	(33,524,877)	(54,730,926)	(1,400,568)	(56,131,494)
Cash paid to or on behalf of employees for services	(22,447,590)	(27,415,073)	(49,862,663)	(3,057,443)	(52,920,106)
Cash paid for power supply and generation	(149,893,550)	-	(149,893,550)	-	(149,893,550)
Net cash provided (used) by operating activities	38,443,317	42,709,319	81,152,636	(393,400)	80,759,236
Cash flows from noncapital financing activities					
Cash received from intergovernmental agreements	-	1,676,853	1,676,853	-	1,676,853
Cash paid for intergovernmental agreements	(13,298,087)	-	(13,298,087)	-	(13,298,087)
Transfers in	996,861	4,755,856	5,752,717	766,180	6,518,897
Transfers out	(3,772,412)	-	(3,772,412)	(2,746,485)	(6,518,897)
Net cash provided (used) by noncapital financing activities	(16,073,638)	6,432,709	(9,640,929)	(1,980,305)	(11,621,234)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	285,466	152,607	438,073	-	438,073
Payment of finance costs on long-term debt	(15,138)	(26,673)	(41,811)	-	(41,811)
Contributed capital received	12,155,694	6,954,414	19,110,108	-	19,110,108
Acquisition and construction of capital assets	(40,379,363)	(79,735,851)	(120,115,214)	(1,202,922)	(121,318,136)
Principal payments on long-term debt	(1,764,868)	(16,267,672)	(18,032,540)	-	(18,032,540)
Other capital asset transactions	855,471	(1,448,477)	(593,006)	3,576,627	2,983,621
Interest payments	(766,873)	(9,537,899)	(10,304,772)	-	(10,304,772)
Net cash provided by capital and related financing activities	(29,629,611)	(99,909,551)	(129,539,162)	2,373,705	(127,165,457)
Cash flows from investing activities					
Interest earned on investments	3,974,355	2,016,748	5,991,103	-	5,991,103
Net change in investments	22,508,745	10,317,266	32,826,011	-	32,826,011
Net cash provided by investing activities	26,483,100	12,334,014	38,817,114	-	38,817,114
Net increase (decrease) in cash and cash equivalents	19,223,168	(38,433,509)	(19,210,341)	-	(19,210,341)
Cash and cash equivalents					
Beginning of year	56,315,416	90,842,688	147,158,104	-	147,158,104
End of year	\$ 75,538,584	\$ 52,409,179	\$ 127,947,763	\$ -	\$ 127,947,763

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

Year ended June 30, 2020

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Utilities	Fleet Maintenance Internal Service Fund	Total Business-Type Activities PWC
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 18,601,917	\$ 23,573,558	\$ 42,175,475	\$ (766,180)	\$ 41,409,295
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	17,559,924	25,875,770	43,435,694	140,278	43,575,972
Allowance for uncollectible accounts	178,474	143,851	322,325	-	322,325
Change in assets, liabilities and deferred inflows/outflows					
(Increase) decrease in receivables	2,506,690	(6,311,861)	(3,805,171)	724,705	(3,080,466)
(Increase) decrease in internal balances	145,138	(1,692,153)	(1,547,015)	1,547,015	-
(Increase) decrease in inventories	(1,823,773)	(357,875)	(2,181,648)	1,105	(2,180,543)
(Increase) decrease in deferred outflows-other	3,055,000	236,463	3,291,463	-	3,291,463
(Increase) decrease in deferred outflows-OPEB	(2,786,740)	(3,305,586)	(6,092,326)	262,169	(5,830,157)
(Increase) decrease in deferred outflows-pension related	(232,128)	(425,688)	(657,816)	1,174,453	516,637
(Increase) decrease in other current assets	(423,367)	(168,668)	(592,035)	4,408	(587,627)
(Increase) decrease in other assets	487,686	(346,284)	141,402	-	141,402
Increase (decrease) in OPEB liability	4,414,121	5,459,785	9,873,906	(3,001,432)	6,872,474
Increase (decrease) in pension liability	-	1,910,157	1,910,157	-	1,910,157
Increase (decrease) in unearned deposits	-	851	851	-	851
Increase (decrease) in accounts payable and accrued expenses	(4,306,936)	(1,701,057)	(6,007,993)	(219,114)	(6,227,107)
Increase (decrease) in deferred revenues	2,066	-	2,066	-	2,066
Increase (decrease) in deferred inflows-other	(88,314)	(282,443)	(370,757)	-	(370,757)
(Increase) decrease in deferred inflows-OPEB	(135,984)	(146,964)	(282,948)	(97,160)	(380,108)
(Increase) decrease in deferred inflows-pension related	1,600,448	(30,718)	1,569,730	(8,307)	1,561,423
Increase (decrease) in accrued vacation	(317,839)	286,777	(31,062)	(98,025)	(129,087)
Increase (decrease) in accrued sick leave	6,934	(8,596)	(1,662)	(57,315)	(58,977)
Total adjustments	19,841,400	19,135,761	38,977,161	372,780	39,349,941
Net cash provided by (used in) operating activities	\$ 38,443,317	\$ 42,709,319	\$ 81,152,636	\$ (393,400)	\$ 80,759,236
Noncash investing, capital, and financing activities:					
Contributed capital assets	\$ -	\$ 1,754,421	\$ 1,754,421	\$ -	\$ 1,754,421
FIF credits applied	\$ -	\$ (127,477)	\$ (127,477)	\$ -	\$ (127,477)
Adjustment to market for long term investments	\$ 882,479	\$ 355,264	\$ 1,237,743	\$ -	\$ 1,237,743
Reconciliation to cash and cash equivalents					
Unrestricted	\$ 27,125,834	\$ 2,193,660	\$ 29,319,494	\$ -	\$ 29,319,494
Restricted	48,412,750	50,215,519	98,628,269	-	98,628,269
Total	\$ 75,538,584	\$ 52,409,179	\$ 127,947,763	\$ -	\$ 127,947,763

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

Notes to the Financial Statements

June 30, 2020

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 two enterprise funds, the Electric Fund and the Water and Wastewater 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 operated the Fleet Maintenance Internal Service Fund which has been closed as of June 30, 2020.

Basis of presentation

The Commission reports the following major enterprise funds and internal service fund:

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 Internal Service Fund: This fund is used to account for the accumulation and allocation of costs associated with fleet maintenance activities of the Commission. This fund has been closed at June 30, 2020.

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, 2020

Note 1 – Summary of significant accounting policies (continued)

Measurement focus and basis of accounting (continued)

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

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

Use of estimates

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

Cash and investments

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

Investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with maturity of less than 6 months.

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, 2020

Note 1 – Summary of significant accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2020 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 three items that meet this criterion, Pension Deferrals (See note 11), OPEB deferrals (See note 16) 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 two 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.

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, 2020

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 and Water Resources 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 Number 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, 2020, the Electric fund had restricted assets and a resultant restricted net position of \$97,027,745 related to debt service, renewable energy and other internally restricted assets offset by \$11,862,902 of other internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$85,164,843. The Water/Wastewater Fund had restricted assets of \$83,245,800 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, 2020

Note 1 – Summary of significant accounting policies (continued)

Net Position (continued)

\$21,133,579 of unspent bond proceeds and \$6,378,532 of internally restricted liabilities related to those assets (see note 7), resulting in restricted net position of \$55,733,689.

Upcoming Pronouncements

The Commission is currently in the process of determining the effect of these statements on the financial statements.

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

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. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2020. 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.

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

GASB issued Statement No. 92, “Omnibus 2020.” The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2021.

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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, 2020

Note 1 – Summary of significant accounting policies (continued)

Upcoming Pronouncements (continued)

GASB issued Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance.” The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB issued Statement No. 96, “Subscription-Based Information Technology Arrangements.” The primary objectives of this statement are to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB issued Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation –An Amendment of GASB Statements No. 14 and No. 84, and Supersession of GASB Statement No. 32.” The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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.

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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, 2020

Note 4 - Cash and investments

A - Deposits

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

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

At June 30, 2020, the Commission had deposits in pooling method banks with a carrying amount of \$45,054,269 and a bank balance of \$46,608,464. Of the total bank balance, \$505,378 was covered by federal depository insurance and \$46,103,086 was covered by collateral under the pooling method.

At June 30, 2020, the Commission had \$22,695,431 in Certificate of Deposits.

At June 30, 2020, the Commission had \$4,550 in petty cash.

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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, 2020

Note 4 - Cash and investments (continued)

B - Investments

At June 30, 2020, 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	\$ 110,940,042	\$ 3,258,457	\$ -	\$ 68,371,474	\$39,310,111
Commercial paper	Fair Value-Level 2	26,986,656	26,986,656	-	-	-
NC Capital Management Trust - Term Portfolio*	Fair Value-Level 1	17,252,543	17,252,543	-	-	-
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	65,636,401	65,636,401	-	-	-
Total		\$220,815,642	\$ 113,134,057	\$ -	\$68,371,474	\$ 39,310,111

*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, 2020.

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.

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 4 - Cash and investments (continued)

B-Investments (continued)

Concentration of Credit Risk. The Commission limits investments to avoid over-concentration in securities from a specific issuer or business sector. More than 5% of the Commission's investments are in Federal Farm Credit Bank, Federal Home Loan Bank, Freddie Mac and Maybank. These investments are 47%, 25%, 7% and 7%, respectively, of the Commission's total investments.

Reconciliation to cash and cash equivalents:

Total per Footnote:

	Reported
Total investments	\$ 220,815,642
Cash	45,054,269
Plus Certificates of Deposit	22,695,431
Petty cash	4,550
Total cash and investments	<u>288,569,892</u>

Less: Investments with maturities of more than 3 months	(160,622,129)
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Total cash and cash equivalents	<u>\$ 127,947,763</u>
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Total per Statement of Net Position:

Cash and cash equivalents - unrestricted	\$ 29,319,494
Cash and cash equivalents - restricted	<u>98,628,269</u>
Total cash and cash equivalents	<u>\$ 127,947,763</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) was recovered over a period of fixed monthly charges through December 2019 (see Note 14 – Coal Ash). At June 30, 2020, this asset had a value of \$0.

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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, 2020

Note 6 – Accounts Receivable

At June 30, 2020, the Commission's unrestricted receivable balances were as follows:

	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Internal Service Fund	Total
Unrestricted:				
Accounts	\$ 24,388,036	\$ 12,987,381	\$ -	\$ 37,375,417
Sales taxes	2,422,977	537,548	-	2,960,525
Due from City-Assessments	-	6,984,679	-	6,984,679
Due from City-Assessments Interest	-	382,779	-	382,779
Accrued Interest	385,608	164,666	-	550,274
Other	3,657,295	535,149	-	4,192,444
Total	<u>\$ 30,853,916</u>	<u>\$ 21,592,202</u>	<u>\$ -</u>	<u>\$ 52,446,118</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 Commission has enacted enabling legislation as a regulatory body. 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	\$ -	\$ 10,233,512	\$ -	\$ -
Rate Stabilization Fund Cash	17,414,535	1,105,373	-	-
NC Renewable Rider	-	-	5,688,332	-
Customer Deposits	9,194,948	3,919,288	-	-
Debt Service	285,945	4,464,569	626	4,267
TPA- Cash	273,566	163,171	-	-
Health Insurance Reserve	1,500,000	1,500,000	-	-
Coal Ash Reserve	228,310	-	-	-
BWGP Startup Costs	1,692,659	-	-	-
CPF-Cash	8,227,139	6,391,760	-	-
Construction Fund	-	-	-	21,133,579
Generation Fuel Reserve	206,690	-	-	-
Meter Reserve	3,700,000	1,300,000	-	-
Total restricted cash and cash equivalents	<u>\$ 42,723,792</u>	<u>\$ 29,077,673</u>	<u>\$ 5,688,958</u>	<u>\$ 21,137,846</u>
Investments	<u>\$ 43,904,329</u>	<u>\$ 26,489,158</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral pledges in lieu of deposits	<u>\$ 464,005</u>	<u>\$ 192,671</u>	<u>\$ -</u>	<u>\$ -</u>
Receivables				
Grants	\$ 711,329	\$ 1,458,676	\$ -	\$ -
Sales Taxes	-	1,013,967	-	-
Other	3,389,258	3,863,207	-	-
Accrued Interest	146,074	12,602	-	-
Total restricted receivables	<u>\$ 4,246,661</u>	<u>\$ 6,348,452</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts payable and accrued expenses				
Trade	\$ -	\$ 5,301,557	\$ -	\$ -
Meter Deposits	9,647,537	4,219,076	-	-
Other	2,215,365	2,738,378	-	-
Total restricted accounts payable and accrued expenses	<u>\$ 11,862,902</u>	<u>\$ 12,259,011</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, 2020

Note 8 – Capital assets

The following is a summary of changes in capital assets:

Description	Balance June 30, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Electric Fund:					
Capital assets not being depreciated:					
Land & land rights	6,871,326	-	(29)	203,484	7,074,781
Construction in progress	45,712,120	36,178,922	(2,788,347)	(26,615,368)	52,487,326
Capital assets being depreciated:					
Electric utility system	475,297,395	1,733,392	(24,788,022)	26,388,070	478,630,835
Buildings	47,503,132	189,317	-	2,565,684	50,258,133
Equipment and machinery	19,433,369	166,020	(102,252)	361,297	19,858,434
Intangibles	22,088,704	376,834	-	169,691	22,635,229
Computer equipment	5,843,186	263,853	-	(175,663)	5,931,376
Vehicles	10,053,926	1,471,026	(311,741)	59,385	11,272,596
Office equipment	1,276,296	-	(515)	3,179	1,278,960
Total Capital assets being depreciated	581,496,008	4,200,442	(25,202,530)	29,371,643	589,865,563
Less accumulated depreciation for:					
Electric utility system	(279,380,266)	(13,255,310)	23,900,513	(496)	(268,735,559)
Buildings	(24,976,524)	(1,226,262)	-	(1,040,064)	(27,242,850)
Equipment and machinery	(11,860,257)	(656,051)	90,378	(183,584)	(12,609,514)
Intangibles	(16,127,470)	(1,293,042)	-	(126,191)	(17,546,703)
Computer equipment	(4,943,225)	(362,255)	-	41,417	(5,264,063)
Vehicles	(6,135,201)	(738,839)	304,116	(31,678)	(6,601,602)
Office equipment	(1,137,747)	(28,165)	515	(3,179)	(1,168,576)
Total accumulated depreciation for:	(344,560,690)	(17,559,924)	24,295,522	(1,343,775)	(339,168,867)
Electric fund capital assets, net	289,518,764	22,819,440	(3,695,384)	1,615,984	310,258,803

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 8 – Capital assets (continued)

<u>Description</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2020</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and land rights	11,802,232	504	-	377,441	12,180,177
Construction in progress	68,593,653	77,275,272	-	(43,699,854)	102,169,071
Capital assets being depreciated:					
Water system	408,046,005	276,599	(265,000)	17,338,690	425,396,294
Sewer system	572,629,881	58,430	-	26,068,661	598,756,972
Buildings	6,360,363	27,629	-	2,625,445	9,013,437
Equipment and machinery	12,863,934	798,899	(291,400)	381,586	13,753,019
Intangibles	18,430,564	324,196	-	82,691	18,837,451
Computer equipment	5,290,094	242,333	-	312,211	5,844,638
Vehicles	9,229,076	731,989	(382,095)	382,107	9,961,077
Office equipment	471,634	-	(515)	3,269	474,388
Total Capital assets being depreciated	<u>1,033,321,551</u>	<u>2,460,075</u>	<u>(939,010)</u>	<u>47,194,660</u>	<u>1,082,037,276</u>
Less accumulated depreciation for:					
Water system	(156,963,435)	(10,645,278)	142,794	-	(167,465,919)
Sewer system	(218,855,320)	(12,474,655)	-	-	(231,329,975)
Buildings	(3,629,969)	(178,855)	-	(1,040,560)	(4,849,384)
Equipment and machinery	(10,501,778)	(493,700)	291,400	(363,633)	(11,067,712)
Intangibles	(14,143,840)	(1,079,033)	-	(126,191)	(15,349,064)
Computer equipment	(4,354,462)	(357,306)	-	(84,865)	(4,796,633)
Vehicles	(5,592,173)	(645,126)	374,489	(293,086)	(6,155,895)
Office equipment	(451,786)	(1,817)	515	(3,269)	(456,357)
Total Capital assets being depreciated	<u>(414,492,763)</u>	<u>(25,875,770)</u>	<u>809,198</u>	<u>(1,911,604)</u>	<u>(441,470,939)</u>
Water and Sewer capital assets, net	<u>699,224,673</u>	<u>53,860,081</u>	<u>(129,812)</u>	<u>1,960,643</u>	<u>754,915,585</u>

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 8 – Capital assets (continued)

Description	Balance June 30, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Fleet Maint Internal Service Fund:					
Capital assets not being depreciated:					
Construction in progress	700,603	1,017,359	-	(1,717,962)	-
Capital assets being depreciated:					
Buildings	3,617,296	175,063	-	(3,792,359)	-
Equipment and machinery	633,346	10,500	(22,275)	(621,571)	-
Intangibles	252,381	-	-	(252,381)	-
Computer equipment	46,991	-	-	(46,991)	-
Vehicles	394,295	-	-	(394,295)	-
Office equipment	6,448	-	-	(6,448)	-
Total Capital assets being depreciated	4,950,757	185,563	(22,275)	(5,114,045)	-
Less accumulated depreciation for:					
Buildings	(1,983,063)	(98,056)	-	2,081,119	-
Equipment and machinery	(551,464)	(18,422)	22,275	547,611	-
Intangibles	(252,381)	-	-	252,381	-
Computer equipment	(42,366)	(1,082)	-	43,448	-
Vehicles	(301,655)	(22,718)	-	324,373	-
Office equipment	(6,448)	-	-	6,448	-
Total accumulated depreciation for:	(3,137,377)	(140,278)	22,275	3,255,380	-
Fleet Internal Serv fund capital assets, net	2,513,983	1,062,644	-	(3,576,627)	-

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

** Depreciation includes amortization of intangible assets.

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 9 – Accounts Payable and Accrued Expenses

At June 30, 2020, the Commission's unrestricted accounts payable and accrued expenses balances were as follows:

	Electric Fund	Water and Wastewater Fund	Fleet Maintenance Internal Service Fund	Total
Unrestricted:				
Trade	\$ 857,140	\$ 5,560,422	\$ -	\$ 6,417,562
Purchased power	11,838,230	-	-	11,838,230
Power supply true up adjustment	(1,464,557)	-	-	(1,464,557)
Coal Ash liability	-	-	-	-
Payroll related	1,494,646	1,706,105	-	3,200,751
Interest	300,503	3,388,152	-	3,688,655
Incurred but not reported claims	896,101	896,101	-	1,792,202
Other	(869,890)	1,770,050	-	900,160
	<u>\$ 13,052,173</u>	<u>\$ 13,320,830</u>	<u>\$ -</u>	<u>\$ 26,373,003</u>

Note 10 - Long-term debt

A – Direct Placement General Obligation bonds

The City, for the benefit of the Commission, has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligation bonds outstanding for the year ended June 30, 2020 were as follows:

	<u>June 30, 2020</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>\$170,907</u>
Total Direct Placement General Obligation Bonds	170,907
Add: Unamortized Premium	<u>11,966</u>
Total	<u>\$182,873</u>

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 10 - Long-term debt (continued)

B - Revenue bonds

The Commission has issued revenue bonds which have been used to finance the construction of facilities utilized in the operations of the Electric and Water and Wastewater Systems. Revenue Bonds outstanding for the year ended June 30, 2020 were as follows:

	<u>June 30, 2020</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%.	102,865,000
\$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%.	100,135,000
\$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>77,240,000</u>
Total Revenue Bonds	280,240,000
Add: Unamortized Premium	21,044,350
Less: Unamortized Discount	<u>-</u>
Total	<u>\$301,284,350</u>

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 10 - Long-term debt (continued)

B - Revenue bonds (continued)

Maturities of bonds payable are as follows

Electric fund		General Obligation Bonds		Revenue Bonds		Total	
Year Ending	June 30	Principal	Interest	Principal	Interest	Principal	Interest
2021		-	-	1,220,926	901,509	1,220,926	901,509
2022		-	-	1,114,065	845,671	1,114,065	845,671
2023		-	-	1,162,602	789,967	1,162,602	789,967
2024		-	-	1,104,493	731,837	1,104,493	731,837
2025		-	-	1,013,234	676,613	1,013,234	676,613
2026-2030		-	-	5,406,789	2,834,845	5,406,789	2,834,845
2031-2035		-	-	6,279,625	1,834,912	6,279,625	1,834,912
2036-2040		-	-	5,794,919	598,505	5,794,919	598,505
2041-2044		-	-	195,456	5,864	195,456	5,864
		-	-	23,292,109	9,219,723	23,292,109	9,219,723
Add: Unamortized Premium		-	-	1,568,389	-	1,568,389	-
Total Electric		\$ -	\$ -	\$ 24,860,498	\$ 9,219,723	\$ 24,860,498	\$ 9,219,723

Water/Wastewater Fund		General Obligation Bonds		Revenue Bonds		Total	
Year Ending	June 30	Principal	Interest	Principal	Interest	Principal	Interest
2021		170,907	6,836	12,464,074	10,110,991	12,634,981	10,117,827
2022		-	-	12,635,935	9,546,879	12,635,935	9,546,879
2023		-	-	13,147,398	8,915,082	13,147,398	8,915,082
2024		-	-	11,550,507	8,257,713	11,550,507	8,257,713
2025		-	-	10,426,766	7,680,187	10,426,766	7,680,187
2026-2030		-	-	54,268,211	31,951,030	54,268,211	31,951,030
2031-2035		-	-	61,985,375	21,649,688	61,985,375	21,649,688
2036-2040		-	-	59,410,081	10,200,095	59,410,081	10,200,095
2041-2044		-	-	21,059,544	1,858,236	21,059,544	1,858,236
		170,907	6,836	256,947,891	110,169,901	257,118,798	110,176,737
Add: Unamortized Premium		11,966	-	19,475,961	-	19,487,927	-
Total Water/Wastewater		\$ 182,873	\$ 6,836	\$ 276,423,852	\$ 110,169,901	\$ 276,606,725	\$ 110,176,737
Total Electric & Water/Wastewater		\$ 182,873	\$ 6,836	\$ 301,284,350	\$ 119,389,624	\$ 301,467,223	\$ 119,396,460

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 10 - Long-term debt (continued)

B - Revenue bonds (continued)

The Commission has pledged future electric, water and wastewater customer revenues, net of specified operating expenses to repay \$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 2044. The total principal and interest remaining to be paid on the bonds is \$399,629,624. Principal and interest paid for the current year and total customer revenues were \$28,306,000 and \$339,147,114, respectively.

Interest expense related to the revenue and general obligation bonds totaled \$11,572,894 for the year ended June 30, 2020.

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, 2020.

C – Direct Placement 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, 2020 were as follows:

	<u>June, 30 2020</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.	\$ 248,812
\$5,299,942 Direct Placement State Revolving Loan due in annual installments through May 1, 2033; no interest.	3,447,832
\$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.	2,731,154

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 10 - Long-term debt (continued)

C – Direct Placement Notes payable (continued)

\$15,890,541 Direct Placement State Revolving Loan due in annual installments through May 1, 2036; no interest.	12,712,433
\$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>1,682,872</u>
	<u>\$ 20,823,103</u>

Maturities of the notes payable are as follows:

Year Ending June 30	Water/Wastewater	
	Principal	Interest
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	1,386,158	67,144
2026-2030	6,930,791	237,795
2031-2035	6,166,994	74,971
2036	794,528	-
	<u>20,823,103</u>	<u>713,768</u>

Total interest expense related to the notes payable obligations totaled \$98,697 for the year ended June 30, 2020.

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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, 2020

Note 10 - Long-term debt (continued)

D – Changes in long-term liabilities

	June 30, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Electric Fund					
Revenue bonds*	25,051,502	5,475	1,764,868	23,292,109	1,220,926
Unearned deposits	7,246	19,952	17,886	9,312	-
Compensated absences	1,885,984	2,226,932	1,885,984	2,226,932	1,409,868
Total OPEB liability	12,146,795	5,490,168	1,076,047	16,560,916	-
Net pension liability (LGERS)	5,572,269	1,512,834	-	7,085,103	-
	44,663,796	9,255,361	4,744,785	49,174,372	2,630,794
Add: Unamortized premium	1,676,600			1,568,389	
Total Electric long-term liabilities	46,340,396			50,742,761	2,630,794
Water & Wastewater Fund					
GO bonds	341,814	-	170,907	170,907	170,907
Revenue bonds	271,658,498	-	14,710,607	256,947,891	12,464,074
Notes Payable	22,209,261	-	1,386,158	20,823,103	1,386,158
Unearned deposits	563,809	61,586	188,212	437,183	-
Compensated absences	1,932,615	4,463,725	4,204,543	2,191,797	1,379,973
Total OPEB liability	14,129,342	6,707,021	1,247,236	19,589,127	-
Net pension liability (LGERS)	6,626,169	1,910,157	-	8,536,326	-
	317,461,508	13,142,489	21,907,663	308,696,334	15,401,112
Add: Unamortized premium	20,615,023			19,487,927	
Total Water/Wastewater long-term liabilities	338,076,531			328,184,261	15,401,112
Fleet Maintenance Fund:					
Compensated absences	155,340		155,340	-	-
Total OPEB liability	1,972,394		1,972,394	-	-
Net pension liability (LGERS)	1,029,038		1,029,038	-	-
Total Fleet long-term liabilities	3,156,772		3,156,772	-	-

* 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, 2020

Note 10 - Long-term debt (continued)

F – Net investment in capital assets

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Fleet Maintenance Internal Service Fund</u>
Capital Assets, Net	\$ 310,258,803	\$ 754,915,587	\$ -
Less: Outstanding debt related to capital assets	(23,292,109)	(277,941,901)	-
Less: Premium on outstanding debt	(1,568,389)	(19,487,927)	-
Less: Deferred loss related to unspent bond proceeds	-	(140,119)	-
Less: Retainage related to capital asset	(719,090)	(1,738,555)	-
Add: Deferred loss on bond refunding	10,199	1,321,207	-
Add: Refunding premium related to unspent bond proceeds	-	-	-
Add: Outstanding unspent bond proceeds	-	21,133,579	-
Net Investment in Capital Assets	<u>\$ 284,689,414</u>	<u>\$ 478,061,871</u>	<u>\$ -</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, 2020

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, 2020, was 14.18% 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 \$6,289,945 for the year ended June 30, 2020.

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, 2020, the Commission reported a liability of \$15,261,429 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Commission's proportion of the net pension liability 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, 2019, the Commission's proportion was 0.572%, which was an increase of 0.014% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of \$9,127,847. At June 30, 2020, 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	\$ 2,674,783	\$ -
Changes of assumptions	2,546,032	-
Net Difference between projected and actual earning on pension plans investments	381,028	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	4,572,156	-
Commission contributions subsequent to the measurement date	6,289,945	-
	<u>\$ 16,463,944</u>	<u>\$ -</u>

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

Notes to the Financial Statements (continued)

June 30, 2020

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

\$6,289,945 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, 2021. 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>	
2020	\$ 4,535,359
2021	2,240,982
2022	2,447,005
2023	950,653
Thereafter	-
	<u>\$ 10,173,999</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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). Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA. 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, 2018 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, 2019 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, 2020

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 2018 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)	\$35,729,044	\$15,621,420	\$(1,092,089)

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 \$1,331,406. 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, 2020

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 – Property and Casualty

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 \$500,000 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 \$0 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, 2020 and 2019, a liability for incurred but not reported claims of \$1,792,201 and \$1,413,025 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>2020</u>	<u>2019</u>
Liability as of beginning of the year	\$ 1,413,025	\$ 1,429,079
Current year claims and changes in estimates	7,230,894	7,489,263
Actual claim payments	<u>(6,851,718)</u>	<u>(7,505,317)</u>
Liability as of end of the year	<u>\$ 1,792,201</u>	<u>\$ 1,413,025</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 \$20,000,000 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, 2020

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, 2020 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 \$455.6 million for capital additions and construction of various electric, water and wastewater projects. At June 30, 2020, cumulative expenditures to date totaled approximately \$168.7 million leaving an unexpended balance of \$286.9 million for projects that are expected to be completed at various dates through the year ending June 30, 2030.

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. In November 2019, PWC and DEP amended the contract, with the modifications expected to save PWC \$313 million (net present value saving) compared to the current agreement, including \$33 million savings prior to 2024 when the terms of the current agreement end. The terms of the amended agreement run through 2042 and PWC has the option to end the contract in 2032 with a three-year notice. In a separate agreement, DEP agreed to extend its contract to lease PWC's Butler-Warner Generation Plant. New terms extend the contract through June 2024 for an additional \$5 million in PWC revenue. PWC may be able to achieve additional savings beyond 2024 if operational requirements are met.

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

Notes to the Financial Statements (continued)

June 30, 2020

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, 2020, the purchased power cost from DEP was \$144,544,106, including transmission costs, coal ash costs (see Note 14), and contractual true up and challenge net (credits)/charges of (\$7,088,730).

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 were previously recorded as a liability and have been fully recovered (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 2020 coal ash costs of \$17,327,024 are included in the purchased power costs above. This amount was \$18,918,198 in fiscal year 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, 2020

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 2021 to 2024. Minimum lease provisions at June 30, 2020 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2021	\$ 614,952
2022	543,505
2023	662,955
2024	<u>144,810</u>
Total	<u>\$ 1,966,222</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 electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,980,155 in 2020. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions to/from the City amounted to \$10,621,234 in 2020. Balances due to/from the Commission were as follows:

	<u>June 30, 2020</u>
Receivables (due from the City of Fayetteville)	\$ 5,384
Assessments (due from the City of Fayetteville)	6,984,679
Assessments interest (due from the City of Fayetteville)	<u>382,779</u>
	<u>\$ 7,372,842</u>
 Payables (due to the City of Fayetteville)	 <u>\$ 45,143</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, 2020

Note 16 - Other postemployment benefits (continued)

Membership of the health benefits plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	Employees:
Retirees and dependents receiving benefits	97
Active plan members and covered spouses	500
Total	<u>597</u>

Total OPEB Liability

The Commission's total OPEB liability of \$36,150,043 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 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	3.00 percent, average
Discount rate	3.51 percent
Healthcare cost trend rates	Composite - Medical & Rx – 4.50 - 7.40%
	Admin Rate – 3.00%

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, 2019	\$ 28,248,531
Changes for the year	
Service cost	522,127
Interest	1,066,552
Changes of benefit terms	-
Differences between expected and actual experience	1,885,481
Changes in assumptions or other inputs	6,872,914
Benefit payments	<u>(2,445,562)</u>
Net changes	7,901,512
Balance at June 30, 2020	\$ 36,150,043

Changes in assumptions and other inputs reflect a change in the discount rate from 3.87% to 3.51%.

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, 2019 valuation were based on the results of an actuarial experience study for the period July 2018 through June 30, 2019.

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

Notes to the Financial Statements (continued)

June 30, 2020

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 (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current discount rate:

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$38,982,0441	\$36,150,043	\$33,575,630

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 (6.40% decreasing to 3.5% ultimate)	Trend Rate (7.40% decreasing to 4.5% ultimate)	1% Increase (8.40% decreasing to 5.5 ultimate)
Total OPEB liability	\$33,321,651	\$36,150,043	\$39,342,414

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

For the year ended June 30, 2020, the Commission recognized OPEB expense of \$1,691,247. At June 30, 2020, 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	\$ 3,004,639	\$ -
Changes of assumptions	5,643,412	1,049,321
Commission contributions subsequent to the measurement date	1,551,583	-
Retiree contributions subsequent to the measurement date	<u>-</u>	<u>189,905</u>
Total	<u>\$ 10,199,634</u>	<u>\$ 1,239,226</u>

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

Notes to the Financial Statements (continued)

June 30, 2020

Note 16 - Other postemployment benefits (continued)

Total OPEB Liability (continued)

\$1,551,583 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, 2021. \$189,905 reported as Deferred Inflows of Resources related to OPEB resulting from retiree benefit payments subsequent to measurement date will be recognized as an increase of the total pension liability in the year-ended June 30, 2021. Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ 1,662,660
2022	1,662,660
2023	1,685,511
2024	1,663,488
2025	924,410
Thereafter	-
	<u>\$ 7,598,729</u>

Note 17 – Interfund Activity

	DUE FROM/(TO)			
	ELECTRIC	WATER	CAPITAL PROJECT FUNDS	TOTAL
ELECTRIC FUND:				
Substatio Rebuild CPF	153,428	-	(153,428)	-
Electric NCDOT U-4405 Raeford Rd CPF	3,088,820	-	(3,088,820)	-
WATER FUND:				
Annex V, 20-21 CPF	-	34,640	(34,640)	-
Annex V, 22-23 CPF	-	507,142	(507,142)	-
Annex V, 24-25 CPF	-	19,745	(19,745)	-
Annex V, 26-27 CPF	-	1,901	(1,901)	-
Annex V, 32-34 CPF	-	162,510	(162,510)	-
Series 2016 Water/Wastewater CPF	-	1,366	(1,366)	-
Series 2018 Water/Wastewater CPF	-	429,779	(429,779)	-
Hurricane Matthew CPF	-	3,969,411	(3,969,411)	-
Rockfish Creek Basin Peak Flow FacilitiesCPF	-	1,869,124	(1,869,124)	-
20' N Fayetteville Force Main CPF	-	8,522,434	(8,522,434)	-
Big Rockfish - SS Outfall CPF	-	396,890	(396,890)	-
Big Rockfish - SS Outfall Lift Station Elim CPF	-	244,431	(244,431)	-
TOTAL PER FUNDS	3,242,248	16,159,373	(19,401,621)	-
LESS ELIMINATIONS	(3,242,248)	(16,159,373)	19,401,621	-
TOTAL AFTER ELIMINATIONS	-	-	-	-

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, 2020

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.

	TRANSFER (TO)/FROM					CAPITAL PROJECT FUNDS
	ELECTRIC	WATER	FLEET	ANNEX V RESERVE		
ELECTRIC FUND:						
transfer to Annexation Ph V Reserve Fund	\$ (3,772,412)	\$ -	\$ -	\$ 3,772,412	\$ -	-
transfer to Electric Rate Stabilization Fund	(2,858,992)	-	-	-	-	2,858,992
transfer to Transportation Equipment CPF	(1,480,000)	-	-	-	-	1,480,000
transfer to Substation Rebuild CPF	(1,620,538)	-	-	-	-	1,620,538
transfer to ncdot u-4408 Raeford Rd CPF	(1,300,000)	-	-	-	-	1,300,000
transfer to Electric (from Electric Rate Stabilization)	8,856,255	-	-	-	-	(8,856,255)
transfer to Electric (from Transportation Equipment)	821,638	-	-	-	-	(821,638)
transfer to Electric (from Fleet Maintenance)	996,861	-	(996,861)	-	-	-
WATER FUND:						
transfer to Water Rate Stabilization Fund	-	(250,000)	-	-	-	250,000
transfer to Annexation V Reserve Fund	-	(4,355,040)	-	4,355,040	-	-
transfer to Annex V Reserve 32-34 Fund	-	(931,500)	-	-	-	931,500
transfer to Series 2018 Water & Wastewater Fund	-	(16,220)	-	-	-	16,220
transfer to NCDOT Project Fund	-	(5,184,463)	-	-	-	5,184,463
transfer to Water (from Annexation Ph V Reserve)	-	4,671,143	-	(4,671,143)	-	-
transfer to Water (from NCDOT Project)	-	1,339,710	-	-	-	(1,339,710)
transfer to Water (from 2018 Water Wastewater)	-	13,354,419	-	-	-	(13,354,419)
transfer to Water (from 2016 Water Wastewater)	-	2,059,590	-	-	-	(2,059,590)
transfer to Water (from Annexation V, 20 & 21)	-	6,387,767	-	-	-	(6,387,767)
transfer to Water (from Annexation V, 22 & 23)	-	3,043,313	-	-	-	(3,043,313)
transfer to Water (from Hurricane Matthew)	-	9,015,159	-	-	-	(9,015,159)
transfer to Water (from Fleet Maintenance Fund)	-	983,444	(983,444)	-	-	-
transfer to Annexation V Reserve 18-19 (from Annex V Reserve)	-	-	-	(10)	-	10
transfer to Annex V Reserve 20-21 (from Annex V Reserve)	-	-	-	(155,497)	-	155,497
transfer to Annex V Reserve 22-23 (from Annex V Reserve)	-	-	-	(5,050,724)	-	5,050,724
transfer to Annex V Reserve 24-25 (from Annex V Reserve)	-	-	-	(1,503,052)	-	1,503,052
transfer to Annex V Reserve 26-27 (from Annex V Reserve)	-	-	-	(26,263)	-	26,263
transfer to Annex V Reserve 32-34 (from Annex V Reserve)	-	-	-	(867,702)	-	867,702
TOTAL PER FUNDS	\$ (357,188)	\$ 30,117,322	\$ (1,980,305)	\$ (4,146,939)	\$	(23,632,890)
LESS ELIMINATIONS	(2,418,363)	(29,133,878)	-	7,919,351	-	23,632,890
TOTAL AFTER ELIMINATIONS	\$ (2,775,551)	\$ 983,444	\$ (1,980,305)	\$ 3,772,412	\$	-

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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, 2020

Note 18 – Impact of Coronavirus State Mandate on PWC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which PWC operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to PWC but it is expected to be manageable. To date, PWC has experienced a decline in cash collections of its utility revenues as a result of the COVID19 state mandate via the Governor's Executive Order 124 (and extension 142) that placed a moratorium on the disconnection of utility services to customers for nonpayment. Also, in accordance with the COVID19 mandate, PWC has not been allowed to charge late payment fees related to the nonpayment of said utility bills. The monetary impact has been a decrease in cash collections from March 27, 2020 to June 30, 2020 of approximately \$6,000,000. Additionally, PWC has considered the impact of the COVID19 mandate on the collectability of its outstanding accounts receivables at June 30, 2020. It is anticipated that the majority of payments will eventually be collected, but months later than the original due date. As a result, PWC has increased its estimated allowance for uncollectible accounts by \$481,729 in addition to its normal uncollectible consideration of \$256,242. Based on the analysis performed by PWC, the immaterial impact of COVID19 during the period ending June 30, 2020, has been properly reflected within the financial statements under the allowance for doubtful accounts. As of July 29, 2020, the utility portion of the COVID19 state mandate was removed and PWC has moved forward to set up payment plans in the month of August for affected customers as directed in the Executive Order to recover the cash payments that were not collected during the mandate.

Note 19 – Subsequent Events

The Commission has evaluated events subsequent to October 11, 2020 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 the following events occurred that require recognition or disclosure in the financial statements.

In early FY 21, the Commission was awarded a State Revolving Loan through the N.C. Department of Environmental Quality in the amount of \$17,912,000 but is subject to the approval of the Commission and the City Council through adoption of respective resolutions. This loan is to fund the Rockfish Creek Basin Peak Flow Facilities project. The loan provides an interest free drawdown period through construction and completion, with an offered maximum rate of 1.11% per annum. After the promissory note is executed and the actual rate is determined, the loan is to be amortized and paid back in equal principal installments over a 20-year period plus interest. Project expected completion date is June 2022.

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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 Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	522,127	533,802	565,873
Interest	1,066,552	996,634	836,244
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,885,481	1,283,176	1,346,521
Changes in assumptions	6,872,914	(380,720)	(1,715,410)
Benefit payments	(2,445,562)	(2,953,023)	(2,066,658)
Net change in total OPEB liability	7,901,512	(520,131)	(1,033,430)
Total OPEB liability - beginning	28,248,531	28,768,662	29,802,092
Total OPEB liability - ending	36,150,043	28,248,531	28,768,662
Covered payroll	42,079,777	38,860,875	38,396,209
Total OPEB liability as a percentage of covered payroll	85.91%	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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount Rate	3.51%	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 Seven Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
PWC's proportion of the net pension liability (asset) (%)	0.5720%	0.5575%	0.5727%	0.5647%	0.5617%	0.5597%	0.5439%
PWC's proportion of the net pension liability (asset) (\$)	\$ 15,621,420	\$ 13,227,467	\$ 8,749,736	\$ 11,984,401	\$ 2,521,055	\$ (3,301,280)	\$ 6,556,084
PWC's covered payroll	\$ 42,079,777	\$ 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 payroll	37.12%	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%	99.07%	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 Seven Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 6,289,945	\$ 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>6,289,945</u>	<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>	<u>\$ -</u>
PWC's covered payroll	\$ 44,357,862	\$ 42,079,777	\$ 38,860,875	\$ 38,396,209	\$ 36,757,085	\$ 36,012,022	\$ 35,553,227
Contributions as a percentage of covered payroll	14.18%	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, 2020

	Electric Fund	Electric Rate Stabilization 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	\$ 27,125,834	\$ -	\$ -	\$ -	\$ -	\$ 27,125,834
Investments	64,856,482	-	-	-	-	64,856,482
Receivables	30,853,916	-	-	-	-	30,853,916
Internal balances	3,242,248	-	(153,428)	(3,088,820)	-	-
Less allowance for doubtful accounts	(463,350)	-	-	-	-	(463,350)
Inventories	15,366,191	-	-	-	-	15,366,191
Other current assets	2,871,053	-	-	-	-	2,871,053
Total current unrestricted assets	143,852,374	-	(153,428)	(3,088,820)	-	140,610,126
Current restricted assets						
Cash and cash equivalents	22,771,076	17,414,535	6,738,777	-	1,488,362	48,412,750
Investments	15,424,576	28,479,753	-	-	-	43,904,329
Collateral	464,005	-	-	-	-	464,005
Receivables	711,329	146,074	-	3,389,258	-	4,246,661
Total current restricted assets	39,370,986	46,040,362	6,738,777	3,389,258	1,488,362	97,027,745
Total current assets	183,223,360	46,040,362	6,585,349	300,438	1,488,362	237,637,871
Noncurrent assets						
Other assets	-	-	-	-	-	-
Capital assets:						
Land and land rights	7,074,781	-	-	-	-	7,074,781
Construction in process	31,530,712	-	5,769,052	15,187,562	-	52,487,326
Electric utility systems	209,895,276	-	-	-	-	209,895,276
Buildings	23,015,283	-	-	-	-	23,015,283
Equipment and machinery	7,248,920	-	-	-	-	7,248,920
Computer programs	667,313	-	-	-	-	667,313
Intangibles	5,088,526	-	-	-	-	5,088,526
Vehicles	4,670,994	-	-	-	-	4,670,994
Office equipment	110,384	-	-	-	-	110,384
Capital assets, net	289,302,189	-	5,769,052	15,187,562	-	310,258,803
Total noncurrent assets	289,302,189	-	5,769,052	15,187,562	-	310,258,803
Total assets	472,525,549	46,040,362	12,354,401	15,488,000	1,488,362	547,896,674
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	10,199	-	-	-	-	10,199
Regulatory asset - coal ash	-	-	-	-	-	-
OPEB deferrals	4,665,615	-	-	-	-	4,665,615
Pension deferrals	7,533,777	-	-	-	-	7,533,777
Total deferred outflows of resources	12,209,591	-	-	-	-	12,209,591
LIABILITIES						
Current liabilities to be paid from unrestricted current assets						
Current portion of long-term liabilities	2,630,794	-	-	-	-	2,630,794
Accounts payable and accrued expenses	13,052,173	-	-	-	-	13,052,173
Total current liabilities to be paid from unrestricted current assets	15,682,967	-	-	-	-	15,682,967
Current liabilities to be paid from restricted current assets						
Accounts payable and accrued expenses	9,867,894	-	747,988	1,247,020	-	11,862,902
Total current liabilities to be paid from restricted current assets	9,867,894	-	747,988	1,247,020	-	11,862,902
Total current liabilities	25,550,861	-	747,988	1,247,020	-	27,545,869
Noncurrent liabilities						
Long-term liabilities	24,426,593	-	-	-	-	24,426,593
Total OPEB liability	16,560,916	-	-	-	-	16,560,916
Net pension liability	7,085,103	-	-	-	-	7,085,103
Other liabilities	117,053	-	-	-	-	117,053
Unearned deposits	9,312	-	-	-	-	9,312
Total noncurrent liabilities	48,199,577	-	-	-	-	48,199,577
Total liabilities	73,749,838	-	747,988	1,247,020	-	75,744,846
DEFERRED INFLOWS OF RESOURCES						
OPEB deferral	560,330	-	-	-	-	560,330
Pension deferral	-	-	-	-	-	-
Total deferred inflows of resources	560,330	-	-	-	-	560,330
NET POSITION						
Net investment in capital assets	264,263,167	-	5,733,404	14,692,843	-	284,689,414
Restricted for -						
Capital Projects	626	-	5,990,789	-	-	5,991,415
Renewable energy	5,688,332	-	-	-	-	5,688,332
Other internal restrictions	23,814,134	46,040,362	-	2,142,238	1,488,362	73,485,096
Unrestricted Net Position	116,658,713	-	(117,780)	(2,594,101)	-	113,946,832
Total Net Position	\$ 410,424,972	\$ 46,040,362	\$ 11,606,413	\$ 14,240,980	\$ 1,488,362	\$ 483,801,089

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, 2020

	Electric Fund	Electric Rate Stabilization 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	\$ 189,415,003	\$ -	\$ -	\$ -	\$ -	\$ 189,415,003
Other charges for services	39,722,161	-	-	-	-	39,722,161
Total operating revenues	<u>229,137,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,137,164</u>
Operating expenses						
Power supply and generation	149,893,550	-	-	-	-	149,893,550
Electric operation	20,002,168	-	-	-	-	20,002,168
General and administrative	23,079,605	-	-	-	-	23,079,605
Depreciation	17,559,924	-	-	-	-	17,559,924
Total operating expenses	<u>210,535,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,535,247</u>
Operating income	<u>18,601,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,601,917</u>
Nonoperating revenue (expense)						
Intergovernmental expense	(2,200,000)	-	-	-	-	(2,200,000)
Payment in lieu of taxes	(11,098,087)	-	-	-	-	(11,098,087)
Interest earned on investments	3,034,681	878,024	61,650	-	-	3,974,355
Gain (loss) on disposal of assets	(1,452,062)	-	-	-	-	(1,452,062)
Interest expense	(766,873)	-	-	-	-	(766,873)
Finance costs	(20,613)	-	-	-	-	(20,613)
Total nonoperating revenue (expense)	<u>(12,502,954)</u>	<u>878,024</u>	<u>61,650</u>	<u>-</u>	<u>-</u>	<u>(11,563,280)</u>
Income before transfers and contributions	<u>6,098,963</u>	<u>878,024</u>	<u>61,650</u>	<u>-</u>	<u>-</u>	<u>7,038,637</u>
Contributions	3,248,524	-	-	8,907,170	-	12,155,694
Transfers in	10,674,754	2,858,992	1,620,538	1,300,000	1,480,000	17,934,284
Transfers out	(11,031,942)	(8,856,255)	-	-	(821,638)	(20,709,835)
Change in Net Position	<u>8,990,299</u>	<u>(5,119,239)</u>	<u>1,682,188</u>	<u>10,207,170</u>	<u>658,362</u>	<u>16,418,780</u>
Total Net Position - beginning	<u>401,434,673</u>	<u>51,159,601</u>	<u>9,924,225</u>	<u>4,033,810</u>	<u>830,000</u>	<u>467,382,309</u>
Total Net Position - ending	<u>\$ 410,424,972</u>	<u>\$ 46,040,362</u>	<u>\$ 11,606,413</u>	<u>\$ 14,240,980</u>	<u>\$ 1,488,362</u>	<u>\$ 483,801,089</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, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020			2019
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Electric operations				
Residential, commercial, and industrial sales	\$ 191,593,900	\$ (2,178,897)	\$ 189,415,003	\$ 200,899,188
Other sales of electric	11,907,500	(200,113)	11,707,387	11,322,384
Wholesale power cost adjustment	-	(55)	(55)	222
City Services	1,350,000	48,366	1,398,366	1,469,447
Non-utility charges	2,207,800	1,828,245	4,036,045	1,994,226
Service charges	6,220,000	(508,377)	5,711,623	6,713,794
Miscellaneous	16,855,100	13,695	16,868,795	17,385,857
Total operating revenues	<u>230,134,300</u>	<u>(997,136)</u>	<u>229,137,164</u>	<u>239,785,118</u>
Non-operating revenues				
Interest earned on investments	2,585,000	449,681	3,034,681	3,112,841
Total non-operating revenues	<u>2,585,000</u>	<u>449,681</u>	<u>3,034,681</u>	<u>3,112,841</u>
Contributions				
Contributions	2,399,500	849,024	3,248,524	2,141,175
Total contributions	<u>2,399,500</u>	<u>849,024</u>	<u>3,248,524</u>	<u>2,141,175</u>
Transfers in				
Transfer from Electric Rate Stabilization Fund	8,859,600	(3,345)	8,856,255	3,335,352
Transfer from Fleet Maintenance Fund	-	806,516	806,516	-
Transfer from Series 2014 LED Lighting Fund	-	-	-	1,490,000
Total transfers in	<u>8,859,600</u>	<u>803,171</u>	<u>9,662,771</u>	<u>4,825,352</u>
Budgetary appropriations				
Reserve for REPS	5,314,800	(667,275)	4,647,525	3,509,172
Reserve for Electric capital project	259,100	80	259,180	800,820
Transfer from Coal Ash reserve	8,391,000	146	8,391,146	18,918,198
Appropriated net position	17,028,900	(17,028,900)	-	-
Total budgetary appropriations	<u>30,993,800</u>	<u>(17,695,949)</u>	<u>13,297,851</u>	<u>23,228,190</u>
Total revenues	<u>\$ 274,972,200</u>	<u>\$ (16,591,209)</u>	<u>\$ 258,380,991</u>	<u>\$ 273,092,676</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 155,821,800	\$ 5,928,250	\$ 149,893,550	\$ 163,256,607
Administration	1,276,400	647,133	629,267	945,785
Apparatus repair shop	463,500	979	462,521	434,544
Electric meter shop	60,800	7,352	53,448	(158,519)
Construction and maintenance	12,219,100	923,240	11,295,860	10,880,441
Substation construction	2,724,500	9,069	2,715,431	2,856,234
Engineering	3,245,100	99,875	3,145,225	3,008,808
Renewable resource Energy	85,100	8,095	77,005	543,612
Fiber	304,100	2,450	301,650	281,958
CT metering crews	399,800	21,552	378,248	352,626
Compliance	1,330,900	387,387	943,513	795,478
Total electric operations	<u>177,931,100</u>	<u>8,035,382</u>	<u>169,895,718</u>	<u>183,197,574</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, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020			2019 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,559,300	\$ 404,192	\$ 1,155,108	\$ 1,096,219
Internal audit	59,950	297	59,653	59,658
Communications and community relations	860,200	91,375	768,825	864,269
Financial administration	256,550	98,573	157,977	155,959
Financial planning administration	304,900	3,963	300,937	209,223
Human resources	1,062,950	174,293	888,657	891,796
Accounting	676,850	10,871	665,979	521,973
Accounts receivable	152,800	34,590	118,210	734,748
Payroll	86,850	3,721	83,129	65,955
Customer accounts	1,872,150	26,664	1,845,486	1,883,737
Customer billing and collection support	750,450	47,013	703,437	-
Utility field services	781,650	9,595	772,055	787,775
Meter data management	280,200	334	279,866	326,240
Corporate development	1,558,500	357,975	1,200,525	850,694
Risk management	2,030,650	659,347	1,371,303	956,497
Collections	-	-	-	1,076,560
Capital Projects	-	-	-	117,566
Rates	287,550	9,477	278,073	217,219
Budget	111,300	186	111,114	106,640
Purchasing	329,100	2,011	327,089	320,849
Warehouse	542,500	690	541,810	536,084
Fleet maintenance	2,657,450	1,614,640	1,042,810	1,108,016
Facilities maintenance	336,200	256	335,944	333,334
Customer programs and call center	611,150	15,992	595,158	543,612
Corporate services administration	147,400	4,452	142,948	146,401
Development and marketing	517,750	2,760	514,990	463,952
Telecommunications systems	2,626,800	3,587	2,623,213	1,702,481
Information systems and admin	2,757,250	557,165	2,200,085	2,236,546
Medical insurance	4,177,900	238,118	3,939,782	4,514,887
Other	5,151,150	(47,170)	5,198,320	3,045,046
Allocated rent and fiber clearing	(2,015,600)	10,883	(2,026,483)	(2,037,110)
Overhead clearing	(6,778,800)	(1,561,401)	(5,217,399)	(5,143,739)
Total general and administrative	23,753,050	2,774,449	20,978,601	18,693,087
Total operating expenditures	201,684,150	10,809,831	190,874,319	201,890,661
Non-operating expenditures				
Intergovernmental expense	\$ 2,200,000	\$ -	\$ 2,200,000	\$ 1,200,000
Payment in lieu of taxes	11,098,100	13	11,098,087	10,938,256
Loss on asset disposal	-	(1,452,062)	1,452,062	721,838
Interest expense	962,000	1,383	960,617	974,699
Finance costs	23,200	2,587	20,613	20,289
Total non-operating expenditures	14,283,300	(1,448,079)	15,731,379	13,855,082

**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, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020			2019
	Budget	Variance Positive (Negative)	Actual	Actual
Transfers out				
Transfers to Electric Rate Stabilization Fund	\$ 2,859,000	\$ 8	\$ 2,858,992	\$ 4,091,500
Transfers to Transportation Equipment Fund	1,480,000	-	1,480,000	830,000
Transfers to Annexation V Reserve Fund	3,772,500	88	3,772,412	4,323,300
Transfers to Substation Rebuild Fund	5,000,000	-	5,000,000	5,000,000
Transfers to NDOT E Raeford Rd Fund	1,300,000	-	1,300,000	-
Transfers to Fleet Maintenance Fund	-	-	-	387,382
Total transfers out	<u>14,411,500</u>	<u>96</u>	<u>14,411,404</u>	<u>14,632,182</u>
Budgetary appropriations				
Inventory increase (decrease)	-	208,089	(208,089)	(7,800)
Vehicle and equipment increase (decrease)	-	1,028,018	(1,028,018)	(746,769)
Debt principal payments	1,767,700	2,832	1,764,868	1,125,995
Transfer to REPS Reserve	2,249,900	(4,157)	2,254,057	2,225,206
BWGP Start up Cost Reserve	265,000	71,266	193,734	420,645
Capital outlay	34,442,250	7,294,565	27,147,685	21,967,906
Budget Carryover Reserve	90,000	-	90,000	-
Transfer to Coal Ash Reserve	5,778,400	(228,376)	6,006,776	2,680,879
Total budgetary appropriations	<u>44,593,250</u>	<u>8,372,237</u>	<u>36,221,013</u>	<u>27,666,062</u>
Total expenditures	<u>\$ 274,972,200</u>	<u>\$ 17,734,085</u>	<u>\$ 257,238,115</u>	<u>\$ 258,043,987</u>
Reconciliation of change in Net Position				
Total revenues		\$ (16,591,209)	\$ 258,380,991	\$ 273,092,676
Total expenditures		<u>17,734,085</u>	<u>257,238,115</u>	<u>258,043,987</u>
Subtotal		<u>\$ 1,142,876</u>	<u>1,142,876</u>	<u>15,048,689</u>
Reconciling items:				
Budgetary appropriations			22,923,162	4,437,872
Depreciation			(17,559,924)	(16,864,662)
Amortization for refunding			193,744	232,943
OPEB expense			(850,474)	321,675
LGERS expense			(1,250,530)	(21,969)
Series 2016 LED Conversion Bond Proceeds			-	6,224,234
Transfer of assets from the 2014 LED Lighting Capital Project Fund			-	222,052
Transfer of assets from the Transportation and Equipment Capital Project Fund			821,638	-
Transfer of assets from the Fleet Maintenance Fund			190,345	-
Transfer of assets from the Substation Rebuild Capital Project Fund			3,379,462	-
Total reconciling items			<u>7,847,423</u>	<u>(5,447,855)</u>
Change in Net Position			<u>\$ 8,990,299</u>	<u>\$ 9,600,834</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	8,184,167	7,174,929	878,024	8,052,953
Total revenues	<u>12,353,892</u>	<u>11,344,654</u>	<u>878,024</u>	<u>12,222,678</u>
Expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>12,353,892</u>	<u>11,344,654</u>	<u>878,024</u>	<u>12,222,678</u>
Other financing sources (uses)				
Transfer from Electric Fund	74,627,155	74,377,200	250,000	74,627,200
Transfer from Electric Fund - WPCA	3,861,615	3,861,615	-	3,861,615
Transfer from Electric Fund - True-up credits	7,203,627	4,523,984	2,608,992	7,132,976
Transfer to Electric Fund	(47,045,900)	(39,186,252)	(7,856,255)	(47,042,507)
Transfer to Electric Fund - Duke Energy True-up	(3,761,600)	(3,761,600)	-	(3,761,600)
Transfer to Electric-City Interlocal Agreement-COVID19	(1,000,000)	-	(1,000,000)	(1,000,000)
Loan to Electric & W/WW General Fund	(9,800,000)	-	-	-
Appropriated Net Position	(36,438,789)	-	-	-
Total other financing sources (uses)	<u>(12,353,892)</u>	<u>39,814,947</u>	<u>(5,997,263)</u>	<u>33,817,684</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 51,159,601</u>	<u>(5,119,239)</u>	<u>\$ 46,040,362</u>
Reconciling items:				
Change in Net Position			<u>\$ (5,119,239)</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, 2020

	Project Authorization	Total Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on other investments	-	14,225	-	61,650	75,875
Total revenues	<u>\$ -</u>	<u>\$ 14,225</u>	<u>\$ -</u>	<u>\$ 61,650</u>	<u>\$ 75,875</u>
Expenditures					
Construction	-	3,834,214	(3,379,462)	2,583,407	3,038,159
Engineering	-	356,719	-	604,994	961,713
Right of Way	-	1,387,093	-	(5,452)	1,381,641
Other	-	911,825	-	(524,285)	387,540
Total expenditures	<u>36,000,000</u>	<u>6,489,851</u>	<u>(3,379,462)</u>	<u>2,658,664</u>	<u>5,769,053</u>
Revenues under expenditures	<u>(36,000,000)</u>	<u>(6,475,626)</u>	<u>3,379,462</u>	<u>(2,597,014)</u>	<u>(5,693,178)</u>
Other financing sources					
Transfer (to) from Electric Fund	36,000,000	9,910,000	(3,379,462)	1,620,538	8,151,076
Total other financing sources	<u>36,000,000</u>	<u>9,910,000</u>	<u>(3,379,462)</u>	<u>1,620,538</u>	<u>8,151,076</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,434,374</u>	<u>\$ -</u>	<u>(976,476)</u>	<u>\$ 2,457,898</u>
Reconciling items:					
Capital outlay				2,658,664	
Change in Net Position				<u>\$ 1,682,188</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	2,129,496	7,915,083	10,044,579
Engineering	-	-	371,598	371,598
Right of way	-	3,119,548	260,251	3,379,799
Other	-	1,354,871	36,715	1,391,586
Total expenditures	<u>24,200,000</u>	<u>6,603,915</u>	<u>8,583,647</u>	<u>15,187,562</u>
Revenues under expenditures	<u>(24,200,000)</u>	<u>(6,603,915)</u>	<u>(8,583,647)</u>	<u>(15,187,562)</u>
Other financing sources				
Transfer from Electric Fund	2,400,000	-	1,300,000	1,300,000
NCDOT proceeds	<u>21,800,000</u>	<u>4,033,810</u>	<u>8,907,170</u>	<u>12,940,980</u>
Total other financing sources	<u>24,200,000</u>	<u>4,033,810</u>	<u>10,207,170</u>	<u>14,240,980</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (2,570,105)</u>	<u>1,623,523</u>	<u>\$ (946,582)</u>
Reconciling items:				
Capital outlay			<u>8,583,647</u>	
Change in Net Position			<u>\$ 10,207,170</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, 2020

	Project Authorization	Total Prior Years	Closed Projects	Current Year	Total
Revenues					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Equipment Purchases	2,431,000	-	(821,638)	821,638	-
Total expenditures	<u>2,431,000</u>	<u>-</u>	<u>(821,638)</u>	<u>821,638</u>	<u>-</u>
Revenues under expenditures	(2,431,000)	-	821,638	(821,638)	-
Other financing sources					
Transfer (to) from Electric Fund	2,431,000	830,000	(821,638)	1,480,000	1,488,362
Total other financing sources	<u>2,431,000</u>	<u>830,000</u>	<u>(821,638)</u>	<u>1,480,000</u>	<u>1,488,362</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 830,000</u>	<u>-</u>	658,362	<u>\$ 1,488,362</u>
Reconciling items:					
Capital outlay				821,638	
Transfer of assets to the Electric Fund				(821,638)	
Change in Net Position				<u>\$ 658,362</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, 2020

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund
ASSETS									
Current unrestricted assets									
Cash and cash equivalents	\$ 2,193,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	25,372,160	-	-	-	-	-	-	-	-
Receivables	21,592,202	-	-	-	-	-	-	-	-
Internal balances	16,159,373	-	-	-	-	-	-	-	-
Less Allowance for doubtful accounts	(274,705)	-	-	-	-	(1,366)	(34,640)	(3,969,411)	(507,142)
Inventories	2,896,186	-	-	-	-	-	-	-	-
Other current assets	826,725	-	-	-	-	-	-	-	-
Total current unrestricted assets	68,765,601	-	-	-	-	(1,366)	(34,640)	(3,969,411)	(507,142)
Current restricted assets									
Cash and cash equivalents	11,351,295	1,105,373	10,233,512	-	6,391,760	-	1,658,934	-	-
Investments	11,487,383	-	10,995,312	-	4,006,463	-	-	-	-
Collateral	192,671	-	-	-	-	-	-	-	-
Receivables	1,458,676	-	-	-	12,602	1,366	13,857	4,260,000	88,849
Total current restricted assets	24,490,025	1,105,373	21,228,824	-	10,410,825	1,366	1,672,791	4,260,000	88,849
Total current assets	93,255,626	1,105,373	21,228,824	-	10,410,825	-	1,638,151	290,589	(418,293)
Noncurrent assets									
Other assets	194,714	-	-	-	-	-	-	-	-
Capital Assets:									
Land and land rights	12,180,177	-	-	-	-	-	-	-	-
Construction in process	38,113,227	-	-	-	-	8,529,810	6,228,546	161,792	3,725,034
Water system	257,930,375	-	-	-	-	-	-	-	-
Sewer system	367,426,997	-	-	-	-	-	-	-	-
Buildings	4,164,053	-	-	-	-	-	-	-	-
Equipment and machinery	2,685,307	-	-	-	-	-	-	-	-
Computer equipment	1,048,005	-	-	-	-	-	-	-	-
Intangibles	3,488,387	-	-	-	-	-	-	-	-
Vehicles	3,805,182	-	-	-	-	-	-	-	-
Office equipment	18,031	-	-	-	-	-	-	-	-
Capital assets, net	690,859,741	-	-	-	-	8,529,810	6,228,546	161,792	3,725,034
Total noncurrent assets	691,054,455	-	-	-	-	8,529,810	6,228,546	161,792	3,725,034
Total assets	784,310,081	1,105,373	21,228,824	-	10,410,825	8,529,810	7,866,697	452,381	3,306,741
DEFERRED OUTFLOWS OF RESOURCES									
Deferred charge on refunding	1,321,207	-	-	-	-	-	-	-	-
OPEB deferrals	5,534,019	-	-	-	-	-	-	-	-
Pension deferrals	8,930,167	-	-	-	-	-	-	-	-
Total deferred outflows of resources	15,785,393	-	-	-	-	-	-	-	-

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

Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2020

	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	Big Rockfish SS Outfall Capital Project Fund	Big Rockfish SS Outfall Lift Station Elim Capital Project Fund	Annexation Phase V Areas 26/27 Capital Project Fund	Total
ASSETS									
Current unrestricted assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,193,660
Investments	-	-	-	-	-	-	-	-	25,372,160
Receivables	-	-	-	-	-	-	-	-	21,592,202
Internal balances	(162,510)	(429,779)	(1,869,124)	(19,745)	(8,522,434)	(396,890)	(244,431)	(1,901)	-
Less Allowance for doubtful accounts	-	-	-	-	-	-	-	-	(274,705)
Inventories	-	-	-	-	-	-	-	-	2,896,186
Other current assets	-	-	-	-	-	-	-	-	826,725
Total current unrestricted assets	<u>(162,510)</u>	<u>(429,779)</u>	<u>(1,869,124)</u>	<u>(19,745)</u>	<u>(8,522,434)</u>	<u>(396,890)</u>	<u>(244,431)</u>	<u>(1,901)</u>	<u>52,606,228</u>
Current restricted assets									
Cash and cash equivalents	-	19,474,645	-	-	-	-	-	-	50,215,519
Investments	-	-	-	-	-	-	-	-	26,489,158
Collateral	-	-	-	-	-	-	-	-	192,671
Receivables	4,138	355,146	-	-	153,818	-	-	-	6,348,452
Total current restricted assets	<u>4,138</u>	<u>19,829,791</u>	<u>-</u>	<u>-</u>	<u>153,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,245,800</u>
Total current assets	<u>(158,372)</u>	<u>19,400,012</u>	<u>(1,869,124)</u>	<u>(19,745)</u>	<u>(8,368,616)</u>	<u>(396,890)</u>	<u>(244,431)</u>	<u>(1,901)</u>	<u>135,852,028</u>
Noncurrent assets									
Other assets	-	-	-	-	-	-	-	-	194,714
Capital Assets:									
Land and land rights	-	-	-	-	-	-	-	-	12,180,177
Construction in process	3,160,144	28,498,782	1,881,664	1,655,416	9,413,419	426,879	255,333	119,025	102,169,071
Water system	-	-	-	-	-	-	-	-	257,930,375
Sewer system	-	-	-	-	-	-	-	-	367,426,997
Buildings	-	-	-	-	-	-	-	-	4,164,053
Equipment and machinery	-	-	-	-	-	-	-	-	2,685,307
Computer equipment	-	-	-	-	-	-	-	-	1,048,005
Intangibles	-	-	-	-	-	-	-	-	3,488,387
Vehicles	-	-	-	-	-	-	-	-	3,805,182
Office equipment	-	-	-	-	-	-	-	-	18,031
Capital assets, net	<u>3,160,144</u>	<u>28,498,782</u>	<u>1,881,664</u>	<u>1,655,416</u>	<u>9,413,419</u>	<u>426,879</u>	<u>255,333</u>	<u>119,025</u>	<u>754,915,585</u>
Total noncurrent assets	<u>3,160,144</u>	<u>28,498,782</u>	<u>1,881,664</u>	<u>1,655,416</u>	<u>9,413,419</u>	<u>426,879</u>	<u>255,333</u>	<u>119,025</u>	<u>755,110,299</u>
Total assets	<u>3,001,772</u>	<u>47,898,794</u>	<u>12,540</u>	<u>1,635,671</u>	<u>1,044,803</u>	<u>29,989</u>	<u>10,902</u>	<u>117,124</u>	<u>890,962,327</u>
DEFERRED OUTFLOWS OF RESOURCES									
Deferred charge on refunding	-	-	-	-	-	-	-	-	1,321,207
OPEB deferrals	-	-	-	-	-	-	-	-	5,534,019
Pension deferrals	-	-	-	-	-	-	-	-	8,930,167
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,785,393</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, 2020

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund
LIABILITIES									
Current liabilities to be paid from unrestricted current assets									
Current portion of long-term liabilities	\$ 15,401,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	13,320,830	-	-	-	-	-	-	-	-
Total current liabilities to be paid from unrestricted current assets	28,721,942	-	-	-	-	-	-	-	-
Current liabilities to be paid from restricted current assets									
Accounts payable and accrued expenses	4,607,644	-	-	-	809,157	-	156,978	345,923	191,701
Total current liabilities to be paid from restricted current assets	4,607,644	-	-	-	809,157	-	156,978	345,923	191,701
Total current liabilities	33,329,586	-	-	-	809,157	-	156,978	345,923	191,701
Noncurrent liabilities									
Long-term liabilities	284,250,556	-	-	-	-	-	-	-	-
Total OPEB liability	19,589,127	-	-	-	-	-	-	-	-
Net pension liability	8,536,326	-	-	-	-	-	-	-	-
Unearned deposits	437,183	-	-	-	-	-	-	-	-
Total noncurrent liabilities	312,813,192	-	-	-	-	-	-	-	-
Total liabilities	346,142,778	-	-	-	809,157	-	156,978	345,923	191,701
DEFERRED INFLOWS OF RESOURCES									
OPEB deferral	678,896	-	-	-	-	-	-	-	-
Pension deferral	0	-	-	-	-	-	-	-	-
Total deferred inflows of resources	678,896	-	-	-	-	-	-	-	-
NET POSITION									
Net investment in capital assets	415,458,281	-	-	-	-	8,529,810	6,079,641	105,718	3,604,872
Restricted for -									
Capital Projects	4,267	-	10,233,512	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Other internal restrictions	19,878,114	1,105,373	10,995,312	-	9,601,668	1,366	-	3,914,077	-
Unrestricted Net Position	17,933,138	-	-	-	-	(1,366)	1,630,078	(3,913,337)	(489,832)
Total Net Position	\$ 453,273,800	\$ 1,105,373	\$ 21,228,824	\$ -	\$ 9,601,668	\$ 8,529,810	\$ 7,709,719	\$ 106,458	\$ 3,115,040

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

Combining Schedule of Net Position
Water and Wastewater Utility
June 30, 2020

	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	Big Rockfish SS Outfall Capital Project Fund	Big Rockfish SS Outfall Lift Station Elim Capital Project Fund	Annexation Phase V Areas 26/27 Capital Project Fund	Total
LIABILITIES									
Current liabilities to be paid from unrestricted current assets									
Current portion of long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,401,112
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	13,320,830
Total current liabilities to be paid from unrestricted current assets	-	-	-	-	-	-	-	-	28,721,942
Current liabilities to be paid from restricted current assets									
Accounts payable and accrued expenses	155,942	4,756,560	12,540	46,011	1,044,803	29,989	10,902	90,861	12,259,011
Total current liabilities to be paid from restricted current assets	155,942	4,756,560	12,540	46,011	1,044,803	29,989	10,902	90,861	12,259,011
Total current liabilities	155,942	4,756,560	12,540	46,011	1,044,803	29,989	10,902	90,861	40,980,953
Noncurrent liabilities									
Long-term liabilities	-	-	-	-	-	-	-	-	284,250,556
Total OPEB liability	-	-	-	-	-	-	-	-	19,589,127
Net pension liability	-	-	-	-	-	-	-	-	8,536,326
Unearned deposits	-	-	-	-	-	-	-	-	437,183
Total noncurrent liabilities	-	-	-	-	-	-	-	-	312,813,192
Total liabilities	155,942	4,756,560	12,540	46,011	1,044,803	29,989	10,902	90,861	353,794,145
DEFERRED INFLOWS OF RESOURCES									
OPEB deferral	-	-	-	-	-	-	-	-	678,896
Pension deferral	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-	678,896
NET POSITION									
Net investment in capital assets	3,143,492	27,854,431	1,881,664	1,655,416	8,947,309	426,879	255,333	119,025	478,061,871
Restricted for -									
Capital Projects	-	-	-	-	-	-	-	-	10,237,779
Debt service	-	-	-	-	-	-	-	-	-
Other internal restrictions	-	-	-	-	-	-	-	-	45,495,910
Unrestricted Net Position	(297,662)	15,287,803	(1,881,664)	(65,756)	(8,947,309)	(426,879)	(255,333)	(92,762)	18,479,119
Total Net Position	\$ 2,845,830	\$ 43,142,234	\$ -	\$ 1,589,660	\$ -	\$ -	\$ -	\$ 26,263	\$ 552,274,679

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, 2020

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 18/19 Capital Project Fund	NCDOT Capital Project Fund	Series 2016 Water/Wastewater Capital Project Fund	Annexation Phase V Areas 20/21 Capital Project Fund	Hurricane Matthew Capital Project Fund	Annexation Phase V Areas 22/23 Capital Project Fund
Operating revenues									
Residential, commercial, and industrial sales	\$ 94,248,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other charges for services	13,167,014	-	-	-	-	-	-	2,594,936	-
Total operating revenues	<u>107,415,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,594,936</u>	<u>-</u>
Operating expenses									
Water operations	18,346,817	-	-	-	-	-	-	-	-
Wastewater operations	19,947,339	-	-	-	-	-	-	-	-
General and administrative	22,266,466	-	-	-	-	-	-	-	-
Depreciation	25,875,770	-	-	-	-	-	-	-	-
Total operating expenses	<u>86,436,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	<u>20,978,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,594,936</u>	<u>-</u>
Nonoperating revenue (expense)									
Intergovernmental revenue	1,676,853	-	-	-	-	-	-	-	-
Interest earned on investments	1,499,850	12,081	364,762	-	140,055	-	-	-	-
Gain (loss) on disposal of assets	(51,386)	-	-	-	-	-	-	-	-
Interest expense	(9,537,899)	-	-	-	-	-	-	-	-
Finance costs	(26,673)	-	-	-	-	-	-	-	-
Total nonoperating revenue (expense)	<u>(6,439,255)</u>	<u>12,081</u>	<u>364,762</u>	<u>-</u>	<u>140,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers and contributions	<u>14,539,367</u>	<u>12,081</u>	<u>364,762</u>	<u>-</u>	<u>140,055</u>	<u>-</u>	<u>-</u>	<u>2,594,936</u>	<u>-</u>
Capital Contributions	4,921,084	-	-	-	-	-	-	3,863,207	-
Transfers in	40,854,545	250,000	8,127,452	10	(1,339,710)	-	155,497	-	5,050,724
Transfers out	(10,737,223)	-	(12,274,391)	-	5,184,463	(2,059,590)	(6,387,767)	(9,015,159)	(3,043,313)
Change in Net Position	<u>49,577,773</u>	<u>262,081</u>	<u>(3,782,177)</u>	<u>10</u>	<u>3,984,808</u>	<u>(2,059,590)</u>	<u>(6,232,270)</u>	<u>(2,557,016)</u>	<u>2,007,411</u>
Total Net Position - beginning	<u>403,696,027</u>	<u>843,292</u>	<u>25,011,001</u>	<u>(10)</u>	<u>5,616,860</u>	<u>10,589,400</u>	<u>13,941,989</u>	<u>2,663,474</u>	<u>1,107,629</u>
Total Net Position - ending	<u>\$ 453,273,800</u>	<u>\$ 1,105,373</u>	<u>\$ 21,228,824</u>	<u>\$ -</u>	<u>\$ 9,601,668</u>	<u>\$ 8,529,810</u>	<u>\$ 7,709,719</u>	<u>\$ 106,458</u>	<u>\$ 3,115,040</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, 2020

	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	Big Rockfish SS Outfall Capital Project Fund	Big Rockfish SS Outfall Lift Station Elim Capital Project Fund	Annexation Phase V Areas 26/27 Capital Project Fund	Total
Operating revenues									
Residential, commercial, and industrial sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,248,000
Other charges for services	-	-	-	-	-	-	-	-	15,761,950
Total operating revenues	-	-	-	-	-	-	-	-	110,009,950
Operating expenses									
Water operations	-	-	-	-	-	-	-	-	18,346,817
Wastewater operations	-	-	-	-	-	-	-	-	19,947,339
General and administrative	-	-	-	-	-	-	-	-	22,266,466
Depreciation	-	-	-	-	-	-	-	-	25,875,770
Total operating expenses	-	-	-	-	-	-	-	-	86,436,392
Operating income	-	-	-	-	-	-	-	-	23,573,558
Nonoperating revenue (expense)									
Intergovernmental revenue	-	-	-	-	-	-	-	-	1,676,853
Interest earned on investments	-	-	-	-	-	-	-	-	2,016,748
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	(51,386)
Interest expense	-	-	-	-	-	-	-	-	(9,537,899)
Finance costs	-	-	-	-	-	-	-	-	(26,673)
Total nonoperating revenue (expense)	-	-	-	-	-	-	-	-	(5,922,357)
Income (loss) before transfers and contributions	-	-	-	-	-	-	-	-	17,651,201
Capital Contributions	-	-	-	-	-	-	-	-	8,784,291
Transfers in	1,799,202	16,220	-	1,503,052	-	-	-	26,263	56,443,255
Transfers out	-	(13,354,419)	-	-	-	-	-	-	(51,687,399)
Change in Net Position	1,799,202	(13,338,199)	-	1,503,052	-	-	-	26,263	31,191,348
Total Net Position - beginning	1,046,628	56,480,433	-	86,608	-	-	-	-	521,083,331
Total Net Position - ending	\$ 2,845,830	\$ 43,142,234	\$ -	\$ 1,589,660	\$ -	\$ -	\$ -	\$ 26,263	\$ 552,274,679

**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, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020			2019
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
Water operations				
Residential, commercial, and industrial sales	\$ 44,476,100	\$ (14,527)	\$ 44,461,573	\$ 41,076,760
Other sales of water	3,204,800	178,423	3,383,223	3,301,124
Connection fees	310,000	93,197	403,197	425,323
City services	346,900	61,930	408,830	354,972
Total water operations	48,337,800	319,023	48,656,823	45,158,179
Wastewater operations				
Residential, commercial, and industrial sales	49,064,800	721,627	49,786,427	48,217,237
Other sales of wastewater	487,800	106,342	594,142	687,583
Connection fees	190,000	25,575	215,575	187,389
City services	138,400	34,560	172,960	161,358
Total wastewater operations	49,881,000	888,104	50,769,104	49,253,567
Other operating revenues				
Non-utility charges	2,071,500	69,702	2,141,202	1,367,693
Service charges	4,862,800	(6,442)	4,856,358	2,349,934
Miscellaneous	667,500	324,028	991,528	218,134
Total other operating revenues	7,601,800	387,288	7,989,088	3,935,761
Total operating revenues	105,820,600	1,594,415	107,415,015	98,347,507
Non-operating revenues				
Intergovernmental revenue	2,218,200	(541,347)	1,676,853	2,897,079
Gain on asset disposal	-	-	-	332,942
Interest earned on investments	1,128,000	371,850	1,499,850	1,670,482
Total non-operating revenues	3,346,200	(169,497)	3,176,703	4,900,503
Contributions				
Contributions	2,133,600	1,160,540	3,294,140	1,739,490
Total contributions	2,133,600	1,160,540	3,294,140	1,739,490
Transfers in				
Transfer from Annexation Phase V Reserve Fund	4,679,400	(8,257)	4,671,143	4,336,021
Transfer from Fleet	-	697,928	697,928	-
Total transfers in	4,679,400	689,671	5,369,071	4,336,021
Budgetary appropriations				
Reserve for W/WW capital projects	-	-	-	847,862
Transfer from capitalized interest	2,211,000	-	2,211,000	-
Appropriation from Water/Wastewater Net Position	10,952,750	(10,952,750)	-	1,034,392
Total budgetary appropriations	13,163,750	(10,952,750)	2,211,000	1,882,254
Total revenues	\$ 129,143,550	\$ (7,677,621)	\$ 121,465,929	\$ 111,205,775
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 2,066,850	\$ 171,142	\$ 1,895,708	\$ 1,897,222
Water meter shop	59,100	154,569	(95,469)	(37,812)
Water maintenance and repair	5,759,400	795	5,758,605	5,356,115
Contract system maintenance	151,320	1,551	149,769	177,964
P. O. Hoffer water treatment plant	7,224,800	380,451	6,844,349	5,850,359
Glenville Lake water treatment plant	3,196,500	304,807	2,891,693	2,704,005
Environmental system protection	240,750	13,390	227,360	222,859
Laboratory	313,450	7,965	305,485	299,602
Environmental	124,100	16	124,084	120,299
Watersheds	254,700	9,467	245,233	254,805
Total water operations	19,390,970	1,044,153	18,346,817	16,845,418

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, 2020
(with comparative actual amounts for the year ended June 30, 2019)

		2020		
	Budget	Variance Positive (Negative)	Actual	2019 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 2,066,850	\$ 171,142	\$ 1,895,708	\$ 1,897,222
Sewer maintenance and repair	9,201,600	7,463	9,194,137	9,374,559
Contract system maintenance	100,880	1,034	99,846	118,643
Cross Creek WW treatment plant	3,535,100	3,679	3,531,421	3,440,368
Rockfish Creek WW treatment plant	4,270,100	9,053	4,261,047	3,578,802
Residuals management	308,600	349	308,251	263,456
Environmental system protection	240,750	13,390	227,360	222,859
Laboratory	313,450	7,965	305,485	299,602
Environmental	124,100	16	124,084	120,299
Total wastewater operations	20,161,430	214,091	19,947,339	19,315,810
General and administrative				
Executive	1,060,500	433,368	627,132	569,478
Internal audit	59,950	446	59,504	59,658
Communications and community relations	845,200	58,417	786,783	843,439
Financial administration	256,550	99,557	156,993	152,447
Financial planning administration	305,700	6,415	299,285	203,947
Human resources	1,038,350	185,805	852,545	881,293
Accounting	678,350	22,537	655,813	507,144
Accounts receivable	154,800	36,984	117,816	733,846
Payroll	86,850	3,947	82,903	65,866
Customer accounts	1,857,150	31,919	1,825,231	1,875,049
Customer billing and collection support	764,450	63,385	701,065	1,875,049
Utility field service	806,650	3,249	803,401	845,646
Meter data management	246,200	4,146	242,054	273,047
Corporate development	1,560,500	359,347	1,201,153	841,567
Risk management	2,092,150	551,894	1,540,256	889,136
Collections	-	-	-	610,587
Capital projects	-	-	-	117,468
Rates	192,550	51,452	141,098	133,151
Budget	111,000	2,037	108,963	105,331
Purchasing	326,200	8,873	317,327	310,238
Warehouse	533,400	4,770	528,630	489,163
Fleet maintenance	2,657,450	528,220	2,129,230	1,707,444
Facilities maintenance	335,200	3,576	331,624	332,847
Customer programs administration and call center	596,150	34,510	561,640	516,248
Corporate services administration	145,800	4,963	140,837	142,683
Development and marketing	219,350	116,454	102,896	117,721

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, 2020
 (with comparative actual amounts for the year ended June 30, 2019)

	2020			2019
	Budget	Variance Positive (Negative)	Actual	Actual
General and administrative (continued)				
Telecommunications systems	\$ 2,565,600	\$ 1,085	\$ 2,564,515	\$ 1,644,140
Information systems and admin	2,820,250	621,568	2,198,682	2,260,991
Medical insurance	4,385,700	38,279	4,347,421	4,871,165
Other	3,681,900	633,934	3,047,966	1,547,874
Overhead clearing	(6,901,500)	(394,027)	(6,507,473)	(6,001,865)
Total general and administrative	23,482,400	3,517,110	19,965,290	19,521,798
Total operating expenditures	63,034,800	4,775,354	58,259,446	55,683,026
Non-operating expenditures				
Interest expense	10,977,250	266,276	10,710,974	10,252,644
Loss on asset disposal	-	(51,386)	51,386	-
Finance costs	379,100	352,427	26,673	383,296
Total non-operating expenditures	11,356,350	567,317	10,789,033	10,635,940
Transfers out				
Transfer to 2002 State Revolving Loan Fund	-	-	-	-
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	3,940,600	(414,440)	4,355,040	4,029,134
Transfer to NCDOT Fund	4,949,100	(235,363)	5,184,463	1,000,000
Transfer to Hurricane Matthew Fund	-	-	-	80,000
Transfer to Fleet Maintenance Fund	-	-	-	387,382
Total transfers out	9,139,700	(649,803)	9,789,503	5,746,516
Budgetary appropriations				
Inventory increase (decrease)	-	(429,353)	429,353	(68,108)
Vehicle and equipment increase (decrease)	-	1,112,921	(1,112,921)	(805,378)
Debt principal payments	16,262,250	53	16,262,197	16,738,216
Capital outlay	28,856,450	963,184	27,893,266	17,291,484
Transfer to Budget Carryover Reserve	494,000	-	494,000	-
Total budgetary appropriations	45,612,700	1,646,805	43,965,895	33,156,214
Total expenditures	\$ 129,143,550	\$ 6,339,673	\$ 122,803,877	\$ 105,221,696

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, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020		2019
	Variance		
Budget	Positive (Negative)	Actual	Actual
Reconciliation of change in Net Position			
Total revenue	\$ (7,677,621)	\$ 121,465,929	\$ 111,205,775
Total expenditures	6,339,673	122,803,877	105,221,696
Subtotal	<u>\$ (1,337,948)</u>	(1,337,948)	5,984,079
Reconciling items:			
Budgetary appropriations		41,754,895	31,273,960
Depreciation		(25,875,770)	(25,068,167)
Amortization for refunding		1,173,075	1,256,237
OPEB expense		(851,696)	381,966
LGERS expense		(1,449,479)	(26,056)
Developer and FIF credits		1,626,944	12,941,054
Series 2016 Annex 20 & 21 bond proceeds		931,500	(6,224,234)
Series 2018 Annex 20 & 21 bond proceeds		-	(7,455,000)
Series 2018 Annex 32 & 33 bond proceeds		(931,500)	-
Series 2018 Water & Wastewater bond proceeds		(16,220)	(62,945,000)
Transfer of assets from Annexation Phase V, Areas 18-19		-	7,242,844
Transfer of assets from Annexation Phase V, Areas 20-21		5,456,267	-
Transfer of assets from Annexation Phase V, Areas 22-23		3,043,313	-
Transfer of assets from Hurricane Matthew Capital Project Fund		9,015,159	-
Transfer of assets (to) / from NCDOT Capital Project Fund		1,339,710	(280,398)
Transfer of assets from Series 2014 Water/WW Capital Project Fund		-	6,778,113
Transfer of assets from Series 2016 Water/WW Capital Project Fund		2,059,590	2,999,784
Transfer of assets from Series 2018 Water/WW Capital Project Fund		13,354,419	6,464,567
Transfer of assets (to) / from the Fleet Maintenance Fund		285,514	-
Total reconciling items		<u>50,915,721</u>	<u>(32,660,330)</u>
Change in Net Position		<u>\$ 49,577,773</u>	<u>\$ (26,676,251)</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 455,000	\$ 428,292	\$ 12,081	\$ 440,373
Total revenues	<u>455,000</u>	<u>428,292</u>	<u>12,081</u>	<u>440,373</u>
Other financing sources				
Transfer from Water and Wastewater Fund	7,750,000	7,500,000	250,000	7,750,000
Transfer to Water and Wastewater Fund	(7,085,000)	(7,085,000)	-	(7,085,000)
Appropriated Net Position	(1,120,000)	-	-	-
Total other financing sources	<u>(455,000)</u>	<u>415,000</u>	<u>250,000</u>	<u>665,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 843,292</u>	<u>262,081</u>	<u>\$ 1,105,373</u>
Change in Net Position			<u>\$ 262,081</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, 2020

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 1,735,000	\$ 1,235,308	\$ 364,762	\$ 1,600,070
Total revenues	<u>1,735,000</u>	<u>1,235,308</u>	<u>364,762</u>	<u>1,600,070</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>1,655,644</u>	<u>1,155,952</u>	<u>364,762</u>	<u>1,520,714</u>
Other financing sources (uses)				
Transfer from Electric Fund	16,363,116	12,590,616	3,772,412	16,363,028
Assessments transfer	16,826,700	13,621,685	2,339,144	15,960,829
Transfer from Water and Wastewater Fund	18,483,923	16,468,023	2,015,896	18,483,919
Transfer to Water and Wastewater Fund-Debt Service	(19,612,000)	(14,940,394)	(4,671,143)	(19,611,537)
Transfer (to) Water and Wastewater Fund	(811,600)	-	-	-
Transfer from the City	11,261,179	11,242,372	-	11,242,372
Transfer from 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, Areas 14-15 Fund	(198,512)	(198,512)	-	(198,512)
Transfer from to Annexation Phase V, Areas 16-17 Fund	(1,212,013)	(1,212,013)	-	(1,212,013)
Transfer from to Annexation Phase V, Areas 18-19 Fund	(11,098,122)	(11,098,112)	(10)	(11,098,122)
Transfer from to Annexation Phase V, Areas 20-21 Fund	(800,309)	(376,106)	(155,497)	(531,603)
Transfer from to Annexation Phase V, Areas 22-23 Fund	(18,000,000)	(1,107,629)	(5,050,724)	(6,158,353)
Transfer from to Annexation Phase V, Areas 24-25 Fund	(500,000)	(86,608)	(1,503,052)	(1,589,660)
Transfer from to Annexation Phase V, Areas 26-27 Fund	(500,000)	-	(26,263)	(26,263)
Transfer from to Annexation Phase V, Areas 32-34 Fund	(8,000,000)	(1,046,628)	(867,702)	(1,914,330)
Appropriated Net Position	(3,856,361)	-	-	-
Total other financing sources (uses)	<u>(1,655,644)</u>	<u>23,855,048</u>	<u>(4,146,939)</u>	<u>19,708,109</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 25,011,000</u>	<u>(3,782,177)</u>	<u>\$ 21,228,823</u>
Reconciling items:				
Change in Net Position			<u>\$ (3,782,177)</u>	

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

Schedule of Changes in the Status of Annexation Phase V - Areas 18 through 19 Capital Project Fund
From Inception and for the Period Ended June 30, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ 25,975	\$ -	\$ 25,975
Expenditures				
Construction	-	13,930,153	-	13,930,153
Engineering	-	1,389,652	-	1,389,652
Right of way	-	201,526	-	201,526
City participation	-	(497,168)	-	(497,168)
Other	-	654,934	-	654,934
Total expenditures	<u>18,225,000</u>	<u>15,679,097</u>	<u>-</u>	<u>15,679,097</u>
Revenues under expenditures	<u>(18,225,000)</u>	<u>(15,653,122)</u>	<u>-</u>	<u>(15,653,122)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	13,670,000	11,098,112	10	11,098,122
Bond proceeds	4,555,000	4,555,000	-	4,555,000
Total other financing sources	<u>18,225,000</u>	<u>15,653,112</u>	<u>10</u>	<u>15,653,122</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (10)</u>	<u>10</u>	<u>\$ -</u>
Reconciling items:				
Change in Net Position			<u>\$ 10</u>	

Capital Project Fund closed at June 30, 2020

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, 2020

	Project Authorization	Total Prior Years	Closed Projects	Current Year	Total
Revenues					
Total revenues	\$ -	\$ 148,187	\$ -	\$ 140,055	\$ 288,242
Expenditures					
Construction	68,155,000	299,397	(1,459,604)	1,339,710	179,503
Total expenditures	68,155,000	299,397	(1,459,604)	1,339,710	179,503
Revenues under expenditures	(68,155,000)	(151,210)	1,459,604	(1,199,655)	108,739
Other financing sources					
Transfer from Water/Wastewater Fund	68,155,000	5,768,070	(1,459,604)	5,184,463	9,492,929
Total other financing sources	68,155,000	5,768,070	(1,459,604)	5,184,463	9,492,929
Revenues and other financing sources over (under) expenditures	\$ -	\$ 5,616,860	-	3,984,808	\$ 9,601,668
Reconciling items:					
Capital outlay				1,339,710	
Transfer of assets to the Water/Wastewater Fund				(1,339,710)	
Change in Net Position				\$ 3,984,808	

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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on bond proceeds	\$ -	\$ 483,695	\$ 7,828	\$ 491,523
Total revenues	<u>-</u>	<u>483,695</u>	<u>7,828</u>	<u>491,523</u>
Expenditures				
Construction	-	34,978,722	468,274	35,446,996
Engineering	-	1,436,343	-	1,436,343
ROW	-	159,394	-	159,394
Other	-	1,644,256	-	1,644,256
Total expenditures	<u>38,195,466</u>	<u>38,218,715</u>	<u>468,274</u>	<u>38,686,989</u>
Revenues under expenditures	<u>(38,195,466)</u>	<u>(37,735,020)</u>	<u>(460,446)</u>	<u>(38,195,466)</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>\$ 460,446</u>	<u>(460,446)</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			460,446	
Transfer of assets to the Water and Wastewater Fund			(2,059,590)	
Change in Net Position			<u>(2,059,590)</u>	

* Budget was prepared net, this is shown gross as such all expenditures were within the budget ordinance

Capital Project Fund closed at June 30, 2020

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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 172,238	\$ 57,172	\$ 229,410
Total revenues	<u>-</u>	<u>172,238</u>	<u>57,172</u>	<u>229,410</u>
Expenditures				
Construction	-	7,920,150	2,671,850	10,592,000
Engineering	-	954,054	33,546	987,600
Right of way	-	113,351	-	113,351
City Participation	-	(79,625)	(220,667)	(300,292)
Other	-	470,938	163,977	634,915
Total expenditures	<u>13,548,133</u>	<u>9,378,868</u>	<u>2,648,706</u>	<u>12,027,574</u>
Revenues under expenditures	<u>(13,548,133)</u>	<u>(9,206,630)</u>	<u>(2,591,534)</u>	<u>(11,798,164)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	800,309	376,106	155,497	531,603
Series 2016 bond proceeds	5,292,824	6,224,234	(931,500)	5,292,734
Series 2018 bond proceeds	7,455,000	7,455,000	-	7,455,000
Total other financing sources	<u>13,548,133</u>	<u>14,055,340</u>	<u>(776,003)</u>	<u>13,279,337</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,848,710</u>	<u>(3,367,537)</u>	<u>\$ 1,481,173</u>
Reconciling items:				
Capital outlay			2,591,534	
Transfer of assets to the Water and Wastewater Fund			(5,456,267)	
Change in Net Position			<u>\$ (6,232,270)</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	4,500,536	3,753,688	8,254,224
Engineering	-	740,553	117,341	857,894
Right of Way	-	12,250	-	12,250
Other	-	52,583	-	52,583
Total expenditures	<u>12,196,310</u>	<u>5,305,922</u>	<u>3,871,029</u>	<u>9,176,951</u>
Revenues under expenditures	<u>(12,196,310)</u>	<u>(5,305,922)</u>	<u>(3,871,029)</u>	<u>(9,176,951)</u>
Other financing sources				
Insurance proceeds	4,680,000	2,000,000	2,594,936	4,594,936
FEMA proceeds	7,436,310	583,474	3,863,207	4,446,681
Transfer from Water/Wastewater Fund	80,000	80,000	-	80,000
Total other financing sources	<u>12,196,310</u>	<u>2,663,474</u>	<u>6,458,143</u>	<u>9,121,617</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (2,642,448)</u>	2,587,114	<u>\$ (55,334)</u>
Reconciling items:				
Capital outlay			3,871,029	
Transfer of assets to the Water/Wastewater Fund			(9,015,159)	
Change in Net Position			<u>\$ (2,557,016)</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	4,765,925	4,765,925
Engineering	-	1,023,765	309,165	1,332,930
Right of Way	-	103,609	332,591	436,200
City reimbursement	-	-	(128,814)	(128,814)
Other	-	47,627	314,479	362,106
Total expenditures	<u>18,000,000</u>	<u>1,175,001</u>	<u>5,593,346</u>	<u>6,768,347</u>
Revenues under expenditures	<u>(18,000,000)</u>	<u>(1,175,001)</u>	<u>(5,593,346)</u>	<u>(6,768,347)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	18,000,000	1,107,629	5,050,724	6,158,353
Total other financing sources	<u>18,000,000</u>	<u>1,107,629</u>	<u>5,050,724</u>	<u>6,158,353</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (67,372)</u>	<u>(542,622)</u>	<u>\$ (609,994)</u>
Reconciling items:				
Capital outlay			5,593,346	
Transfer of assets to the Water and Wastewater Fund			(3,043,313)	
Change in Net Position			<u>\$ 2,007,411</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	328,890	328,890
Engineering	-	1,342,353	1,400,274	2,742,627
Right of Way	-	-	32,585	32,585
Other	-	35,814	20,228	56,042
Total expenditures	<u>79,200,000</u>	<u>1,378,167</u>	<u>1,781,977</u>	<u>3,160,144</u>
Revenues under expenditures	<u>(79,200,000)</u>	<u>(1,378,167)</u>	<u>(1,781,977)</u>	<u>(3,160,144)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	8,000,000	1,046,628	867,702	1,914,330
Bond proceeds	70,268,500	-	-	-
Series 2016 proceeds	931,500	-	931,500	931,500
Total other financing sources	<u>79,200,000</u>	<u>1,046,628</u>	<u>1,799,202</u>	<u>2,845,830</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (331,539)</u>	<u>17,225</u>	<u>\$ (314,314)</u>
Reconciling items:				
Capital outlay			1,781,977	
Change in Net Position			<u>\$ 1,799,202</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ 770,560	\$ 585,226	\$ 1,355,786
Total revenues	<u>-</u>	<u>770,560</u>	<u>585,226</u>	<u>1,355,786</u>
Expenditures				
Construction	-	15,224,840	29,674,154	44,898,994
Engineering	-	2,207,797	548,473	2,756,270
Right of Way	-	219,364	91,629	310,993
Other	-	926,360	780,936	1,707,296
Total expenditures	<u>62,961,220</u>	<u>18,578,361</u>	<u>31,095,192</u>	<u>49,673,553</u>
Revenues under expenditures	<u>(62,961,220)</u>	<u>(17,807,801)</u>	<u>(30,509,966)</u>	<u>(48,317,767)</u>
Other financing sources				
2018 Revenue Bond Proceeds	62,961,220	62,945,000	16,220	62,961,220
Total other financing sources	<u>62,961,220</u>	<u>62,945,000</u>	<u>16,220</u>	<u>62,961,220</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 45,137,199</u>	<u>(30,493,746)</u>	<u>\$ 14,643,453</u>
Reconciling items:				
Capital outlay			30,509,966	
Transfer of assets to the Water and Wastewater Fund			(13,354,419)	
Change in Net Position			<u>\$ (13,338,199)</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	806,600	799,790	1,606,390
Right of Way	-	275,162	112	275,274
Total expenditures	<u>17,912,000</u>	<u>1,081,762</u>	<u>799,902</u>	<u>1,881,664</u>
Revenues under expenditures	<u>(17,912,000)</u>	<u>(1,081,762)</u>	<u>(799,902)</u>	<u>(1,881,664)</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>\$ (1,081,762)</u>	<u>(799,902)</u>	<u>\$ (1,881,664)</u>
Reconciling items:				
Capital outlay			799,902	
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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	-	-	-
Engineering	-	255,663	1,318,100	1,573,763
Right of Way	-	-	10,750	10,750
Other	-	4,066	66,837	70,903
Total expenditures	<u>18,775,000</u>	<u>259,729</u>	<u>1,395,687</u>	<u>1,655,416</u>
Revenues under expenditures	<u>(18,775,000)</u>	<u>(259,729)</u>	<u>(1,395,687)</u>	<u>(1,655,416)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	500,000	86,608	1,503,052	1,589,660
Bond proceeds	<u>18,275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>18,775,000</u>	<u>86,608</u>	<u>1,503,052</u>	<u>1,589,660</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (173,121)</u>	<u>107,365</u>	<u>\$ (65,756)</u>
Reconciling items:				
Capital outlay			1,395,687	
Change in Net Position			<u>\$ 1,503,052</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, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	2,280,323	6,850,261	9,130,584
Engineering	-	132,425	15,451	147,876
Right of Way	-	-	2,561	2,561
Other	-	-	132,398	132,398
Total expenditures	<u>9,800,000</u>	<u>2,412,748</u>	<u>7,000,671</u>	<u>9,413,419</u>
Revenues under expenditures	<u>(9,800,000)</u>	<u>(2,412,748)</u>	<u>(7,000,671)</u>	<u>(9,413,419)</u>
Other financing sources				
Bond proceeds	<u>9,800,000</u>	-	-	-
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>\$ (2,412,748)</u>	<u>(7,000,671)</u>	<u>\$ (9,413,419)</u>
Reconciling items:				
Capital outlay			<u>7,000,671</u>	
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 Big Rockfish - SS Outfall Capital Project Fund
From Inception and for the Period Ended June 30, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	402,862	402,862
Right of Way	-	-	24,017	24,017
Other	-	-	-	-
Total expenditures	16,162,109	-	426,879	426,879
Revenues under expenditures	(16,162,109)	-	(426,879)	(426,879)
Other financing sources				
State loan proceeds	16,162,109	-	-	-
Total other financing sources	16,162,109	-	-	-
Revenues and other financing sources under expenditures	\$ -	\$ -	(426,879)	\$ (426,879)
Reconciling items:				
Capital outlay			426,879	
Change in Net Position			\$ -	

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

Schedule of Changes in the Status of Big Rockfish - SS Outfall Lift Station Elimination Capital Project Fund
From Inception and for the Period Ended June 30, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	231,836	231,836
Right of Way	-	-	23,497	23,497
Total expenditures	<u>6,255,105</u>	<u>-</u>	<u>255,333</u>	<u>255,333</u>
Revenues under expenditures	<u>(6,255,105)</u>	<u>-</u>	<u>(255,333)</u>	<u>(255,333)</u>
Other financing sources				
State loan proceeds	6,255,105	-	-	-
Total other financing sources	<u>6,255,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(255,333)</u>	<u>\$ (255,333)</u>
Reconciling items:				
Capital outlay			255,333	
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 26 through 27 Capital Project Fund
From Inception and for the Period Ended June 30, 2020

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	115,044	115,044
Right of Way	-	-	3,980	3,980
Total expenditures	<u>17,100,000</u>	<u>-</u>	<u>119,024</u>	<u>119,024</u>
Revenues under expenditures	<u>(17,100,000)</u>	<u>-</u>	<u>(119,024)</u>	<u>(119,024)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	500,000	-	26,263	26,263
Bond proceeds	<u>16,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>17,100,000</u>	<u>-</u>	<u>26,263</u>	<u>26,263</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(92,761)</u>	<u>\$ (92,761)</u>
Reconciling items:				
Capital outlay			119,024	
Change in Net Position			<u>\$ 26,263</u>	

COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2020
(with comparative actual amounts for the period ended June 30, 2019)

	2020		2019
	Budget	Variance Positive (Negative)	Actual
Revenues			
Operating revenues			
City services	\$ -	\$ -	\$ 6,212,716
PWC services	4,877,200	(1,537,339)	2,250,121
Other revenue	-	45	71,794
Total operating revenues	<u>4,877,200</u>	<u>(1,537,294)</u>	<u>8,534,631</u>
Transfers in			
Transfers from Electric Fund	-	-	387,382
Transfers from Water and Wastewater Fund	-	-	387,382
Total transfers-in	<u>-</u>	<u>-</u>	<u>774,764</u>
Total revenues	<u>\$ 4,877,200</u>	<u>\$ (1,537,294)</u>	<u>\$ 9,309,395</u>
Expenditures			
Operating expenditures			
Fleet maintenance	4,877,200	(911,412)	8,405,166
Total operating expenditures	<u>4,877,200</u>	<u>(911,412)</u>	<u>8,405,166</u>
Budgetary appropriations			
Capital outlay	-	-	774,764
Total budgetary appropriations	<u>-</u>	<u>-</u>	<u>774,764</u>
Total expenditures	<u>\$ 4,877,200</u>	<u>\$ (911,412)</u>	<u>\$ 9,179,930</u>
Reconciliation of changes in Net Position			
Total revenues		\$ (1,537,294)	\$ 9,309,395
Total expenditures		(911,412)	9,179,930
Subtotal		<u>\$ (625,882)</u>	<u>129,465</u>
Reconciling items:			
Budgetary appropriations		-	774,764
Depreciation		(140,278)	(153,029)
OPEB expense		-	23,564
Transfer of assets to Electric Fund		(654,667)	-
Transfer of assets to Water and Wastewater Fund		(1,325,658)	-
Total reconciling items		<u>(2,120,603)</u>	<u>645,299</u>
Change in Net Position		<u>\$ (2,746,485)</u>	<u>\$ 774,764</u>

This fund closed at June 30, 2020

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Bonded Indebtedness

June 30, 2020

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
9/11/14	2014 Electric & Water & Wastewater	111,455,000	5.00%	2020	3,520,000	-	3,520,000	-	-
			5.00%	2021	3,700,000	-	-	3,700,000	3,700,000
			5.00%	2022	3,885,000	-	-	3,885,000	-
			5.00%	2023	4,070,000	-	-	4,070,000	-
			5.00%	2024	4,280,000	-	-	4,280,000	-
			3.00%	2025	4,495,000	-	-	4,495,000	-
			3.00%	2026	4,635,000	-	-	4,635,000	-
			4.00%	2027	4,770,000	-	-	4,770,000	-
			3.50%	2028	4,960,000	-	-	4,960,000	-
			3.50%	2029	5,135,000	-	-	5,135,000	-
			3.50%	2030	5,310,000	-	-	5,310,000	-
			3.50%	2031	5,495,000	-	-	5,495,000	-
			3.50%	2032	5,695,000	-	-	5,695,000	-
			4.00%	2033	5,890,000	-	-	5,890,000	-
			4.00%	2034	6,125,000	-	-	6,125,000	-
			4.00%	2035	6,370,000	-	-	6,370,000	-
			4.00%	2036	6,625,000	-	-	6,625,000	-
			3.50%	2037	6,885,000	-	-	6,885,000	-
			4.00%	2038	7,130,000	-	-	7,130,000	-
			4.00%	2039	7,410,000	-	-	7,410,000	-
					106,385,000	-	3,520,000	102,865,000	3,700,000
10/22/09	G.O. Water & Wastewater	4,403,885	4.00%	2020	170,907		170,907	-	-
			4.00%	2021	170,907		-	170,907	170,907
								341,814	-
6/29/16	2016 Electric & Water & Wastewater	114,405,000	5.00%	2020	6,545,000	-	6,545,000	-	-
			5.00%	2021	6,770,000	-	-	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	-
					106,680,000	-	6,545,000	100,135,000	6,770,000

PUBLIC WORKS COMMISSION
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Bonded Indebtedness

June 30, 2020

Issue Date	Fund	Original Issue	Interest Rate	Year of Maturity	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
12/13/19	2018 Electric & Water & Wastewater	83,645,000	5.00%	2020	6,405,000	-	6,405,000	-	-
			5.00%	2021	3,215,000	-	-	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	-	6,405,000	77,240,000	3,215,000
Total bond indebtedness					\$ 297,051,814	\$ -	\$ 16,640,907	\$ 280,410,907	\$ 13,855,907

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					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities										
Net investment in capital assets	\$ 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	762,751,285
Restricted for:										
Renewable Energy	-	-	-	-	-	-	6,593,822	9,365,765	9,564,920	5,688,332
Capital projects	20,494	9,758	9,758	9,758	63,088,028	7,050	1,151,800	1,476,402	8,081,798	16,229,194
Debt service	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	118,981,006
Unrestricted	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	132,425,951
Total primary government net positions	<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>	<u>1,036,075,768</u>
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government										
Net investment in capital assets	\$ 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	762,751,285
Restricted for:										
Renewable Energy	-	-	-	-	-	-	6,593,822	9,365,765	9,564,920	5,688,332
Capital projects	20,494	9,758	9,758	9,758	63,088,028	7,050	1,151,800	1,476,402	8,081,798	16,229,194
Debt service	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	118,981,006
Unrestricted	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	132,425,951
Total primary government net positions	<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>	<u>1,036,075,768</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business type activities										
Operating revenue										
Charges for services	\$ 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	\$ 283,663,003
Misc operating revenue	328,726	16,400	5,021	1,104	334	-	-	-	71,794	45
Operating revenues	-	-	-	-	-	-	-	-	56,450,477	58,823,972
Total operating revenue	271,033,857	276,032,674	291,119,363	300,782,153	308,619,944	311,122,241	322,721,879	334,079,581	346,715,456	342,487,020
Operating expenses										
Power supply and generation	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	149,893,550
Electric operations	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	20,002,168
Water operations	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	18,346,817
Miscellaneous operating expense-water	327,681	15,010	-	-	-	-	-	-	-	-
Sanitary sewer operations	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	19,947,339
General and administrative	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	45,346,073
Depreciation	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	43,575,970
Fleet maintenance	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	3,965,808
Total operating expenses	207,058,542	208,066,180	266,025,012	282,768,256	276,072,412	266,470,400	269,275,618	282,651,927	304,966,870	301,077,725
Operating income (loss)	63,975,315	67,966,494	25,094,351	18,013,897	32,547,532	44,651,842	53,446,261	51,427,654	41,748,586	41,409,295
Nonoperating revenue (expense)										
Intergovernmental revenue	-	-	-	-	-	117,531	1,463,287	4,456,255	2,897,079	1,676,853
Intergovernmental expense	-	-	-	-	-	-	(1,200,000)	(1,200,000)	(1,200,000)	(2,200,000)
Payment in lieu of taxes	-	-	-	-	-	(9,547,800)	(9,966,765)	(10,428,117)	(10,938,256)	(11,098,087)
Interest earned on investments	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	5,991,103
Gain (loss) on disposal of assets	(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)	(1,503,448)
Interest expense	(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)	(10,304,772)
Amortization	(1,487,207)	(1,480,623)	(1,004,424)	(714,299)	(661,958)	(677,796)	(677,796)	-	-	-
Finance costs	(21,225)	(19,425)	(100,162)	(62,588)	(678,741)	(745,198)	(71,880)	(35,580)	(403,585)	(47,286)
Total nonoperating revenue (expense)	(8,647,235)	(6,147,362)	(4,950,928)	(4,939,071)	(9,219,604)	(25,594,348)	(22,383,740)	(14,830,508)	(13,203,945)	(17,485,637)
Income (loss) before transfers and contributions	55,328,080	61,819,132	20,143,423	13,074,826	23,327,928	19,057,494	31,062,521	36,597,146	28,544,641	23,923,658
Capital contributions	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	20,939,985
Special Item- Hope Mills	-	-	-	-	-	(7,148,131)	1,593,935	-	-	-
Transfers in	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	5,752,717
Transfers out	(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)	(5,752,717)
Transfers in -City of Fayetteville	627,172	1,332,077	2,934,498	4,379,817	3,596,493	-	-	-	-	-
Transfers out -City of Fayetteville	(10,800,269)	(9,820,653)	(10,961,399)	(12,303,615)	(12,527,760)	-	-	-	-	-
Change in net position	\$ 57,309,139	\$ 64,483,129	\$ 15,920,491	\$ 14,591,803	\$ 22,201,606	\$ 22,305,676	\$ 39,778,411	\$ 43,029,830	\$ 49,983,644	\$ 44,863,643

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
2020	877,632,568	652,150,477	333,679,175	22,013,726	59,633,202	1,945,109,148	\$ 20.00	\$ 0.1300	\$ 0.1300
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

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
2020	3,670,402	1,683,616	928,701	1,187,772	552,518	8,023,009	\$ 14.50	\$ -	\$ -	\$ 2.58	\$ 3.07	\$ 4.17	\$ 4.99
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

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	Total Direct Rate Wastewater			
							Base Rate ^a	per Mgal ^b	Usage Rate	
									Sewer Only Flat Rate	
									Inside	Outside
2020	3,276,441	1,585,272	663,070	138,145	432,326	6,095,254	\$ 14.50	\$ 5.28	\$ 35.62	\$ 62.34
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	6,027,913	7.75	4.87	32.10	49.74
2013	3,245,769	1,707,549	387,928	133,323	459,421	5,933,990	7.00	4.87	31.35	47.05
2012	3,326,474	1,718,225	373,945	94,442	459,677	5,972,763	6.40	4.87	30.75	44.58
2011	3,418,513	1,710,285	371,696	82,085	460,746	6,043,325	5.88	4.77	29.73	41.63

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential										
Basic	\$ 10.80	\$ 10.80	\$ 10.80	\$ 11.80	\$ 13.50	\$ 13.50	\$ 15.00	\$ 17.50	\$ 20.00	\$ 20.00
Energy, first 500 kWh	0.0900	0.0946	0.0946	0.0964	0.0990	0.0990	0.1004	0.1010	0.1300	0.1300
All additional kWh	0.0977	-	-	-	-	-	-	-	-	-
General service										
Basic	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00	\$ 30.00	\$ 30.00
Demand, first 10 kW	-	0.1013	0.1013	0.1013	0.1013	0.0990	0.0990	0.1050	0.1350	0.1350
all additional kW	8.1000	-	-	-	-	-	-	-	-	-
Energy, first 2,000 kWh	0.1013	-	-	-	-	-	-	-	-	-
all additional kW	0.0605	-	-	-	-	-	-	-	-	-
Lg General service										
Basic	\$ 240.00	\$ 240.00	\$ 240.00	\$ 250.00	\$ 265.00	\$ 275.00	\$ 290.00	\$ 290.00	\$ 290.00	\$ 290.00
Demand, all kW	12.10	12.10	12.10	13.00	14.00	15.25	17.00	17.25	19.63	21.09
Excess Off Peak	2.00	-	-	-	-	-	-	-	-	-
Energy On Peak	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	0.0455
Small industrial service										
Basic	\$ 18.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demand, first 10 kW	-	-	-	-	-	-	-	-	-	-
all additional kW	8.1000	-	-	-	-	-	-	-	-	-
Energy, first 2,000 kWh	0.1012	-	-	-	-	-	-	-	-	-
all additional kW	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	\$ 600.00	\$ 600.00	\$ 600.00	\$ 625.00	\$ 650.00	\$ 675.00	\$ 700.00	\$ 700.00	\$ -	\$ -
Demand, first 5,000 kW	14.50	-	-	-	-	-	-	-	-	-
next 5,000 kW	13.45	-	-	-	-	-	-	-	-	-
All additional kW	12.80	-	-	-	-	-	-	-	-	-
Energy, all kWh	0.0383	0.0504	0.0504	0.0523	0.0542	0.0515	0.0515	0.0525	0.0290	0.0255
Traffic signal service										
Basic	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00	\$ -	\$ -
Energy, all kWh	0.06350	0.06350	0.06350	0.06790	0.07250	0.07250	0.07250	0.07250	-	-
Church service										
Basic	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 23.00	\$ 27.00	\$ -	\$ -
Energy, first 500 kWh	0.10560	-	-	-	-	-	-	-	-	-
NEXT 2,000 kWh	-	-	-	-	-	-	-	-	-	-
all additional kWh	0.09890	0.09960	0.09960	0.10130	0.10130	0.09900	0.10040	0.10500	-	-
Sports field lighting service										
Basic	\$ 18.00	\$ 18.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00	\$ 30.00	\$ 35.00	\$ 37.00	\$ 37.00
Energy, all kWh	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.06790	0.10500	0.13500	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**

	2011		2012		2013		2014		2015	
	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city	inside city	outside city
Base rate (meter size)										
5/8"	\$ 5.74	\$ 8.04	\$ 6.27	\$ 9.09	\$ 7.00	\$ 10.50	\$ 7.75	\$ 12.00	\$ 9.00	\$ 14.40
3/4"	5.74	8.04	6.27	9.09	7.00	10.50	7.75	12.00	9.00	14.40
1"	8.62	12.07	9.52	13.80	11.00	16.50	12.00	18.60	14.00	22.40
1.5"	15.19	21.27	16.94	24.56	19.00	28.50	21.00	32.55	24.00	38.40
2"	23.41	32.77	26.22	38.02	30.00	45.00	33.00	51.15	39.00	62.40
3"	42.73	59.82	48.00	69.64	55.00	82.50	60.00	93.00	70.00	112.00
4"	70.27	98.38	79.12	114.72	90.00	135.00	100.00	155.00	115.00	184.00
6"	138.49	193.89	156.14	226.40	175.00	262.50	195.00	302.25	225.00	360.00
8"	220.69	308.97	248.94	360.96	280.00	420.00	310.00	480.50	360.00	576.00
Usage rate 1,000 gallons										
Residential										
first 5,000 gallons=5Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
next 5,000 gallons=(6-10Mgals)	-	-	-	-	-	-	-	-	-	-
first 6,000 gallons = 6 Mgal	-	-	-	-	-	-	-	-	-	-
each additional 1,000 gallons	-	-	-	-	-	-	-	-	-	-
first 2,000 gallons=2Mgal	2.17	3.04	2.22	3.22	2.22	3.33	2.22	3.44	2.26	3.62
next 3,000 gallons (3-5Mgals)	2.59	3.63	2.64	3.83	2.64	3.96	2.64	4.09	2.69	4.3
next 5,000 gallons=(6-10Mgals)	3.54	4.96	3.59	5.21	3.59	5.39	3.59	5.56	3.65	5.84
each additional gallon	4.24	5.94	4.29	6.22	4.29	6.44	4.29	6.65	4.37	6.99
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.56	6.38	4.61	6.68	4.61	6.92	4.61	7.15	4.69	7.5
next 30,000 gallons=(31-60Mgals)	5.60	7.84	5.65	8.19	5.65	8.48	5.65	8.76	5.75	9.2
each additional gallon	8.73	12.22	8.78	12.73	8.78	13.17	8.78	13.61	8.94	14.3
Backflow Prevention Assembly Inspection Chrg	0.90	0.90	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	\$ 2.56	\$ 3.58	\$ 2.67	\$ 3.87	\$ 2.67	\$ 4.01	\$ 2.67	\$ 4.14	\$ 2.71	\$ 4.34
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 1.94	\$ 1.94	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.03	\$ 2.06	\$ 2.10	\$ 2.10
Fire hydrant delivery										
Basic Facilities per Meter Set	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
per 1,000 gallons = 1 Mgal	2.56	2.56	2.67	2.67	2.67	2.67	2.67	2.67	2.71	2.71
Bulk water delivery										
Basic Facilities per Truckload	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	300	300
Temporary Permit=1 Month	0.00	0.00	-	-	-	-	-	-	-	-
each additional month <3 months	0.00	0.00	-	-	-	-	-	-	-	-

* 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

	2016		2017		2018		2019		2020	
	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"	\$ 10.00	\$ 16.50	\$ 10.00	\$ 16.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3/4"	10.00	16.50	10.00	16.50	13.00	22.75	14.50	25.40	14.50	25.40
1"	16.00	26.40	18.40	31.30	20.80	36.40	23.10	40.40	23.10	40.40
1.5"	27.00	44.55	31.05	52.80	35.10	61.45	38.30	67.00	38.30	67.00
2"	45.00	74.25	51.75	88.00	58.50	102.40	63.70	111.50	63.70	111.50
3"	80.00	132.00	92.00	156.40	104.00	182.00	149.10	260.90	149.10	260.90
4"	130.00	214.50	149.50	254.15	169.00	295.75	248.70	435.20	248.70	435.20
6"	255.00	420.75	293.25	498.55	331.50	580.15	444.00	777.00	444.00	777.00
8"	400.00	660.00	460.00	782.00	520.00	910.00	732.10	1281.20	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	2.34	3.86	2.36	4.01	2.45	4.29	2.58	4.52	2.58	4.52
next 3,000 gallons (3-5Mgals)	2.78	4.59	2.81	4.78	2.91	5.09	3.07	5.37	3.07	5.37
next 5,000 gallons=(6-10Mgals)	3.78	6.24	3.82	6.49	3.96	6.93	4.17	7.3	4.17	7.3
each additional gallon	4.52	7.46	4.56	7.75	4.73	8.28	4.99	8.73	4.99	8.73
Water irrigation										
per 1,000 gallons = 1 Mgal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
first 30,000 gallons=30Mgal	4.86	8.02	4.9	8.33	5.09	8.91	5.36	9.38	5.36	9.38
next 30,000 gallons=(31-60Mgals)	5.96	9.83	6.01	10.22	6.24	10.92	6.57	11.50	6.57	11.50
each additional gallon	9.25	15.26	9.33	15.86	9.69	16.96	10.2	17.85	10.2	17.85
Backflow Prevention Assembly Inspection Char	0.9	0.9	1.6	1.6	1.6	1.6	1.97	2.0	1.97	2.0
Commercial water service										
per 1,000 gallons = 1 Mgal	\$ 2.81	\$ 4.64	\$ 2.83	\$ 4.81	\$ 2.94	\$ 5.15	\$ 3.10	\$ 5.43	\$ 3.10	\$ 5.43
Large water usage										
per 1,000 gallons = 1 Mgal	\$ 2.18	\$ 2.18	\$ 2.34	\$ 2.34	\$ 2.43	\$ 2.43	\$ 2.59	\$ 2.59	\$ 2.59	\$ 2.59
Fire hydrant delivery										
Basic Facilities per Meter Set	\$ 25.00	\$ 25.00	\$ 51.75	\$ 51.75	\$ 58.50	\$ 58.50	\$ 63.70	\$ 63.70	\$ 63.70	\$ 63.70
per 1,000 gallons = 1 Mgal	2.81	2.81	2.83	2.83	2.94	2.94	3.1	3.1	3.10	3.10
Bulk water delivery										
Basic Facilities per Truckload	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	-	-	-	-	-	-	-	-	-	-
Yearly permit fee	300	300	315	315	330	330	350	350	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

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

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

	2016		2017		2018		2019		2020	
	<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"	\$ 10.00	\$ 10.00	\$ 11.50	\$ 19.55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3/4"	10.00	10.00	11.50	19.55	13.00	22.75	14.50	25.40	14.50	25.40
1"	16.00	26.40	18.40	31.30	20.80	36.40	23.10	40.40	23.10	40.40
1.5"	27.00	44.55	31.05	52.80	35.10	61.45	38.30	67.00	38.30	67.00
2"	45.00	74.25	51.75	88.00	58.50	102.40	63.70	111.50	63.70	111.50
3"	80.00	132.00	92.00	156.40	104.00	182.00	149.10	260.90	149.10	260.90
4"	130.00	214.50	149.50	254.15	169.00	295.75	248.70	435.20	248.70	435.20
6"	255.00	420.75	293.25	498.55	331.50	580.15	444.00	777.00	444.00	777.00
8"	400.00	660.00	460.00	782.00	520.00	910.00	732.10	1,281.20	732.10	1,281.20
Usage rate										
Sanitary sewer service										
<i>Basic Facilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	5.00	8.25	5.25	8.93	5.25	9.19	5.28	9.24	5.28	9.24
<i>Commercial wastewater service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons = 1 Mgal	5.00	8.25	5.25	8.93	5.25	9.19	5.28	9.24	5.28	9.24
Sewer only										
Flat monthly	\$ 34.50	\$ 56.93	\$ 34.60	\$ 58.82	\$ 35.05	\$ 61.34	\$ 35.62	\$ 62.34	\$ 35.62	\$ 62.34
Large user sanitary sewer service										
per 1,000 gallons = 1 Mgal	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.94	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96
Bulk liquid waste service										
<i>Basic Facilities</i>	\$ 16.00	\$ 16.00	\$ 18.40	\$ 18.40	\$ 20.80	\$ 20.80	\$ 23.10	\$ 23.10	\$ 23.10	\$ 23.10
per 1,000 gallons = 1 Mgal	35.00	57.00	35.00	58.82	35.10	61.34	35.62	62.34	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 2011	Fiscal Year 2020
Cape Fear Valley Medical Center	Goodyear
Cargill	Mann+Hummel (Purolator)
CBL Associates	Cape Fear Valley Hospital
Fayetteville State University	Cargill
Fayetteville Technical Community College	FSU
Food Lion	VA Hospital
Goodyear Tire & Rubber	Momentive Specialty Chemicals
Momentive Specialty Chemicals (Hexion)	Nitta Gelatin
Purolator Totalized	Law Enforcement Center
Walmart Totalized	Cumberland County Social Services

These customers represented kWh sales for 2011 and 2020 of 400,009,581 and 321,891,566, respectively; and revenue of \$21,090,211 and \$23,648,632. The aggregate sum of the ten largest electric customers' revenue received compared to the total electric sales revenue is 11.30% and 11.81%.

No individual customer comprised more than 4.47% and 4.75% of total electric sales revenue.

Water Revenue

Fiscal Year 2011	Fiscal Year 2020
Aqua Water	Ft Bragg
Cape Fear Valley Medical Center	Town of Spring Lake
Cargill	Hoke County
DAK Resins	DAK Resins (Monsanto)
Ft Bragg/Harnett	Goodyear Tire
Goodyear Tire & Rubber	Carolina By Products
Hoke County	Aqua Water
Momentive Specialty Chemicals (Hexion)	Cape Fear Valley Medical Center
Town of Spring Lake	Cargill
Town of Stedman	Momentive Specialty Chemicals

These customers represented sales for 2011 and 2020 of 2,090,900,496 and 1,949,948,587 gallons, respectively; and revenues of \$4,088,686 and \$5,470,878. The aggregate sum of the ten largest water customers' revenue received compared to the overall total water sales revenue is 12.81% and 11.31%. No individual customer comprised more than 5.25% and 4.01% of total water sales revenue.

Wastewater Revenue

Fiscal Year 2011	Fiscal Year 2020
Cape Fear Valley Medical Center	Carolina By Products
Cargill	Cape Fear Valley Medical Center
Carolina By Products	Nitta Gelatin
Fayetteville Technical Community College	Cargill
Goodyear Tire & Rubber	Stedman
Momentive Specialty Chemicals (Hexion)	Norcross
Nitta Gelatin	Goodyear Tire
Norcross	Fayetteville State University
Purolator Totalized	Momentive Specialty Chemicals
Town of Stedman	Eastover Sanitary District

These customers represented sales for 2011 and 2020 of 506,953,436 and 703,240,587 gallons, respectively; and revenues of \$1,751,552 and \$2,955,105. The aggregate sum of the ten largest wastewater customers' revenue is 5.03% and 5.82%. No individual customer comprised more than 1.48% and 1.96% of total wastewater sales revenue.

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

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes	Total		
				Amount	Per Capita ⁽¹⁾	As a Share of Personal Income
2020	\$ 182,873	\$ 301,284,350	\$ 20,823,103	\$ 322,290,326	\$ 960.60	3.95%
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%

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	Less:			Net	Debt Service ⁽⁵⁾			Coverage Ratio ⁽⁴⁾
	Service Charges	Operating Expenses ⁽¹⁾	Other Adjustments ⁽²⁾	Available Revenues	Principal	Interest ⁽³⁾	Total		
2020	\$ 342,481,407	\$ 255,759,866	\$ -	\$ 86,721,541	\$ 17,856,158	\$ 11,660,197	\$ 29,516,355	\$ 2.94	
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	

(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
2020	335,509	\$ 8,153,204,209	\$ 24,301	10.10%
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	9.50%
2012	374,295	7,667,807,370	20,486	9.80%
2011	341,363	7,417,135,264	21,728	10.10%

Sources:

1. Fayetteville, NC Website.
2. Census Quick Facts - Population and 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>2020</u>			<u>2011</u>		
	<u>Percentage of Total County</u>			<u>Percentage of Total County</u>		
	<u>Employees</u>	<u>Employment</u>	<u>Rank</u>	<u>Employees</u>	<u>Employment</u>	<u>Rank</u>
U.S. Dept. of Defense (Civil Service) ⁽¹⁾	8,757	6.98%	1	5,886	4.50%	3
Cape Fear Valley Health System	7,100	5.66%	2	4,990	3.82%	4
Cumberland County Schools	6,800	5.42%	3	6,782	5.19%	2
Cumberland County	2,466	1.97%	4	2,492	1.91%	6
Wal-Mart Stores	2,656	2.12%	5	17,172	13.14%	1
Goodyear Tire & Rubber Co.	2,500	1.99%	6	2,650	2.03%	5
City of Fayetteville	1,760	1.40%	7	1,980	1.51%	7
Mann-Hummel (Purolator)	1,236	0.99%	8	1,150	0.88%	10
Fayetteville Technical Community College	1,387	1.11%	9	1,407	1.08%	8
Wal-Mart Distribution Center	1,300	1.04%	10	-	-	-
US Postal Service	-	-	-	1,300	0.99%	9
 Total Employment (Ten Largest Civilian Employers)	 35,962	 28.68%		 45,809	 35.04%	

(1) Civilian employment only. Excludes military personnel in excess of 52,000.

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Electric:										
Electric Substation	13	14	13	14	14	13	12	13	15	11
Electric Power Supply	3	3	3	3	3	3	3	2	2	1
Electric Generation	30	29	25	25	25	23	23	26	26	28
Electric Engineering	22	21	22	22	21	22	19	21	20	25
Electric Construction	81	79	74	73	76	68	72	68	67	66
Water/Wastewater:										
Water Plant Operations	17	16	15	15	15	15	14	14	14	14
Wastewater Plant Operations	19	18	16	16	17	17	17	17	17	17
Water/Wastewater Systems Maintenance	25	25	21	22	21	21	22	23	22	22
Water Resources Engineering	34	32	34	34	33	31	31	33	28	32
Water Resources Construction	99	99	97	93	100	97	97	96	96	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	6	5	6	6	6	5
Environmental System Protection	4	4	4	4	4	4	4	4	4	4
Watersheds	2	1	1	1	1	1	1	3	1	3
Administration:										
Billing/Customer Service	64	63	56	57	55	56	56	54	50	57
Meter Reading	8	4	5	5	5	5	4	4	4	10
Utility Field Services	18	17	19	18	21	21	23	28	29	29
Human Resources	9	9	8	7	7	6	5	6	6	7
Finance and Accounting	39	28	30	30	33	30	31	32	42	35
Management Information Systems	34	16	13	13	11	11	13	13	19	19
Executive Administration	119	143	141	148	147	150	146	130	111	104
Total Employees:	649	630	606	609	618	602	602	596	582	581

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water System:										
Water main breaks	182	165	104	137	113	110	115	174	98	92
Average daily consumption (Mgals) (1)	25,446	26,724	24,648	24,815	25,011	24,908	24,592	25,738	23,747	23,551
Peaks (MGD) (2) (3)	39.4	37.9	35.6	33.7	34.2	35.1	34.8	33.0	34.7	33.5
Total sold (Mgals) (1)	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	8,023,008
Sewer System:										
Main breaks	293	342	344	294	148	141	97	168	144	96
Average daily consumption (Mgals) (1)	16,557	24,720	24,400	27,000	25,800	27,800	27,400	23,700	31,800	30,000
Peaks (MGD) (3)	26.3	35.9	27.7	45.0	28.9	32.6	41.4	24.8	46.4	56.6
Total sold (Mgals) (1)	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	6,095,255
Electric System:										
Electric outages (minutes)	2,340,931	2,807,700	3,821,940	4,677,182	8,143,105	8,624,299	-	-	-	-
Peaks (MW) (4)	459.1	459.1	446.0	454.0	490.3	424.0	453.0	461.4	404.0	424.0
Total kWh sold (5)	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	1,939,893,315
Average daily consumption (kWh)	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	5,314,776

(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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water System:										
Miles of water main	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	1,398.6
Number of new service connections	962	2,649	1,375	1,258	1,778	1,128	222	425	180	992
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	36.6
Sewer System:										
Number of new service connections	1,140	1,612	1,375	1,358	2,635	1,072	262	899	737	1,189
Miles of sanitary sewer mains	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	1,339.9
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	533	1,359	64	432	1,456	965	388	352	546	542
Distribution line circuit miles	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	1,347.77

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

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

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, 2020, 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 20, 2020.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
October 20, 2020

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, 2020

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

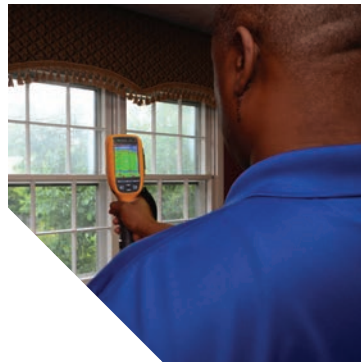
Internal control over financial reporting:

- | | | | | |
|---|-------------------|-----|----------------------|---------------|
| • 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



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