



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2014

**CAPE FEAR PUBLIC UTILITY AUTHORITY
WILMINGTON, NORTH CAROLINA**





CAPE FEAR PUBLIC UTILITY AUTHORITY
WILMINGTON, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2014

Board Members

James L. Quinn III, Chairman
Patricia O. Kusek, Vice Chairman
James Brumit, Secretary
Michael C. Brown III, Treasurer
Neil Anderson
Keith Betts
Charlie Rivenbark
C. Lawrence Sneed Jr.
Woody White
Cindee Wolf
Tomas Wolfe

Executive Director

James R. Flechtner, PE

Chief Financial Officer

Cheryl J. Spivey, CPA

This Report Was Prepared By:

Cape Fear Public Utility Authority
Finance and Customer Service Departments

Chief Financial Officer
Cheryl J. Spivey, CPA

Finance Staff

Julianne M. McLawhon, CPA
Ramona P. Burns, CPA
Melinda E. Hoggard, CPA
Julia C. Vosnock
Sherri W. Alexander
Tymekia T. Askew
Teresa A. Horsboll
Marcy K. Martin
Teresa M. McPherson

Customer Service Staff

Kristi Irick, MPA

Cape Fear Public Utility Authority Table of Contents	
	Page
Title Pages	1-2
Table of Contents	3
Introductory Section (Unaudited)	
Letter of Transmittal	6-11
Certificate of Achievement for Excellence in Financial Reporting	12
Cape Fear Public Utility Authority Board Members and Other Principal Officials	13
Organizational Chart	14
Financial Section	
Independent Auditor's Report	16-18
Management's Discussion and Analysis (MD&A)(Unaudited)	19-27
Basic Financial Statements:	
Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Fund Net Position	29
Statement of Cash Flows	30-31
Notes to Financial Statements	32-55
Required Supplementary Information - Other Post-Employment Benefits	57
Supplementary Schedules:	
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Operating Fund	58-59
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Capital Projects Funds - Water and Wastewater	60-64
Statistical Section (Unaudited)	
Statistical Section	66
Net Position by Component	67
Changes in Net Position	68
Schedule of User Rates	69
Principal Water Customers	70
Principal Wastewater Customers	71
Consumption by Customer Group	72
Schedule of New Connections	73
Pledged-Revenue Coverage	74
Ratios of Outstanding Debt by Type	75
Demographic Statistics	76
Principal Employers	77
Full Time Equivalent Employees	78
Water Production and Wastewater Treatment	79
Operating Statistics	80
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	82-83
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the Sate Single Audit Implementation Act	84-85
Schedule of Findings and Questioned Costs	86-88
Corrective Action Plan	89
Summary Schedule of Prior Audit Findings	90
Schedule of Expenditures of Federal and State Awards	91
Notes to the Schedule of Expenditures of Federal and State Awards	92
Supplemental Schedule - Schedule of Federal and State Awards - Capital Projects Funds - Water and Wastewater	93

PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION
(Unaudited)



September 28, 2014

To the Cape Fear Public Utility Authority Board, Customers, and Bondholders:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Cape Fear Public Utility Authority (the Authority) for the fiscal year ended June 30, 2014. The Authority, like all other local governments and public authorities in the State, is required by state law to publish a complete set of financial statements within four months of the end of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014, and to provide further accountability to customers, bondholders and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

The Authority's management is responsible for the accounting system and for establishing and maintaining internal financial controls. The internal control system is designed to provide reasonable assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and the evaluation of costs and benefits requires estimates and judgments by management.

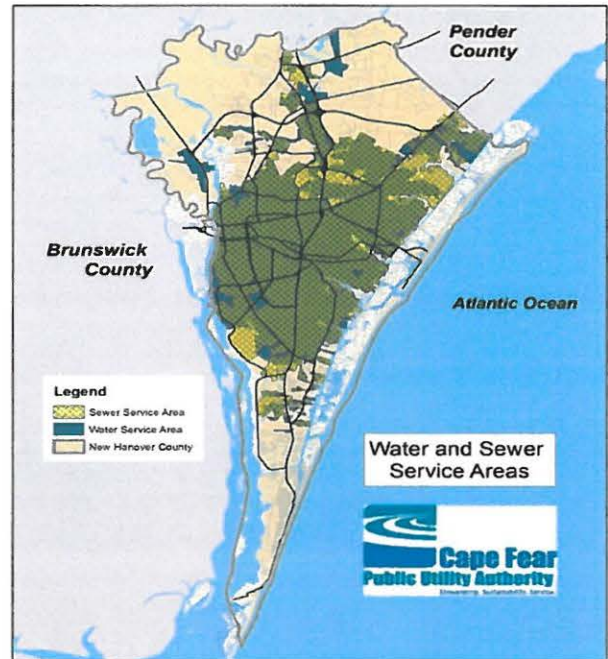
Management assumes full responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed financial data is accurate in all material aspects and fairly presents the financial position of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

As noted earlier, the Authority is required by state law to have an annual independent financial audit. Thompson, Price, Scott, Adams & Co PA (Certified Public Accountants) conducted the audit and concluded in an unqualified ("clean") opinion that the financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and changes in financial position and its cash flows in conformity with GAAP. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this report on pages 16-18.

Please refer to the Management's Discussion and Analysis (MD&A) and the basic financial statements for detailed information on the Authority's financial performance in FY 2014. This transmittal letter and the MD&A are intended to complement one another.

Authority Profile

The Authority was formed by the City of Wilmington and New Hanover County to combine the water and wastewater operations, and began operations on July 1, 2008. The Authority was established pursuant to the Chapter 162A, Article 1 of the North Carolina General Statutes, known as the North Carolina Water and Sewer Authorities Act. The Authority's service area consists of the City of Wilmington and areas of New Hanover County previously served by the New Hanover County Water and Sewer District (District). It does not include the municipalities of Carolina Beach, Kure Beach, and Wrightsville Beach; although by agreement, wastewater flows from Wrightsville Beach and a portion of Pender County are conveyed and treated by the Authority. New Hanover County's population is approximately 213,000 in an area encompassing approximately 220 square miles. Of this total, 21 square miles consist of water and wetlands. New Hanover County is the second smallest county in North Carolina by land area and is also the second most densely populated of the 100 counties. The County's beaches provide miles of unspoiled natural beauty and are the area's most popular tourist attractions. The County is the eastern terminus of Interstate Highway 40, a transcontinental route ending in Barstow, California.



An eleven-member board governs the Authority. The City and County appoint five members each, with four of those appointments (two each) coming from their respective governing boards. The eleventh member is jointly appointed. The Authority board is responsible for the adoption of the annual budget, setting water and wastewater rates, making policy decisions; and appointing the Executive Director, Clerk to the Board, Internal Auditor, and Legal Counsel.

The annual budget serves as the foundation for the Authority's financial planning and control. The annual operating budget is adopted by the Authority board at a functional level with capital project ordinances adopted on a multi-year basis. The Authority has a 10-year Capital Improvement Plan (CIP). The first year of the CIP is adopted annually. Other years are programmed and are subject to change as priorities are considered. The Authority's operations are accounted for and reported as an enterprise fund, as provided services are funded by user fees and charges. Budget-to-actual comparisons are provided in this report for the annually appropriated operating fund. Multi-year capital projects are presented on a separate schedule with year to date and project to date information.

System Description

The Water System

The water system is composed of a surface water system and three groundwater systems. There are 65,064 customer accounts, an increase of 391. Also an additional 3,730 locations have services available (vacant lots). The water system has 1,041 miles of distribution lines at June 30, 2014. The Authority also keeps six wells on standby to supplement the water supply during emergencies or peak demand periods. Metered water consumption for the fiscal year June 30, 2014 decreased 3%, compared to a 6.7% decrease the previous year.

The Authority has a needs-based contract to purchase up to 23.0 MGD of raw water from the Lower Cape Fear Water and Sewer Authority (LCFWSA) with a term ending in 2030. Raw surface water is either drawn from the Cape Fear River through the Authority's 15.0 million gallon per day (MGD) raw water intake at King's Bluff or purchased through a connection with the

LCFWSA at U.S. Highway 421. The raw surface water is pumped to the Sweeney Water Treatment Plant (SWTP), which provides potable water to the majority of the Authority's service area. The SWTP has a rated capacity of 35 MGD. Average production during the fiscal year ended June 30, 2014 was 13.44MGD. The surface water distribution system has been providing water service for more than 100 years and includes 16.0 million gallons of covered ground storage of finished water and 5 million gallons of storage in three elevated tanks. The LCFWSA and CFPWA equally share in the 106 MGD (combined) allocation of raw water from the Cape Fear River withdrawn at the Kings Bluff Raw Water Facilities.

In October 2009, the Authority placed a Nano-Filtration Groundwater Membrane Plant (the Nano Plant) into operation to serve the northeast section of the distribution system. The source of raw water is from 25 wells drawing from two different aquifers. The plant softens the groundwater and removes organic and inorganic contaminants to produce a blended groundwater that is followed by disinfection, fluoridation, and corrosion control and pH adjustment. The Nano Plant has a rated capacity of 6.0 MGD. The Nano Plant had a daily average production during the fiscal year ended June 30, 2014 of 2.48 MGD. The distribution system provides water service to customers and includes 2.0 million gallons of covered ground storage and 2.75 million gallons of elevated storage in six elevated tanks. In addition, the Authority operates two smaller groundwater systems providing groundwater directly to customers from seven wells and two elevated storage tanks. The groundwater receives disinfection and pH adjustment before being pumped to the distribution system and the storage tanks. CFPWA has a capacity of 10.1 MGD at 12 hours pumping for all our ground water wells.

The Wastewater System

There are 64,499 wastewater accounts, an increase of 1,071. Also, an additional 2,330 locations have services available (vacant lots). The Authority also provides wholesale wastewater treatment services to the Town of Wrightsville Beach and provides wastewater services to a portion of Pender County. The Authority's collection system consists of approximately 830 miles of gravity lines, 21,000 manholes, 141 pump stations and 112 miles of pressurized sewage force main. Wastewater consumption, based on metered water (excluding irrigation) for the fiscal year June 30, 2014 decreased 1.5%, compared to a 4.6% decrease the previous year.

The Authority currently owns and operates the James A. Loughlin, or Northside Wastewater Treatment Plant (NSWWTP), the M'Kean Maffitt, or Southside Wastewater Treatment Plant (SSWWTP) and the Walnut Hills Wastewater Treatment Plant (Walnut Hills Plant). Although the NSWWTP is currently permitted to treat up to 10.0 MGD, the permitted capacity will increase to 16 MGD coincident with completion of a second effluent force main, which will convey treated wastewater from the plant to the Cape Fear River, which is anticipated prior to fall of 2014. The SSWWTP is permitted to treat up to 12.0 MGD. The Walnut Hills Plant is a smaller facility permitted to treat up to 0.1 MGD. For the fiscal year ended June 30, 2014, the combined average daily flows were 16.45 MGD of the combined 22.1 MGD permitted. The NSWWTP, SSWWTP, and Walnut Hills Plant all use physical, chemical and biological processes to clean the wastewater. After the wastewater flows are collected and treated, the treated effluent from the SSWWTP and the NSWWTP is discharged into the Cape Fear River. The Walnut Hills Plant discharges to the Northeast Cape Fear River. The Authority also has a hauled waste program delivering septage and other non-hazardous wastes to NSWWTP for processing.

The Authority has a wastewater use ordinance that is administered under the pretreatment program. Ordinance revisions were approved by the Board on October 10, 2012, to ensure compliance with state and federal requirements and incorporate federal streamlining revisions. The pretreatment program monitors and regulates significant wastewater dischargers that are either connected to the Authority's wastewater collection system or haul to the wastewater treatment plants. Currently, seven significant industrial users (SIU) are permitted under the program. SIU permits contain discharge limits for pollutants such as biochemical oxygen demand (BOD), total suspended solids (TSS), chemical oxygen demand (COD), oil and grease, chlorides, ammonia, total kjeldahl nitrogen (TKN), fluoride, certain metals, and organics. All of these SIUs pre-treat wastewater prior to discharging to the Authority. All SIUs submit monthly monitoring reports. Authority staff conducts semi-annual monitoring. Surcharges are applied to waste that contains pollutants in excess of domestic strength waste. A NC Division of Water Quality approved enforcement response plan ensures permit violations are addressed timely and equitably. Additionally, the

pretreatment program permits and monitors food service establishments and other dischargers of non-domestic wastewater that could be harmful to the treatment works, employees, bio-solids, public health, and receiving waters.

Economic Condition and Outlook

The service area of the Authority, comprising most of New Hanover County, continues to be the economic, medical, and educational hub for the surrounding counties that comprise southeastern North Carolina. As discussed in the paragraphs below, most economic indicators in the service area during the year were positive. However, for fiscal year ended June 30, 2014, these positive signs did not result in increased water or wastewater sales; conversely, sales continued to decline though less significantly than the previous year.

Taxable sales in New Hanover County were up 4% for the fiscal year ended June 30, 2014. New Hanover County reported a 2% increase in the number of building permits and an 11% increase in the cost of these permitted projects compared to the prior year. The County's unemployment rate at June 30, 2014, of 6.1%, is significantly lower than the 9.1% at June 30, 2013. It is also lower than North Carolina's 6.4% and equal to the United States' 6.1%.

Tourism is the area's largest economic component in terms of employment and revenues. New Hanover County was ranked eight out of 100 counties in the state with \$478 million in travel-related revenues in calendar year 2013, a 3.83% increase over 2012 revenues. Tourism provided over 5,400 jobs with an annual payroll of \$105 million in New Hanover County. For fiscal year ended June 30, 2014, room occupancy tax receipts increased 5.62% over the prior year.

Major employers in New Hanover County with 500 or more employees include New Hanover Regional Medical Center, New Hanover County Schools, University of North Carolina at Wilmington, PPD Development, New Hanover County, Cape Fear Community College, Wal-Mart, City of Wilmington, Corning Inc., Verizon Wireless, General Electric, Harris Teeter, Global Nuclear Fuel Holding Co (joint venture of GE Energy, Toshiba, and Hitachi), Food Lion, Forever 21 Retail, Real Time Staffing Services, and Wilmington Health Associates.

Management expects economic conditions in the service area to be stable.

Long-Term Financial Planning

The Authority utilizes a 5-year model to forecast revenue requirements based on anticipated operating expenditures, debt service, and capital needs.

Relevant Financial Policies

The Authority has established a comprehensive set of financial policies including the following:

Finance and Accounting	Consistency of Budgeting and Financial Reporting
Investment	Revenue
Budget	Budget Amendment and Transfer
Reserve	Contract Approval
Debt Management	Capital Improvements Program
Corporate Governance	Travel
Purchasing	Procurement Card
Post Issuance Monitoring of Tax Exempt Debt	Uniform Policy
Food Purchase	Local Preference
Surplus Personal Property	Fuel Card
Inventory Management	Internal Controls for Equipment
Payroll	Cellular Telephone
System Development Charge	Debt Recovery Allowance
Customer Account Information Expectations	Construction Bidding

The Authority's revenue bond covenants have a significant impact on the current fiscal year's financial statements due to requiring that revenues cover expenses and 120% of principal and interest on bonds. The rate setting process, required by the Revenue Policy, also has a significant impact on the current fiscal year's financial statements. This process ensures that the Authority remains financially healthy and complies with its revenue bond covenants by developing and maintaining reliable sources of revenue needed to operate and maintain the utility system.

Major Initiatives and Accomplishments for FY 2014

In the Authority's sixth year of operations, a number of initiatives were undertaken. These initiatives support the Authority's guiding principles of Stewardship, Sustainability, and Service.

Capital Projects: During the year ending June 30, 2014, the Authority had approximately 170 active capital projects with approximately \$29 million in expenditures. The CIP for the ten-year period from FY 2015 to FY 2024 totals over \$336 million. The largest capital expenditures during the year, comprising 56% of current year expenditures, were on the following projects:

- Northern Route Force Main - \$13.4 million project budget. Includes installation of a new 24" wastewater force main between Pump Station 35 at Bradley Creek to the Northside Wastewater Treatment Plant with an interconnect to the existing NEI force main. Ongoing.
- Completion of Wastewater Extensions in City of Wilmington Annexation area - \$3.8 million project budget. Installation of wastewater extensions to the Authority's service in areas annexed by the City of Wilmington. Ongoing.
- Alandale Pump Station Removal Project - \$3 million project budget. The Smith Creek 'Alandale' Pump Station Removal project will abandon the deteriorated Upper Smith Creek Outfall by re-routing the existing flow through a new gravity wastewater line, thereby eliminating the Alandale Pump Station and providing public wastewater to existing single family homes. Project largely funded with a Clean Water State Revolving Loan. Ongoing.
- Greenfield Lake Outfall Rehabilitation - \$2.8 million project budget. Rehabilitation of approximately 10,820 linear feet of sanitary wastewater, 52 manholes, and 55 services at the Greenfield Lake outfall. Project largely funded with a Clean Water State Revolving Loan. Ongoing.
- Kerr Avenue Water Line - \$4.6 million project budget. The Kerr Avenue Greater Loop waterline project will connect existing waterlines to provide water from the Sweeney water system to the northern end of New Hanover County. Ongoing.
- Northside Wastewater Treatment Plant Force Main. \$5.7 million project budget. Construction of approximately 2.2 miles of 30-inch force main to convey treated effluent to its discharge. Project is part of the Northside plant expansion. Ongoing.
- 30th Street Sewer Replacement - \$2 million project budget. Replaces the 8-inch and 10-inch wastewater along 30th Street. Project largely funded with a Clean Water State Revolving Loan. Ongoing.

Other Accomplishments – The Authority Maintained its AA2 bond rating with Moody's and AA bond rating with Standard & Poor's.

Awards and Acknowledgements

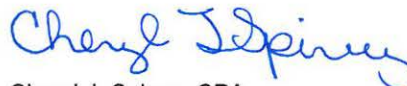
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This Authority has received this prestigious award each of the 5 fiscal years since it began operations July 1, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for another certificate.

The Authority Board members have provided their unfailing support of the highest standards of professionalism in the management of the Authority's finances. This report is the work of the efficient and dedicated staff of the Finance and Customer Service Departments. We wish to express our appreciation to all members of those departments who assisted and contributed to the preparation of this report and the entire Authority staff for their cooperation and assistance.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J R Flechtner".

James R. Flechtner, P.E.
Executive Director

A handwritten signature in blue ink, appearing to read "Cheryl J Spivey".

Cheryl J. Spivey, CPA
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Cape Fear
Public Utility Authority
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO



James L. Quinn III
Chairman



Patricia O. Kusek
Vice Chair



James Brumit
Secretary



Michael C. Brown III
Treasurer

Cape Fear Public Utility Authority Board Members For Fiscal Year Ended June 30, 2014



Neil Anderson
Councilman



Keith Betts
Member



Charlie Rivenbark
Councilman



C. Lawrence Sneed, Jr.
Member



Woody White
Commissioner



Cindee Wolf
Member

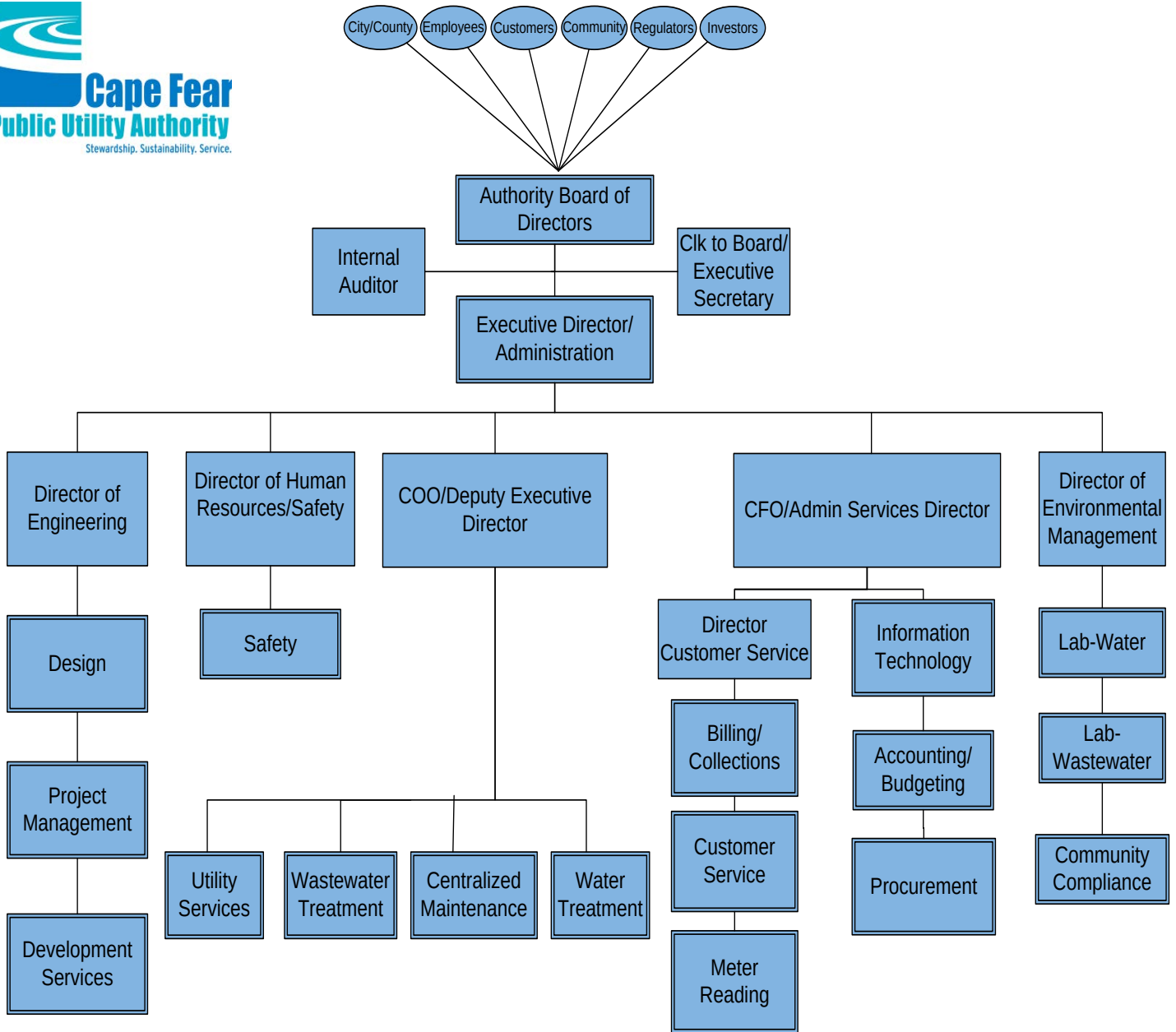


Thomas Wolfe
Commissioner

Other Principal Officials

James R. Flechtner, PE
Executive Director

Cheryl J. Spivey, CPA
Chief Financial Officer



FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 395-4872

Independent Auditor's Report

To the Board of Directors
Cape Fear Public Utility Authority
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Cape Fear Public Utility Authority (the "Authority"), as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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.

Members
American Institute of CPAs – N.C. Association of CPAs – AICPA Division of Firms

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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cape Fear Public Utility Authority as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Cape Fear Public Utility Authority. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2014 on our consideration of Cape Fear Public Utility Authority'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 Cape Fear Public Utility Authority's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A
Wilmington, North Carolina
September 28, 2014

Cape Fear Public Utility Authority Management's Discussion and Analysis (Unaudited)

The management of Cape Fear Public Utility Authority (Authority) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 6 through 11 of this report.

FINANCIAL HIGHLIGHTS

- The overall financial condition of the Authority improved during the year ended June 30, 2014. Assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the fiscal year by \$411 million (net position) which is an increase of \$19.9 million from the prior year. The increase in net position is a result of the Authority's investment in infrastructure during the year as well as an increase in the unrestricted portion of net position discussed below.
- Approximately \$107 million of net position is unrestricted and may be used to meet the Authority's ongoing obligations to customers and creditors. Unrestricted net position increased \$10.6 million. The primary reasons for the increase in unrestricted assets is that operating expenses were significantly less than anticipated due to tighter spending constraints during the year to help offset declining consumption trends. In addition, revenues were slightly higher than anticipated due to modest customer growth and miscellaneous revenues coming in higher than expected.
- Total operating revenues were \$68.9 million, an increase of \$2.7 million or 4% over the prior year. The increase in revenues reflects increases in water and wastewater rates effective May 1, 2013 and May 1, 2014, which were primarily required to fund increased debt service expenditures, maintain a debt coverage ratio of 1.20, and to cover declining water consumption.
- Total operating expenses (including depreciation and amortization) were approximately \$48 million, an increase of approximately \$459,000, less than 1% over the prior year.
- Operating income (operating revenue less operating expenses, including depreciation and amortization) increased to \$20.9 million from \$18.7 million in the prior year.
- Overall debt coverage increased to 1.65 for fiscal year 2014 from 1.54 in the prior year, remaining above the 1.0 ratio required by bond covenants. Coverage on revenue bond debt was 2.15, also remaining above the 1.2 ratio required by revenue bond covenants.
- The Authority maintained a credit rating of AA from Standard & Poor's and AA2 from Moody's.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's primary mission is to provide water and wastewater services to the City of Wilmington (City) and the unincorporated areas of New Hanover County (County). The Authority does not provide other general purpose government services or programs. The Authority's operations, capital expansion program and debt payments are funded almost entirely through rates, fees, and other charges for these water and sewer services. As such, the Authority is considered to be, and therefore presents the Authority's financial report, as a stand-alone enterprise fund.

Enterprise fund financial statements. As a stand-alone enterprise fund, the Authority's basic financial statements consist of a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Fund Net Position* and a *Statement of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provide both short-term and long-term financial information and implications about the Authority's financial position. To provide a better understanding of the information contained in these statements, *Notes to Financial Statements* and a *Schedule of Revenues and Expenditures – Budget and Actual (NON-GAAP)*, appear immediately following the basic financial statements. In addition to this discussion and analysis, other required supplementary information, general statistical and demographic in nature, is presented.

The *Statement of Net Position* presents information on the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic enterprise fund financial statements can be found on pages 28 through 31 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found on pages 32 through 55 of this report.

FINANCIAL ANALYSIS

Table A presents the Condensed Statement of Net Position for the fiscal years ended June 30, 2014 and June 30, 2013.

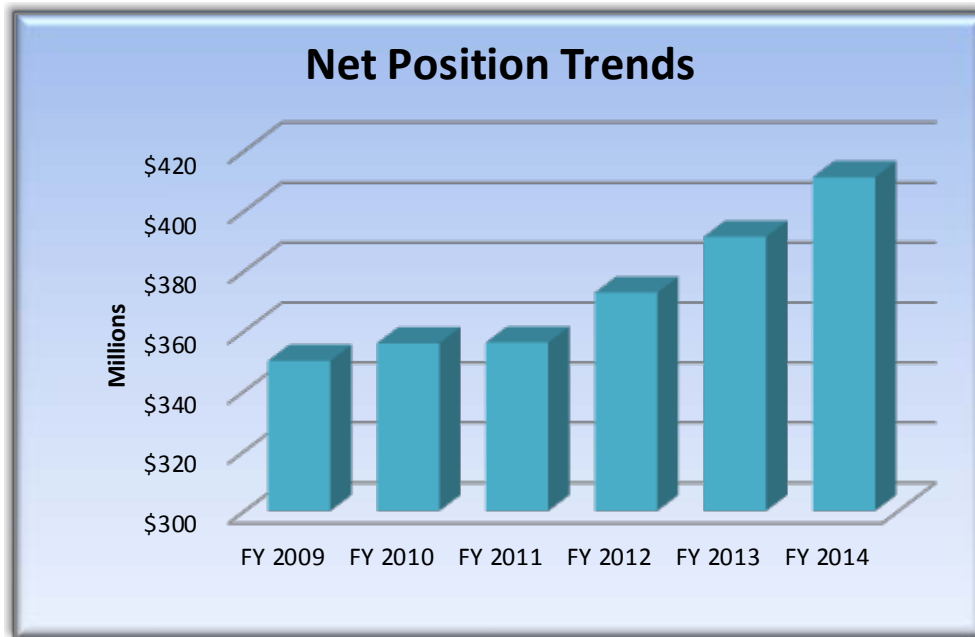
Condensed Statement of Net Position		
Table A		
	June 30, 2014	June 30, 2013
Assets		
Current assets	\$ 126,256,059	\$ 121,240,476
Noncurrent assets-noncapital	17,163,164	26,166,850
Noncurrent assets-capital	609,590,516	592,264,909
Total assets	753,009,739	739,672,235
Deferred Outflows of Resources	1,631,912	2,202,096
Liabilities		
Current liabilities	30,379,274	30,089,406
Noncurrent liabilities	313,056,042	320,481,391
Total liabilities	343,435,316	350,570,797
Net Position		
Net investment in capital assets	304,634,404	295,343,987
Unrestricted	106,571,931	95,959,547
Total net position	\$ 411,206,335	\$ 391,303,534

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$411 million at June 30, 2014, which is an increase of \$19.9 million over the prior year.

The increase in net position is a result of the Authority's investment in infrastructure, as well as an increase in the unrestricted portion of net position. The Authority's investment in infrastructure increased from \$592 million to nearly \$610 million. Net investment in capital assets (land, buildings, machinery, and equipment less the associated debt on those assets) comprised 74% of total net position at June 30, 2014. These capital assets are essential in providing water and wastewater services to

Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

our customers and consequently, these assets are not available for future spending. The resources needed to repay the associated debt must be provided by other sources. At June 30, 2014, these other resources totaled nearly \$107 million, an increase of 11%, or \$10.6 million over the prior year. The primary reasons for the increase in unrestricted assets is that operating expenses were significantly less than anticipated due to tighter spending constraints during the year to help offset declining consumption trends. In addition, revenues were slightly higher than anticipated due to modest customer growth and miscellaneous revenues coming in higher than expected.



The rest of this page intentionally left blank.

Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

Table B presents the Condensed Statement of Revenues, Expenses and Changes in Fund Net Position for the fiscal years ended June 30, 2014 and June 30, 2013.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position		
Table B		
	Year Ended June 30, 2014	Year Ended June 30, 2013
Revenues		
Operating revenues		
Charges for services	\$ 65,495,922	\$ 63,061,317
Other operating revenues	3,449,292	3,218,814
	68,945,214	66,280,131
Nonoperating revenues		
Investment earnings	993,737	959,408
Contributions from New Hanover County	1,577,000	1,900,000
Gain on disposal of capital assets	73,780	-
Total revenues	71,589,731	69,139,539
Expenses		
Operating expenses	30,285,149	29,963,720
Depreciation and amortization	17,729,409	17,591,990
	48,014,558	47,555,710
Nonoperating expenses		
Interest expense	11,919,549	13,213,771
Bond issuance costs and other debt service fees	85,243	316,120
Loss on disposal of capital assets	-	202,214
Total expenses	60,019,350	61,287,815
Increase in net position before capital contributions	11,570,381	7,851,724
Capital contributions	8,332,420	10,744,173
Increase in net position	19,902,801	18,595,897
Net position, July 1	391,303,534	372,707,637
Net position, June 30	\$ 411,206,335	\$ 391,303,534

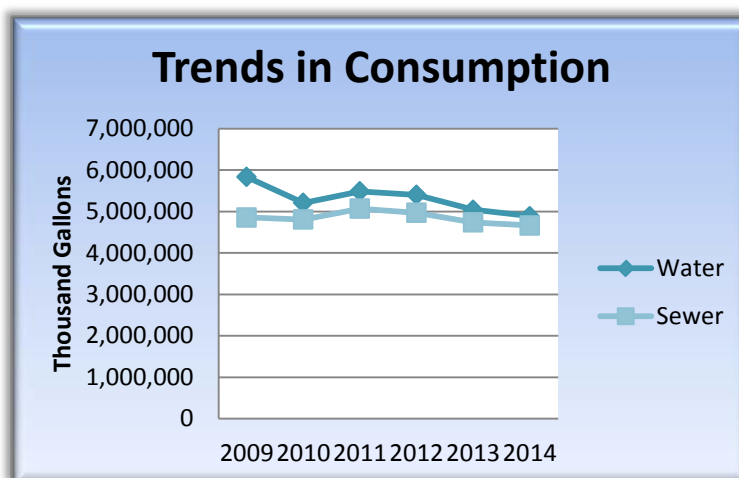
Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

The condensed two-year comparison of Revenues, Expenses and Changes in Net Position, combined with the following discussion provides insight as to the causes affecting net position.

- **Operating Revenues:** The Authority is not empowered to levy or collect taxes. However, the Authority did receive a contribution of nearly \$1.6 million from the County in fiscal year 2014. This contribution will gradually reduce over the next four years with a final contribution of \$304,000 in fiscal year 2018. Except for this contribution, which accounted for 2.2% of total revenues in fiscal year 2014, the Authority's operations, capital improvements program, and debt service are funded almost entirely from fees charged to our customers. As such, the Authority's revenue stream is impacted by fluctuations in demand for our services and other economic factors.
- **Charges for services:** Charges for services increased by \$2.4 million from the prior year as a result of rate changes implemented in May 2013 and May 2014 and a slight increase in the number customers. In May 2013, the Authority increased rates to produce an additional 4% in revenues and moved away from an inclining block rate structure for residential water customers to a uniform rate structure for all customers (both residential and nonresidential). The change in rate structure had varying effects on customers depending on the category of customer (residential, nonresidential, etc.) and the bimonthly consumption amount. The May 2014 rate changes increased the volumetric water charge by 7.3% and increased the wastewater volumetric charge by 8.3%. There was no change to the fixed meter charge. The volumetric rate increase was necessary primarily to cover the actual decline in water and wastewater usage realized during calendar year 2013, as well as an additional 4% decline in consumption to offset potential further declines.

	2014	2013
Average Bi-Monthly Residential Consumption	8,400	9,200
Average Bi-Monthly Residential Water Bill	\$ 56.64	\$ 57.27
Average Bi-Monthly Residential Sewer Bill	67.40	67.83
Total Average Bi-Monthly Residential Combined Bill	\$ 124.04	\$ 125.10

- **Decreased demand:** The Authority budgeted revenues for FY14 assuming no customer growth. However, the Authority did experience modest growth in its customer base during FY14, with an increase of 391 water customers and 621 wastewater customers. Operating revenues came in above the final budget by \$1.9 million. This excess revenue over budget is attributed primarily to volumetric revenues for water coming in higher than anticipated, as well as miscellaneous revenue (new service connections, penalties and late fees) coming in above budget. Also, the increase in new customers contributed to sewer charges coming in above budget due to fixed charge revenue being higher than anticipated. Wastewater volumetric charges came in below budget due to declining demand. Overall water consumption decreased by 3% from the prior year. Residential demand, which constituted 69.9% of water demand, decreased 3%, commercial demand decreased 1.9%, industrial demand increased 7.2% and institutional and governmental demand decreased 7.2%. Billed volumes for wastewater service decreased by 1.5% from fiscal year 2013. Residential wastewater volumes decreased 1.9% from the prior fiscal year while non-residential decreased less than 1%. As noted above, the FY 15 budget is based on an additional 4% decline in consumption to offset potential further declines.



- **Other revenues:** Investment earnings increased slightly from \$959,000 to nearly \$994,000 in fiscal year 2014. Capital contributions decreased to \$8.3 million from \$10.7 million in fiscal year 2013. Cash contributions included in this category in the form of system development capacity charges were \$4.4 million in fiscal year 2014, an increase from \$3.8 million collected in 2013. Also included in this category are cost sharing contributions from developers

Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

which decreased to \$1.7 million in fiscal year 2014 from \$3.2 million in fiscal year 2013. Noncash contributions from developers (donated capital) decreased to \$2.3 million in fiscal year 2014 from \$3.7 million in fiscal year 2013.

- **Operating expenses:** Operating expenses increased by less than 1% from the prior year. Personnel and benefits increased approximately \$900,000 due to increases in employee and retiree healthcare costs, as well as increases in employee compensation. Depreciation and amortization increased less than 1% from the prior year. Operating expenses, excluding depreciation and amortization, increased 1.1%. Services and utilities decreased 5.6%, and materials increased 3.1%.
- **Interest expense:** Interest expense decreased from \$13.2 million to \$11.9 million primarily due to a net reduction in the interest expense paid on the Series 2003 Certificates of Participation and Series 2012 Refunding Limited Obligation Bonds. The Series 2003 Certificates of Participation were refunded by Series 2012 Refunding Limited Obligation Bonds on December 1, 2012. In addition, the amount of interest expense capitalized for construction projects in progress increased over the prior year. Capitalized interest on assets being constructed (interest that is not immediately expensed, but instead considered an asset and amortized over time) reduced interest expense by nearly \$600,000 more in fiscal year 2014 than in fiscal year 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets totals nearly \$610 million (net of accumulated depreciation and amortization) at June 30, 2014. The major assets include water treatment plants, wastewater treatment plants, pump stations, water distribution systems, and the wastewater collection system.

Major capital asset events during the current fiscal year included the following:

- Construction in progress increased nearly \$17 million. Of the \$15.5 million that was placed into service from construction in progress, \$4.4 million related to the Phase II of the Burnt Mill Creek Outfall Repair project. Other projects completed during the year included \$1.9 million for the Raw Water Transmission project, \$1 million for the Smith Creek Rehabilitation project, \$943,000 for the Nano Market Feeder project, \$790,000 for the Airport Line Replacement project, and \$783,000 for the Pressure Pipe Assessments project.
- The largest increases in construction in progress, including all capitalized interest and other costs, were \$6 million for the Northern Route Force Main (NEI) project, \$2.5 million for the completion of wastewater extensions for the 1998 Annexation area, \$2.4 million for the removal of the Alandale Pump Station, and another \$2.3 million for the Greenfield Lake Outfall Rehabilitation project.

The rest of page intentionally left blank.

Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

Table C presents the Changes in Net Capital Assets for the fiscal year ended June 30, 2014. Additional information on the Authority's capital assets can be found in Note 4 on page 40 of this report.

Capital Assets					
Net of Depreciation and Amortization					
Table C					
	Beginning Balances, Reclassified July 1, 2013	Increases	Decreases	Completed Projects	Ending Balances June 30, 2014
Capital assets not being depreciated:					
Land	\$ 6,982,245	\$ -	\$ -	\$ -	\$ 6,982,245
Intangible Asset-Easements	1,587,996	-	-	272,522	1,860,518
Construction in progress	34,994,319	32,472,669	-	(15,502,979)	51,964,009
Total capital assets not being depreciated or amortized	43,564,560	32,472,669	-	(15,230,457)	60,806,772
Capital assets being depreciated or amortized:					
Plant, Structures and Improvements	288,590,568	42,943	-	2,404,989	291,038,500
Water and Sewer Lines	318,114,377	2,319,741	-	12,313,305	332,747,423
Furniture, Fixtures and Machinery	9,519,647	155,375	(26,567)	440,764	10,089,219
Intangible Asset-Computer Software	3,903,305	64,288	-	71,399	4,038,992
Intangible Asset-Water Availability Rights	1,988,116	-	-	-	1,988,116
Total capital assets being depreciated or amortized	622,116,013	2,582,347	(26,567)	15,230,457	639,902,250
Less:					
Accumulated depreciation	(71,135,056)	(16,915,369)	26,567	-	(88,023,858)
Accumulated amortization	(2,280,608)	(814,040)	-	-	(3,094,648)
Total accumulated depreciation and amortization	(73,415,664)	(17,729,409)	26,567	-	(91,118,506)
Capital assets, net	<u>\$ 592,264,909</u>				<u>\$ 609,590,516</u>

Cape Fear Public Utility Authority
Management's Discussion and Analysis (Unaudited)

Debt Administration

The Authority's long term debt, presented in Table D below, totaled \$321.7 million at June 30, 2014, net of applicable premiums, discounts and deferred refunding charges. The Authority's overall debt coverage for fiscal year 2014 was 1.65, remaining above the 1.0 ratio required by bond covenants. Coverage on revenue bond debt was 2.15, well above the 1.2 ratio required by revenue bond covenants.

Outstanding Long-Term Obligations		
Table D		
	2014	2013
Revenue Bonds	\$ 277,272,935	\$ 285,309,582
General Obligation Bonds:		
Locality compensation payment	2,355,000	5,255,000
Installment Obligations:		
Locality compensation payment	32,259,698	35,410,732
ARRA Revolving Loan	1,074,947	1,131,523
DWSRF Revolving Loan	91,048	-
Clean Water State Revolving Loans	8,653,524	2,442,453
Totals	<u>\$ 321,707,152</u>	<u>\$ 329,549,290</u>

The Authority assumed the long term obligations of the City and the County on July 1, 2008 for water and wastewater related debt. At that time, the total debt assumed was \$184.6 million with \$67.2 million of that amount in outstanding revenue bonds.

The Authority issued \$187,765,000 in revenue bonds in August 2008 to pay for water and wastewater capital improvements and to refund \$42 million in the County's Certificates of Participation that the Authority had assumed on July 1, 2008. The capital improvements funded by this debt issuance included the Sweeney plant expansion, NANO water treatment facility, and improvements to the Northeast Interceptor wastewater force main. The City and County had either started construction or were in final design on these projects when the Authority began operations on July 1, 2008.

The Authority issued \$44.1 million of revenue bonds on September 28, 2011, primarily to fund replacement and rehabilitation of wastewater and water lines, construction and installation of new water and wastewater lines, pump station and force main improvements, and programs expected to be required by the Environmental Protection Agency.

The Authority is currently in the process of issuing revenue and refunding bonds anticipated not to exceed \$75 million. The bond will be used to fund approximately \$23 million of projects included in the Authority's \$335 million 10-year Capital Improvement Program. Such projects include the replacement and rehabilitation of wastewater and water mains and manholes, partnering with the County to construct wastewater, pump stations, and force mains to serve existing neighborhoods with failing septic systems, construction of water transmission mains to improve hydraulics, add customers, and improve water interconnections, decommissioning of an outdated wastewater treatment plant and construction of wastewater transmission infrastructure to redirect flow to the Northside Wastewater Treatment Plant, rehabilitation of concrete clear wells at the Sweeney Water Treatment Plant, and replacement and upgrade of water meters throughout the service area to improve reading accuracy and convert from a primary manual read system to an automated read system. The refunding bonds will refund the Series 2005 Revenue Bonds that were issued by the City. The Authority anticipates that the 2014 Revenue Bonds will be priced in late October and close in early December.

Cape Fear Public Utility Authority Management's Discussion and Analysis (Unaudited)

During the year ended June 30, 2010, the Authority was approved for a loan from the State of North Carolina Department of Environment and Natural Resources (DENR) up to a maximum of \$2.3 million. Half of this loan is subject to immediate principal forgiveness under the American Recovery and Reinvestment Act of 2009 (ARRA) program awarded by the Environmental Protection Agency (EPA) through the State Revolving Loan program administered by DENR. The remaining \$1.1 million from the ARRA loan is due in 20 equal installments of nearly \$57,000 which commenced on May 1, 2014. This loan is funding the Aquifer Storage and Recovery project. During the year ended June 30, 2013, the Authority was approved for a second loan from the State of North Carolina, Department of Environment and Natural Resources (DENR) for approximately \$204,000 also for the Aquifer Storage and Recovery Project. This loan is due in 20 equal installments of approximately \$10,000 commencing on May 1, 2015. At June 30, 2014, the Authority had approximately \$91,000 outstanding on this loan.

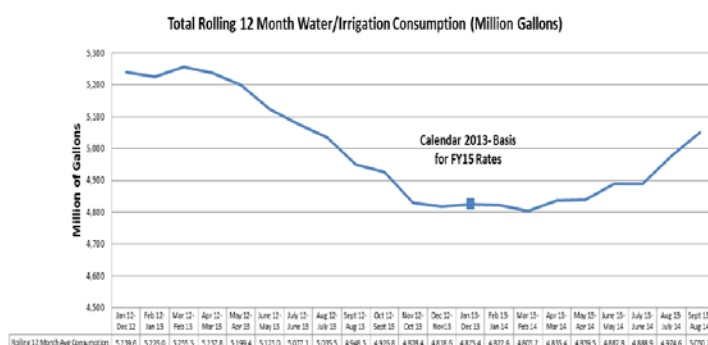
The Authority also has NC Clean Water State Revolving Loans for the Burnt Mill Creek Phase II capital project, the Smith Creek 'Alandale' Pump Station project, the Greenfield Lake Sewer Outfall Rehabilitation project, the 30th Street Sewer Rehabilitation project, the McCumbers Ditch project, and the Between the Creek Pump Station 28 Refurbishment project. At June 30, 2014, the total amount outstanding on these loans totaled \$8.7 million.

Additional information on the Authority's long term debt can be found in Note 9, Long-Term Obligations beginning on page 45 and Note 15, Subsequent Events beginning on page 55 of this report.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2015

The Board approved a \$78 million annual budget for fiscal year 2015. The adopted budget reflects a 7.2% increase, or \$5.2 million, over fiscal year 2014. Budgeted operating expenditures excluding debt service and transfers remained constant at \$37.5 million for FY15 as compared to FY14.

Revenues are budgeted to decrease to \$70.9 million in fiscal year 2015 from \$72 million in the adopted fiscal year 2014 budget, or -1.6%. This decrease in revenues is primarily related to a decrease in water and wastewater usage. The FY 15 water and wastewater rates were modeled using calendar year 2013 actual customer billing data. During calendar year 2013, water usage declined 7.3% and wastewater usage declined 5% from calendar year 2012.



Rates were increased effective May 1, 2014. The rate increase was primarily required to cover the actual decline in water and wastewater usage during 2013 and an assumed additional 4% decline for FY 15. The volumetric charge increase is 60 cents per 1,000 gallons. However, because the average residential customer decreased water consumption from 9,200 gallons bi-monthly to 8,400 gallons bi-monthly, the average combined water and wastewater residential bill will actually decline. No customer growth is budgeted for FY 15.

Thus far in FY15, water consumption trends have been higher than the level of consumption during calendar year 2013, which was used for FY15 rate modeling purposes. The Authority continues to monitor revenue and consumption patterns very closely and will make adjustments to expenditure levels if needed in order to end the year in a favorable financial position.

REQUESTS FOR ADDITIONAL INFORMATION

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be addressed to the Cape Fear Public Utility Authority, Finance Department, 235 Government Center Drive Suite 201 (Second Floor), Wilmington, NC 28403. You can also call 910-332-6668, visit our website at www.cfpua.org or send an email to cheryl.spivey@cfpua.org.

Cape Fear Public Utility Authority
Statement of Net Position
June 30, 2014

ASSETS

Current assets

Cash, cash equivalents and investments	\$ 82,318,592
Receivables, net	17,054,178
Due from other governments	2,037,431
Restricted:	
Cash, cash equivalents and investments	16,992,456
Receivables	281,679
Due from other governments	6,271,598
Prepays	33,808
Inventories	1,266,317
Total current assets	<u>126,256,059</u>

Noncurrent assets

Cash and cash equivalents	17,163,164
Capital assets:	
Land, easements and construction in progress	60,806,772
Other capital assets, net	548,783,744
Total capital assets	<u>609,590,516</u>
Total noncurrent assets	<u>626,753,680</u>
Total assets	<u>753,009,739</u>

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decrease in fair value of hedging derivative	93,242
Deferred charge on refunding of debt	1,538,670
Total deferred outflows of resources	<u>1,631,912</u>

LIABILITIES

Current liabilities

Long-term obligations, current maturities	11,124,553
Liabilities payable from restricted assets:	
Accounts payable	1,756,066
Customer and escrow deposits	1,455,086
Accrued interest payable	4,782,807
Due to other governments	3,342,842
Accounts payable and accrued liabilities	7,043,811
Compensated absences, current maturities	733,000
Unearned revenue	47,867
Derivative instrument - interest rate swap	93,242
Total current liabilities	<u>30,379,274</u>

Noncurrent liabilities

Compensated absences	405,092
Other post-employment benefits (OPEB)	2,068,351
Long-term obligations, net of current maturities	310,582,599
Total noncurrent liabilities	<u>313,056,042</u>
Total liabilities	<u>343,435,316</u>

NET POSITION

Net investment in capital assets	304,634,404
Unrestricted	106,571,931
Total net position	<u>\$ 411,206,335</u>

See Notes to Financial Statements.

Cape Fear Public Utility Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2014

Operating revenues	
Charges for services	\$ 65,495,922
Other operating revenues	3,449,292
Total operating revenues	<u>68,945,214</u>
Operating expenses	
Personnel and benefits	16,233,456
Services and utilities	11,379,231
Materials	2,672,462
Depreciation and amortization	17,729,409
Total operating expenses	<u>48,014,558</u>
Operating income	<u>20,930,656</u>
Nonoperating revenues (expenses)	
Investment earnings	993,737
Interest expense	(11,919,549)
Other debt service fees	(85,243)
Gain on disposal of capital assets	73,780
Contributions from New Hanover County	1,577,000
Total nonoperating (expenses)	<u>(9,360,275)</u>
Income before capital contributions	<u>11,570,381</u>
Capital contributions	<u>8,332,420</u>
Total capital contributions	<u>8,332,420</u>
Change in net position	<u>19,902,801</u>
Net position	
Beginning of year	<u>391,303,534</u>
End of year	<u>\$ 411,206,335</u>

See Notes to Financial Statements.

Cape Fear Public Utility Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash Flows From Operating Activities	
Cash received from customers	\$ 65,398,568
Cash paid to suppliers	(13,839,011)
Cash paid to or on behalf of employees	(16,326,310)
Other operating income	3,449,292
Net cash provided by operating activities	<u>38,682,539</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(29,817,999)
Principal paid on long-term obligations	(11,652,875)
Proceeds from long-term obligations	6,453,418
Other debt service fees	(85,243)
Interest paid on long-term obligations	(14,833,732)
Proceeds from sale of capital assets	73,780
Capital contributions	629,734
Net cash used for capital and related financing activities	<u>(49,232,917)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>994,186</u>
Net cash provided by investing activities	<u>994,186</u>
Net decrease in cash and cash equivalents	(9,556,192)
Cash and cash equivalents, beginning of year	<u>112,574,212</u>
Cash and cash equivalents, end of year	<u>\$ 103,018,020</u>
Reconciliation to statement of net position:	
Cash and cash equivalents (current and noncurrent)	\$ 99,481,756
Restricted cash and cash equivalents	3,536,264
Total cash, cash equivalents and investments	<u>\$ 103,018,020</u>

(Continued)

Cape Fear Public Utility Authority
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2014

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 20,930,656
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	17,729,409
Changes in assets and liabilities:	
Decrease in receivables and due from other governments	109,753
(Increase) in inventories	(24,320)
Decrease in prepaids	67,175
(Decrease) in accounts payable, accrued liabilities and due to other governments	(299,920)
Increase in customer and escrow deposits	262,640
(Decrease) in compensated absences	(92,854)
Total adjustments	<u>17,751,883</u>
Net cash provided by operating activities	<u><u>\$ 38,682,539</u></u>

Supplemental Schedule of Noncash Activities

Contributions of capital assets from developers	<u>\$ 2,279,983</u>
Debt payment reduction from New Hanover County	<u><u>\$ 1,577,000</u></u>

See Notes to Financial Statements.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies

The accounting policies and financial statements of the Cape Fear Public Utility Authority (Authority) 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 Authority's accounting policies are described below.

Reporting Entity

Cape Fear Public Utility Authority was created in 2007 pursuant to Chapter 162A of the North Carolina General Statutes, by the governing bodies of New Hanover County (County) and the City of Wilmington (City), for the purpose of providing water and wastewater services to residents of the county. The assets and related liabilities of the City and the County water and wastewater systems were transferred to the Authority on July 1, 2008. The Authority is empowered to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency, but has no taxing authority. The Authority Board consists of eleven members who hold office for staggered terms. The members are appointed by the governing bodies of the County and the City. Each of the governing bodies appoints five members and they jointly appoint the eleventh member. The five appointed members from each governing body include two current members from those respective governing bodies.

Accounting principles generally accepted in the United States require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and the Authority has identified two blended component units, described below, which are in substance part of the Authority's operations, and so data from these units is combined with data of the Authority. The Authority is not included in any other reporting entity. The Authority is a jointly governed organization, i.e. an entity governed primarily by representatives from other governments. The participants do not retain any ongoing financial interest in or financial responsibility for the Authority.

Blended Component Units

Cape Fear Utilities, Inc. and Quality Water Supplies, Inc., North Carolina nonprofit corporations, exist to provide and maintain a ground water utility system for citizens of Wilmington, North Carolina and the surrounding community. The Authority is the sole shareholder of each corporation and each of the corporations is governed by a Board comprised of members of the Authority Board. The corporations have no other operations except for services provided to the Authority and are classified as organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The corporations are further classified as a public charity under Section 509(a)(2) and are exempt from filing annual information returns, Form 990. The rates for user charges and the annual budget of the ground water utility system are approved by the Authority Board. Therefore the operations of these corporations are combined and reported as a part of the Authority's operations. The corporations do not issue separate financial statements.

Basis of Presentation

All activities of the Authority and its blended component units are accounted for within a single business-type activity and within a single proprietary (enterprise) fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. An enterprise fund is required to be used when an activity is financed with debt that is secured solely by pledges of the net revenues from fees and charges of the activity.

**Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014**

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Concurrent with the commencement of providing water and wastewater services on July 1, 2008, the Authority elected to be treated as a "special-purpose government engaged only in business-type activities" as described in accounting principles generally accepted in the United States of America. Enterprise activities are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and wastewater system. Operating expenses for the Authority include the cost of services, administrative expenses, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

Budgets are adopted utilizing the modified accrual basis of accounting as required by State statute. An annual budget ordinance is adopted for the operating fund. All annual appropriations lapse at fiscal year end. Project ordinances are adopted for capital projects funds, which are consolidated with the operating fund for reporting purposes.

Expenditures may not legally exceed appropriations at the functional level for the operating fund and at the project level for the capital projects funds. The budget may be amended as necessary by the governing board. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30	Each department head will transmit to the budget officer the budget requests for their department for the budget year.
June 1	The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
July 1	The budget ordinance shall be adopted by the governing board.

Assets, Liabilities, Deferred Outflows and Inflows and Net Position

Cash and Cash Equivalents

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

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"), an SEC registered (2a-7) money market mutual fund. The securities of the NCCMT cash portfolio are valued at fair value, which is the NCCMT's share price.

The Authority pools monies from several funds to facilitate disbursement and investment and to maximize investment earnings. The Authority considers demand deposits and investments (including restricted assets) purchased with an original maturity of three months or less cash and cash equivalents.

Restricted Assets and Liabilities

When capital projects are funded by debt issues, federal and state grants or capital contributions, the assets and liabilities related to those projects are reported as restricted assets and liabilities as their use is restricted to the purpose for which the obligations were originally issued. Customer deposits held by the Authority before services are supplied are restricted to the service for which the deposit was collected.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the revenue collection rates to determine the percentage uncollectible.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories

Inventories consist of materials and supplies maintained for major items used by the Authority. Inventories are valued at cost, which approximates market. The Authority's automated inventory system uses the average cost method. Non-automated inventory uses the first-in, first-out (FIFO) cost method. Inventories are recorded using the consumption method which means inventory is recorded as an asset and materials and supplies are not recorded as an expense until consumed.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. Purchased capital assets are valued at original cost at the time of acquisition. The cost of normal repairs and maintenance which do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at their estimated fair value at the time of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The construction interest capitalized during the year ended June 30, 2014 totaled \$2,156,714.

Capital assets, which include buildings, plant, furniture, fixtures, equipment and infrastructure assets, are depreciated using the straight-line method by groups or classes of property over the following expected service lives:

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

	Years
Plant, Structures and Improvements	20-40
Water and Sewer Lines	50
Furniture, Fixtures and Machinery	5

The Authority may consider capital assets impaired if both: (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired assets will be appropriately reduced in value or discarded if idle.

Intangible Assets

Intangible assets consist of water availability rights, easements and software.

The water availability rights valued at \$1,988,116 are available to the Authority under an agreement the City entered into in 1991 with a regional public authority, Lower Cape Fear Water and Sewer Authority (LCFWSA), and later modified in 2007. The agreement is a needs-based contract to purchase up to 23.0 MGD of raw water from the LCFWSA with a term ending in 2030. Raw surface water is either drawn from the Cape Fear River through the Authority's 15.0 million gallon per day (MGD) raw water intake at King's Bluff or purchased through a connection with the LCFWSA at U.S. Highway 421. The water availability rights are being amortized over 40 years, the original life of the agreement, and has a net value at June 30, 2014 of \$1,469,476.

Easements are recorded at fair value and are not amortized. In accordance with GASB Codification Section 1400, computer software is capitalized with a minimum capitalization cost of \$25,000 and is amortized over a period of three to eight years.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an expenditure until then. The Authority has two items that meet this criterion – a deferred charge on debt refunding (proceeds from refunding less the amount of refunded debt) that had previously been netted against Long-term Obligations and Accumulated decrease in fair value of hedging derivative. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future reporting period and so will not be recognized as revenue until then. The Authority has no Deferred Inflows of Resources.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures 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. Significant estimates to the financial statements include unbilled receivables, allowance for doubtful accounts, estimated useful lives of capital assets, compensated absences, other post-employment benefits, medical self-insurance, workers' compensation self-insurance and the valuation of derivative instrument - interest rate swap.

Long-Term Obligations

Long-term obligations are reported as a liability in the Statement of Net Position, net of applicable bond premiums and discounts, if applicable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. The effective interest method accounts for the premium or discount at which a bond is sold as interest expense to be amortized over the life of the bond. The interest expense is calculated using the prevailing market

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

interest rate at the time of the bond issue which is multiplied by the book value of the bond to find the amount of the premium or discount to be amortized as interest expense each reporting period.

Compensated Absences

The vacation leave policy of the Authority provides for the maximum accumulation of 320 hours accrued vacation leave in any fiscal year with such leave being fully vested when accrued. Vacation leave is accrued by regular full-time and part-time employees working each pay period (limited to 26 pay periods per calendar year) and based on years of service to the Authority. Eligible employees begin accruing vacation leave on the employee's hire date; however, the employee must be employed six (6) months before the employee is eligible to take paid vacation leave, unless authorized and approved by the Executive Director. The accrued value is based on each employee's rate of pay as of June 30 of each fiscal year. Vacation leave accrued over the 320 hour limit is converted to sick leave annually. Accrued vacation at year end totaled \$1,138,092 and is included as compensated absences. The portion of the accrued vacation which is estimated to be used during the next fiscal year (based on current year usage) is recorded as a current liability of \$733,000 on the Statement of Net Position.

The Authority's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Authority does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Medical Self-Insurance

The Authority is self-insured for group medical insurance and has contracted with Blue Cross and Blue Shield of North Carolina to administer the program. The Authority's program provides for individual stop-loss coverage for claims above a specific amount. The individual stop-loss insurance provides reimbursement to the group plan of all eligible claims paid above \$85,000 on behalf of any participant during the contract period. The stop-loss insurance policy was underwritten by HM Life Insurance Company of Pittsburgh, PA. A provision of \$674,000 has been accrued to fund estimated claims incurred but not reported as of June 30, 2014, and to fund a 20% reserve level over expected claims.

Workers' Compensation Self-Insurance

The Authority is self-insured for workers' compensation and employers' liability insurance, and purchases Specific and Aggregate Excess Workers Compensation and Employers Liability Indemnity insurance through Midwest Employers Casualty Company of Chesterfield, MO. The Authority contracted with PMA, Inc., a provider of claims administrative services, to administer the program. The program provides that the Authority is responsible for the first \$500,000 of cost and/or benefits payable to employees resulting from any one accident or event, regardless of the number of persons injured.

Specific and Aggregate Excess Workers Compensation and Employers Liability Indemnity insurance provides protection against compensable claims during the policy year above the self-insured specific retention of \$500,000, up to the maximum limits provided under the North Carolina Workers' Compensation Act and up to \$1,000,000 each accident or disease for Employer's Liability. In addition, the insurance would provide protection against cumulative retained losses after the Authority's aggregate costs reach a minimum of \$1,261,912 for claims occurring during the policy period and would then provide an additional \$1,000,000 of coverage, with any losses beyond the \$1,000,000 limit being retained by the Authority. A provision of \$140,000 has been accrued to fund estimated claims incurred but not reported as of June 30, 2014.

Net Position

Net position is classified as net investment in capital assets, restricted, or unrestricted. Net investment in capital assets represents the amount invested in capital assets less any outstanding debt used in the acquisition of those assets. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

regulations of other governments, or by law through state statute. Unrestricted net position does not meet the definition of "net investment in capital assets" or "restricted". Unrestricted net position of \$4,112,741 has been earmarked by the governing Board for other post-employment benefits as disclosed in Note 7.

Note 2. Cash, Cash Equivalents, Deposits and Investments

Deposits

All of the Authority's deposits are to be either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are separately collateralized with securities held by the governments' agents in the governments' names. Under the Pooling Method, which is a statewide collateral pool, 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 governments, these deposits are considered to be held by the governments' agents in their 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 governments or the escrow agents. Because of the inability to measure the exact amounts of collateral pledged for governments 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 depository that collateralizes public deposits under the Pooling Method. The State Treasurer enforces standards of minimum capitalization for all Pooling Method financial institutions. The Authority relies on the State Treasurer to monitor those financial institutions.

At June 30, 2014, the carrying amount of the Authority deposits was \$102,458,162 and the bank balance was \$102,363,844. Of the bank balance, \$1,362,654 was covered by FDIC insurance and \$101,001,190 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2014, the Authority had the following investments:

	Fair Value	Maturity Less Than One Year
US Government Agencies	\$ 13,456,192	\$ 13,456,192
NC Capital Management Trust - Cash Portfolio	557,458	N/A
	\$ 14,013,650	\$ 13,456,192

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Cash, cash equivalents, deposits and investments of the Authority can be summarized as follows as of June 30, 2014.

Cash on hand	\$ 2,400
Deposits	102,458,162
Investments	14,013,650
	\$ 116,474,212
Current Assets	
Cash, cash equivalents and investments	\$ 82,318,592
Restricted cash, cash equivalents and investments	16,992,456
Noncurrent Assets	
Cash and cash equivalents	17,163,164
	\$ 116,474,212

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the weighted average maturity of the investment portfolio to no more than one year. Also, the investment policy requires purchases of securities to have staggered maturities and limits all securities to a final maturity of no more than five years.

Credit Risk and Concentration of Credit Risk

The Authority has no formal policy on managing credit risk. The Authority's investment policy limits investments to the provisions of North Carolina G.S. 159-30(c) and requires the investment security types to be no more than 25% of the total portfolio in a single security type. There are no violations of the investment policy.

As of June 30, 2014 the Authority's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The Authority's short-term investment in U.S. Government Agencies (Federal Home Loan Bank Discount Note) are rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposit may not be returned to it. The Authority has no formal policy on custodial credit risk, however, the Authority contracts with the trust department of a financial institution, as bond trustee, to hold its investments in the Authority's name.

The Authority has no policy on foreign currency risk.

Note 3. Receivables

At June 30, 2014, the Authority estimates the revenue value of water consumed by its customers but not billed by the last day of the fiscal year. This is done by multiplying the unbilled water usage by the approximate number of days unbilled at June 30. As of June 30, 2014, the Authority had approximately \$7,744,000 of unbilled receivables included in Receivables – Authority customers and Receivables – City customers, below.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The Receivable amounts presented in the Statement of Net Position are as follows:

Receivables - Authority customers	\$ 15,787,339
Receivables - City of Wilmington customers	2,984,097
Accrued interest receivable	258,016
Allowance for doubtful accounts - Authority	(1,693,595)
	\$ 17,335,857
Receivables, net	\$ 17,054,178
Restricted receivables	\$ 281,679
	\$ 17,335,857

State of North Carolina-Refund of sales and use tax paid	\$ 840,911
New Hanover County	1,000,000
Town of Wrightsville Beach	196,520
Total Due from other governments	\$ 2,037,431
New Hanover County	\$ 1,062,720
City of Wilmington	453,372
State of North Carolina	4,755,506
Total Restricted due from other governments	\$ 6,271,598

The rest of this page intentionally left blank.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4. Capital Assets

Capital assets activity consists of the following for the fiscal year ended June 30, 2014. Current depreciation and amortization expense was \$16,915,369 and \$814,040, respectively.

	Beginning Balances			Completed Projects	Ending Balances June 30, 2014
	July 1, 2013	Increases	Decreases		
Capital assets not being depreciated:					
Land	\$ 6,982,245	\$ -	\$ -	\$ -	\$ 6,982,245
Intangible Asset-Easements	1,587,996	-	-	272,522	1,860,518
Construction in progress	34,994,319	32,472,669	-	(15,502,979)	51,964,009
Total capital assets not being depreciated or amortized	43,564,560	32,472,669	-	(15,230,457)	60,806,772
Capital assets being depreciated or amortized:					
Plant, Structures and Improvements	288,590,568	42,943	-	2,404,989	291,038,500
Water and Sewer Lines	318,114,377	2,319,741	-	12,313,305	332,747,423
Furniture, Fixtures and Machinery	9,519,647	155,375	(26,567)	440,764	10,089,219
Intangible Asset-Computer Software	3,903,305	64,288	-	71,399	4,038,992
Intangible Asset-Water Availability Rights	1,988,116	-	-	-	1,988,116
Total capital assets being depreciated or amortized	622,116,013	2,582,347	(26,567)	15,230,457	639,902,250
Less accumulated depreciation or amortization for:					
Plant, Structures and Improvements	26,942,564	7,877,154	-	-	34,819,718
Water and Sewer Lines	37,884,557	7,932,297	-	-	45,816,854
Furniture, Fixtures and Machinery	6,307,935	1,105,918	(26,567)	-	7,387,286
Intangible Asset-Computer Software	1,848,408	727,600	-	-	2,576,008
Intangible Asset-Water Availability Rights	432,200	86,440	-	-	518,640
Total accumulated depreciation and amortization	73,415,664	17,729,409	(26,567)	-	91,118,506
Total capital assets being depreciated or amortized, net	548,700,349				548,783,744
Capital assets, net	\$ 592,264,909				\$ 609,590,516

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital contributions as shown on the Statement of Revenues, Expenses and Changes in Fund Net Position consist of the following at June 30, 2014.

Capital Contributions	
System Development Charges	\$ 4,396,198
Contributions from Developers-Cost Sharing	1,656,239
Cash Contribution from Cash	6,052,437
Contribution from Developers (Non-Cash)	2,279,983
Total Capital Contributions	\$ 8,332,420

Capital contributions from cash of \$629,734 on the Statement of Cash Flows vary from total capital contribution due to year-end receivables of \$5,422,703 recognized on the Statement of Revenues, Expenses and Changes in Fund Net Position.

Note 5. Due to Other Governments

The amounts presented in the Statement of Net Position as Due to Other Governments as of June 30, 2014 are as follows:

State of North Carolina-Sales and Use Tax Paid	\$ 10,042
City of Wilmington-Solid Waste and Stormwater Fees (in Receivables)	3,329,300
Other	3,500
Total Due to other governments	\$ 3,342,842

Note 6. Operating Leases

The Authority leases building, office facilities and land under two operating lease arrangements. The original lease for the Administration Building commenced on June 1, 2008, with an amendment to that lease effective July 26, 2012, with a new lease term of 120 months, expiring July 25, 2022, with the option to extend the lease for two additional five-year periods. A lease for the Operations Center commenced August 1, 2011 with a lease term of 60 months, with the option to extend the lease for one additional two-year period. Total lease costs of \$817,593 for the fiscal year ended June 30, 2014, included the Administration Building and the Operations Center. The future minimum lease payments as of June 30, 2014 are as follows:

Year Ending June 30	Amount
2015	\$ 792,317
2016	797,249
2017	648,046
2018	646,078
2019	658,999
Thereafter	2,115,510
Total	\$ 5,658,199

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7. Benefit Plan Obligations

Local Governmental Employees' Retirement System

Plan description. The Authority contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the Authority to establish and amend benefit provisions to the North Carolina General Assembly. 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 Center Service, Raleigh, North Carolina 27699 - 1410, or by calling (919) 981-5454.

Funding policy. Plan members are required to contribute 6% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. For the Authority, the current rate is 7.07% of annual covered payroll. The contribution requirements of members and the Authority are established and may be amended by the North Carolina General Assembly. The Authority's contributions to LGERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$926,256, \$858,517, and \$860,792, respectively. The contributions made by the Authority equaled the required contributions for the fiscal year.

Supplemental Retirement Income Plan and Deferred Compensation Plan

Plan Descriptions. The Authority offers its employees the opportunity to participate in the NC-401(k) Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to employees of the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Authority also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 administered by ICMA-RC. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Funding Policy. The Authority has elected to make contributions on behalf of all employees to either the NC-401(k) Supplemental Retirement Income Plan or the 457 Deferred Compensation Plan. The Authority's contribution is 2% of covered payroll and contributions are made to the plan selected by the employee. The Authority also matches the contributions made by employees up to 2% of covered payroll. If the employee does not elect either plan, the Authority's contribution is placed into the NC-401(k) Supplemental Retirement Income Plan on behalf of the employee.

The Authority's contributions to the Supplemental Retirement Income Plan totaled \$353,108 and employee contributions and loan repayments were \$427,392 for the fiscal year ended June 30, 2014.

The Authority's contributions to the 457 Deferred Compensation Plan totaled \$109,052 and employee contributions and loan repayments were \$169,133 for the fiscal year ended June 30, 2014.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Other Post-Employment Benefits (OPEB)

Plan Description. According to the Authority's personnel policy, the Authority provides post-employment health care benefits to retirees of the Authority as a single-employer defined benefit plan, provided they participate in the North Carolina Local Government Employees' Retirement System and were employed by the City or County prior to July 1, 2008 as the years of service were transferred from participating member governments during the initial transition phase of the Authority. Employees that transferred from the City must have at least five years of creditable service. Employees that transferred from the County must have at least 15 years of creditable service. The Authority shares the cost of coverage for these benefits through private insurers with the retiree by paying claims under its medical self-insurance program and charging participants a co-payment amount. Also, the Authority's retirees can purchase coverage for their dependents at the Authority's group rates. A separate report was not issued for the plan.

Membership consisted of 189 active plan members and 11 retirees receiving benefits at December 31, 2012, the date of the latest actuarial valuation.

Funding Policy. The Authority's contribution to the plan is based on a set amount or percentage of the cost of the individual insurance coverage. The Authority is not required to fully fund the annual required contribution (ARC); however, the Authority is required to disclose the unfunded ARC, which must be amortized over future periods. To date, the Authority has chosen to fund these benefits on a pay-as-you-go basis.

The current ARC is 1.19% of annual covered payroll. Contributions of \$254,023 (2.0% of annual covered payroll) were made by the Authority for the current year of which \$13,428 were made by retirees of the Authority.

Summary of Significant Accounting Policies. Post-employment benefits are paid as they come due from the Authority's operating fund. Assets have been accumulated for OPEB purposes but have not been placed in an irrevocable trust fund. Unrestricted net position of \$4,112,741 has been earmarked by the governing Board for other post-employment benefits.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for the healthcare benefits:

Annual required contribution (ARC)	\$ 150,386
Interest on net OPEB obligation	88,257
Adjustment to annual required contribution	(122,690)
Annual OPEB cost	115,953
Contributions made	(254,023)
Decrease in net OPEB obligation	(138,070)
Net OPEB obligation, beginning of year	2,206,421
Net OPEB obligation, end of year	\$ 2,068,351

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The Authority's three year trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation is as follows:

For The Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 115,953	219.07%	\$ 2,068,351
2013	115,811	107.84%	2,206,421
2012	123,385	90.76%	2,215,498

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,459,288. The covered payroll (annual payroll of active employees covered by the plan) was \$12,632,605, and the ratio of the UAAL to the covered payroll was 19.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits. As an unfunded plan, there are no plan assets.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate, salary increases of 2.5%, medical trend rates between 7.0% and 4.5%, and a 2.50% inflation assumption. The UAAL is being amortized on a level dollar amount on a closed basis. The remaining amortization period at December 31, 2012 was 28 years.

Note 8. Risk Management

The Authority 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. The Authority has chosen to establish a risk financing fund for risks associated with the employee's health insurance program and workers' compensation coverage. The Authority carries commercial coverage for all other risks of loss including property and general liability coverage. Claims did not exceed coverage for any category for the fiscal years ended June 30, 2014, 2013, or 2012.

The Authority carries flood insurance coverage for its facilities with a limit of \$1,000,000 and a deductible of \$50,000 on scheduled properties.

The Authority's Chief Financial Officer is individually bonded for \$250,000. Additional bonds of \$250,000 each cover three additional employees who handle the in-house cash collections. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

For liabilities funded under the risk financing fund, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including the frequency and amount of payouts.

Claims liabilities are reported as accounts payable and accrued liabilities. Changes in claims liability for the fiscal years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Medical Self-Insurance Program		
Unpaid claims, beginning of year	\$ 640,000	\$ 645,835
Incurred claims (including IBNR)	2,493,985	2,047,118
Claim payments (including fees)	(2,459,985)	(2,052,953)
Unpaid claims, end of year	\$ 674,000	\$ 640,000
Workers' Compensation Self-Insurance Program		
Unpaid claims, beginning of year	\$ 140,000	\$ 158,000
Incurred claims (including IBNR)	16,832	108,849
Claim payments	(16,832)	(126,849)
Unpaid claims, end of year	\$ 140,000	\$ 140,000

Note 9. Long-Term Obligations

Bonded and Installment Debt

Details of the Authority's outstanding bonded and installment long-term obligations at June 30, 2014 are as follows:

Revenue Bonds

\$62,400,000 Water and Sewer Revenue and Refunding Revenue Bonds, Series 2005 issued by the City of Wilmington for a wastewater plant expansion, other water and sewer system improvements and to refund \$9,235,000 of Water and Sewer Revenue Bonds, the proceeds of which were used for like improvements; principal installments due annually on June 1 in varying amounts of \$1,725,000 to \$2,875,000 plus interest through June 1, 2034; interest at fixed rates of 5.0%.

\$50,245,000

\$187,765,000 Water and Sewer Revenue Bonds, Series 2008 issued for water and sewer improvements and to refund \$42 million of New Hanover County Certificates of Participation; principal payments due annually on August 1 in varying amounts of \$1,410,000 to \$13,125,000 plus interest through August 1, 2035; interest at rates ranging from 3.5% to 5.0%.

174,310,000

\$44,100,000 Water and Sewer Revenue Bonds, Series 2011 issued for water and sewer improvements; principal payments due annually on August 1 in varying amounts of \$1,245,000 to \$2,740,000 plus interest through August 1, 2036; interest at rates ranging from 3.0% to 5.0%.

41,350,000

Total Revenue Bonds 265,905,000

General Obligation Bonds

Locality compensation payable to City of Wilmington due in one remaining annual principal payment on June 1 of \$2,355,000 on June 1, 2015; variable rate semiannual interest payments due June 1 and December 1.

2,355,000

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Total General Obligation Bonds	2,355,000
--------------------------------	-----------

Installment Obligations

Locality compensation payable to City of Wilmington for Certificates of Participation due in annual principal payments on June 1 ranging from \$1,010,000 to \$1,550,000 through June 1, 2024; semiannual interest payments due June 1 and December 1 at rates ranging from 4.2% to 5.0%.	12,640,000
---	------------

Locality compensation payable to New Hanover County for Certificates of Participation due in annual principal payments on August 26 ranging from \$795,000 to \$891,800 through August 26, 2017; semiannual interest payments due August 26 and February 23 at rates ranging from 3.625% to 4.0%.	3,369,600
---	-----------

Locality compensation payable to New Hanover County for Refunding Limited Obligation Bonds due in annual principal payments on December 1 ranging from \$945,000 to \$1,140,000 through December 1, 2027; semiannual interest payments due December 1 and June 1 at rates ranging from 2.0% to 5.0%.	14,175,000
--	------------

Total Installment Obligations	30,184,600
-------------------------------	------------

Total Bonds and Installment Obligations	298,444,600
---	-------------

Plus Unamortized Premiums	13,443,033
---------------------------	------------

Net Carrying Value of Bonds and Installment Obligations	\$ 311,887,633
---	----------------

Changes in Long-Term Obligations

	Balance		Unamortized		Balance	Current
	July 1, 2013 (1)	Additions	Retirements	Premiums	June 30, 2014	Maturities
Revenue Bonds	\$ 273,115,000	\$ -	\$ 7,210,000	\$ 11,367,935	\$ 277,272,935	\$ 6,480,000
General Obligation Bonds:						
Locality compensation payment	5,255,000	-	2,900,000	-	2,355,000	2,355,000
Installment Obligations:						
Locality compensation payment	33,096,600	-	2,912,000	2,075,098	32,259,698	1,691,600
Total Bonds and Installment Obligations	311,466,600	-	13,022,000	13,443,033	311,887,633	10,526,600
Other Installment Obligations:						
ARRA Revolving Loan	1,131,523		56,576	-	1,074,947	56,576
DWSRF Revolving Loan	-	91,048	-	-	91,048	10,204
Clean Water State Revolving Loans	2,442,453	6,362,370	151,299		8,653,524	531,173
Total Other Installment Obligations	3,573,976	6,453,418	207,875	-	9,819,519	597,953
Total Long-Term Obligations	315,040,576	6,453,418	13,229,875	13,443,033	321,707,152	11,124,553
Compensated Absences	1,092,876	777,951	732,735	-	1,138,092	733,000
Other Post-Employment Benefits (OPEB)	2,206,421	115,953	254,023	-	2,068,351	-
Total noncurrent liabilities	\$ 318,339,873	\$ 7,347,322	\$ 14,216,633	\$ 13,443,033	\$ 324,913,595	\$ 11,857,553

(1) Balance at July 1, 2013 is not net of unamortized premiums and discounts of \$14,508,714.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The payments on the Authority's outstanding bonded and installment long-term obligations for the future years are as follows:

Year Ending June, 30	Parity Bonded Debt		Subordinated Bonded & Installment Debt		Total	
	Principal	Interest	Principal	Interest	Principal (1)	Interest
2015	6,480,000	12,919,741	5,300,600	1,393,618	11,780,600	14,313,359
2016	5,430,000	12,671,241	2,984,200	1,150,769	8,414,200	13,822,010
2017	9,290,000	12,336,903	3,043,000	1,038,734	12,333,000	13,375,637
2018	9,735,000	11,900,853	3,111,800	915,839	12,846,800	12,816,692
2019	9,925,000	11,438,598	2,250,000	915,839	12,175,000	12,354,437
2020-2024	49,095,000	50,072,856	12,040,000	2,959,475	61,135,000	53,032,331
2025-2029	62,495,000	36,674,316	3,810,000	650,750	66,305,000	37,325,066
2030-2034	80,020,000	19,143,745	-	-	80,020,000	19,143,745
2035-2037	33,435,000	1,896,375	-	-	33,435,000	1,896,375
Total	265,905,000	\$169,054,628	32,539,600	\$9,025,024	298,444,600	\$178,079,652
Unamortized premiums	11,367,935		2,075,098		13,443,033	
Net carrying value	\$277,272,935		\$34,614,698		\$311,887,633	

(1) Principal balances do not reflect reduction of debt payments to New Hanover County, as described in the following paragraph.

Pursuant to the interlocal agreement transferring the City's and the County's water and wastewater system to the Authority, the Authority assumed responsibility for all of the related debt. However, certain debt instruments could not be transferred to the Authority or refinanced due to the nature of the agreements. Accordingly, the City and the County have retained and are servicing those obligations with the Authority making payments to the City and the County equal to the principal and interest payments required under those debt instruments. Debt service payments made to the City and County for the fiscal year ended June 30, 2014 were \$4,717,398 and \$1,060,550, respectively.

Under Section 2.10 of the interlocal agreement, the County agreed to a reduction in the amount of the debt service payments made by the Authority to the County (debt payment reduction amount) for a period of 10 years, starting with the year ended June 30, 2009. The debt payment reduction amount which reduces the debt service payments to be paid to the County by the Authority was \$1.577 million for fiscal year ended June 30, 2014. Beginning in the seventh year (fiscal year ending June 30, 2015), the debt payment reduction amounts will be \$1.254 million, \$950,000 for the eighth year, \$627,000 for the ninth year, and \$304,000 for the tenth year. If at any time the debt payment reduction amounts in a given year are greater than the amounts required to be paid by the Authority to the County, the County will pay the Authority the difference. This debt reduction is shown as Contributions from New Hanover County on the Statement of Revenues, Expenses and Changes in Fund Net Position.

Unexpended proceeds from the issuance of revenue bonds are currently held by an escrow agent in the name of the Authority. The proceeds held in the escrow account have been classified as restricted assets because their use is restricted to the purpose for which they were originally issued. The unexpended proceeds will be used for various water and wastewater improvement capital projects.

Certain covenants are contained in the revenue bond orders, among the most restrictive of which provides that the Authority maintain a long-term debt service coverage ratio, as defined, of not less than 1.20. The Authority was in compliance with the covenants during the fiscal year ended June 30, 2014.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Other Installment Obligations

DWSRF Loans - American Recovery and Reinvestment Act (ARRA)

During the year ended June 30, 2010, the Authority was approved for a loan from the State of North Carolina, Department of Environment and Natural Resources (DENR). The loan was drawn down as expenditures were paid on the Aquifer Storage and Recovery capital project, to a maximum of \$2,263,046. Half of the loan amount was subject to immediate principal forgiveness under an American Recovery and Reinvestment Act of 2009 (ARRA) program awarded by the Environmental Protection Agency (EPA) through the State Revolving Fund program administered by DENR. The remaining \$1,131,523 is due in 20 equal annual installments of \$56,576, commencing on May 1, 2014. The loan does not bear interest. At June 30, 2014, \$1,074,947 is recorded as an outstanding loan.

On June 27, 2013, the Authority was approved for a second loan from the State of North Carolina, Department of Environment and Natural Resources (DENR) in the amount of \$204,082. The loan is being drawn down as expenditures are paid on the Aquifer Storage and Recovery capital project. The \$204,082 loan will be due in 20 equal annual installments of \$10,204, commencing on May 1, 2015 following the completion of the project. The loan does not bear interest. At June 30, 2014, \$91,048 is recorded as an outstanding loan. The payments on the Authority's outstanding DWSRF Loans for the future years are as follows:

Year Ending June 30,	ARRA Loan Principal	DWSRF Loan Principal
2015	\$ 56,576	\$ 10,204
2016	56,576	10,204
2017	56,576	10,204
2018	56,576	10,204
2019	56,576	10,204
2020-2024	282,880	40,028
2025-2029	282,880	0
2030-2034	226,307	0
Total	\$ 1,074,947	\$ 91,048

The rest of this page intentionally left blank.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Clean Water State Revolving Fund (CWSRF) Loans

The Authority has been approved for various loans through the NC Clean Water State Revolving Fund and has executed promissory notes from the State of North Carolina, Department of Environment and Natural Resources (DENR). The approved loans total \$10,623,459 and are drawn down as expenditures are paid on the respective capital projects.

Clean Water State Revolving Fund Loans	Approved Loan	Balance June 30, 2014
Burnt Mill Creek Phase 2 - \$3,025,992, principal payments of \$151,300 due annually on May 1 plus interest due semi-annually through May 1, 2033 at a rate of 2.455%.	\$ 3,025,992	\$ 2,874,693
Between the Creeks & Pump Station 28 Refurbishment - \$429,000, principal payments of \$21,450 due annually on May 1 plus interest due semi-annually through May 1, 2034 at a rate of 2.0%.	\$ 429,000	\$ 407,550
30th Street Sewer Rehabilitation - \$1,151,607, principal payments of \$57,580 due annually on May 1 plus interest due semi-annually through May 1, 2034 at a rate of 2.0%.	\$ 1,151,607	\$ 1,045,133
Mc Cumber Ditch - \$1,250,000, principal payments of \$62,500 due annually on May 1 plus interest due semi-annually through May 1, 2034 at a rate of 2.0%.	\$ 1,250,000	\$ 925,020
Smith Creek 'Alandale' Pump Station - \$2,565,380, principal payments of \$128,269 due annually on May 1 plus interest due semi-annually through May 1, 2034 at a rate of 2.0%.	\$ 2,565,380	\$ 2,139,604
Greenfield Lake Sewer Outfall Rehabilitation - \$2,201,480, principal payments of \$110,074 due annually on May 1 plus interest due semi-annually through May 1, 2034 at a rate of 2.0%.	\$ 2,201,480	\$ 1,261,524
Total	\$ 10,623,459	\$ 8,653,524

The payments on the Authority's outstanding CWSRF loans for the future years are as follows:

Year Ending June 30,	Clean Water State Revolving Fund Loans	
	Principal	Interest
2015	531,173	232,922
2016	531,173	211,211
2017	531,173	199,899
2018	531,173	188,587
2019	531,173	177,276
2020-2024	2,655,865	716,700
2025-2029	2,655,865	433,903
2030-2034	685,929	151,106
Total	8,653,524	\$2,311,605

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Interest Rate Swap Agreement

The Interlocal Transition and Operating Agreement established the terms and conditions of the transfer of water and wastewater assets of the City and County to the Authority on July 1, 2008. Under that Agreement, the Authority is responsible for reimbursement of payments on water and wastewater-related long-term debt that could not be assumed by the Authority. Included in those long-term debt obligations retained by the City was the outstanding balance on Variable Rate General Obligation Bonds, Series 2002, for which the City entered into an interest rate swap agreement (the "swap agreement"). Based on the agreement with the City, after July 1, 2008, the Authority is responsible for payments made and received under this swap agreement. Details on the swap agreement are presented below.

Objective of the interest rate swap. As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in February 2002, the City entered into a pay-fixed, receive variable interest rate swap in connection with its \$28,825,000 Variable Rate General Obligation Refunding Bonds, Series 2002. The intention of the swap agreement was to effectively change the interest rate on the bonds to a synthetic fixed rate of 3.815%. The swap is accounted for as a cash flow hedge and is determined to be effective using the synthetic instrument method.

Terms. The bonds and the related swap agreement mature on June 1, 2015 and the swap's June 30, 2014 notional amount of \$2,355,000 matches the face amount of the variable-rate bonds. The swap was entered into at the same time the bonds were issued (February 2002). The notional value of the swap declines with the principal amount of the associated debt. Under the swap the City (as assumed by the Authority) pays the counterparty a fixed payment of 3.815% and receives a variable payment computed at 67% of the LIBOR. Conversely, the bonds' variable-rate coupons are based on the actual float rate coupons marketed weekly.

Fair value. Because interest rates have declined since execution of the swap, the swap has an accumulated decrease in (negative) fair value of \$93,242 as of June 30, 2014 which is reported on the Statement of Net Position as a derivative liability offset by a deferred outflow of resources. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable-rate bonds are adjusted every seven days to changing interest rates, the bonds do not have a corresponding fair value increase. The mark-to-market valuations were established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions.

Credit risk. As of June 30, 2014 the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A2 by Moody's Investors Service (Moody's), A by Standard and Poor's (S&P) and A by Fitch Ratings (Fitch). To mitigate the potential for credit risk, if the counterparty's credit quality falls to A1 by Moody's or A+ by either S&P or Fitch and their exposure exceeds \$5,000,000, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third party custodian.

Basis risk. The swap agreement exposes the Authority to basis risk should the relationship between LIBOR and the average rate paid on the floating rate coupon converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rates of 3.815% and the synthetic rate as of June 30, 2014 of 3.76%. As of June 30, 2014, the rate on the variable rate Bonds was .05% whereas 67% of LIBOR was .10%.

Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty's credit rating falls below Baa1 (Moody's) or BBB+ (S&P and Fitch) by at least two of the rating agencies. The swap may be terminated by the City with 30 days' notice and the counterparty can only terminate the swap if the City falls below BBB- with any of the three major rating services. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Swap payments and associated debt. Using rates as of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate Swap, Net	Total
2015	\$ 2,355,000	\$ 1,178	\$ 87,460	\$ 2,443,638
Total	\$ 2,355,000	\$ 1,178	\$ 87,460	\$ 2,443,638

In connection with the creation of the Authority on July 1, 2008, the interest rate swap agreement continues to be an obligation of the City and all payments required to be made by the City under the agreement are reimbursed to the City by the Authority.

The following is a summary of the derivative activity for the fiscal year ended June 30, 2014:

	Notional Value June 30, 2013	Fair Value July 1, 2013	Additions	Reductions	Fair Value June 30, 2014
2002 pay-fixed, receive variable interest rate swap	\$ 2,355,000	\$ (284,174)	\$ 190,932	\$ -	\$ (93,242)

The rest of this page intentionally left blank.

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Debt Service Coverage

The Authority has been in compliance with the covenants as to the rates, fees, rentals, and charges in Article VI, Section 6.6 of the General Trust Indenture, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 1998. The General Trust Indenture dated as of December 1, 1998 and four series indentures under which the City had issued revenue bonds were assigned to the Authority on July 1, 2008 as provided for in Section 6.11(a) of the General Trust Indenture. The Authority has issued two series of revenue bonds under this General Trust Indenture. Section 6.6 of the General Trust Indenture requires the debt service coverage to be no less than 120% or 1.20 times on revenue bond indebtedness and to be no less than 100% or 1.00 times on total long-term indebtedness. The debt service coverage ratio calculation for the fiscal year ended June 30, 2014, is as follows:

Revenues	
Operating revenues (1)	\$ 68,945,214
System development charges	4,396,198
Investment earnings (2)	975,930
	74,317,342
Expenses	
Operating expenses and debt service fees (3)	48,099,801
Less depreciation and amortization (3)	(17,729,409)
Add decrease in net OPEB obligation	138,070
	30,508,462
Net Revenues Available for Debt Service	\$ 43,808,880
Debt Service on Parity Indebtedness	\$ 20,419,678
Debt Service on Subordinate Indebtedness	\$ 6,066,930
Total Debt Service on All Indebtedness (4)	\$ 26,486,608
Debt Service Coverage Ratio for Parity Indebtedness	2.15
Debt Service Coverage Ratio for All Indebtedness	1.65

(1) Operating revenues come from the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(2) Investment earnings exclude earnings on bond proceeds held in Bond Construction Fund Account.

(3) Operating expenses and other debt service fees come from the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(4) Total long term debt includes revenue bonds (parity indebtedness), and locality compensation payables for general obligation bonds and installment obligations (subordinate indebtedness).

Note 10. Contributions From Other Governments

As disclosed in Note 9, the County agreed to a reduction in debt service payments made the Authority for a period of ten years. This annual reduction is shown as Contributions from New Hanover County on the Statement of Revenues, Expenses and Changes in Fund Net Position. The contribution for the fiscal year ended June 30, 2014 was \$1,577,000.

**Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014**

Note 11. Other Related Party Transactions

The Authority provides water and wastewater services to the County which generated water revenues of \$195,769 and wastewater revenues of \$210,889 for the fiscal year ended June 30, 2014 making the County one of the top 10 principal water and wastewater customers of the Authority. The County has a receivable to the Authority of approximately \$55,200 as of June 30, 2014 which is included in Receivables, net on the Statement of Net Position.

The Authority provides water and wastewater services to the City which generated water revenues of \$168,729 and wastewater revenues of \$141,291 for the fiscal year ended June 30, 2014 making the City one of the top 10 principal water customers of the Authority. The City has a receivable to the Authority of approximately \$10,800 as of June 30, 2014 which is included in Receivables, net on the Statement of Net Position.

Please refer to Notes 1, 3, 5, 9, 10, 13 and 14 for additional disclosures on the relationship between the Authority, City and the County.

Note 12. Pending GASB Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations.

Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 will be effective in the fiscal year ending June 30, 2015.

Statement No. 69 Government Combinations and Disposals of Government Operations will be effective in the fiscal year ending June 30, 2015.

Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 will be effective in fiscal year ending June 30, 2015.

Management has not currently determined what, if any, impact implementation of the above statements may have on the future financial statements of the Authority.

Note 13. Litigation

The Authority is a party to a number of civil lawsuits and other legal actions. There are also several claims for damages that have not yet resulted in litigation. In the opinion of the Authority attorney and management, the ultimate outcome of these claims is not expected to have a significant impact on the Authority's financial position.

Prior to the transfer of assets to the Authority on July 1, 2008, the City and the County were notified by the Environmental Protection Agency (EPA) that the City and County were in violation of the Clean Water Act. The EPA contends that the City and County experienced numerous sanitary sewer overflows that violated State and federal regulations. As the owner and operator of the wastewater system formerly operated by the City and County, the Authority was included in the EPA action. Since the Authority began operations, it has had ongoing projects to repair and upgrade the Northeast Interceptor. In addition, the Authority has implemented comprehensive programs to control inflow and infiltration and other contributors to potential spills. Such significant progress has been made that, on September 25, 2009, the Director of the DENR Division of Water Quality notified the EPA that the State of North Carolina believes that actions taken by the Authority address most elements of the proposed consent decree with the EPA. No admission of violation was made by the City, the County or the Authority. The City and the County retained a total of \$3 million for the payment of any fines to be levied.

On July 17, 2013 the United States Department of Justice issued a proposed Consent Decree with the United States District Court in the lawsuit. The Consent Decree requires the Authority to implement specific programs designed to ensure proper management, operation and maintenance of its wastewater systems. In order to address the problem of wet weather

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

overflows of raw sewage from the wastewater lines, the Authority will develop and implement a comprehensive wastewater system assessment and rehabilitation program.

After the completion of public notice and hearing, the Court signed the Consent Decree, and it was filed in U.S. District Court on December 11, 2013. Under the decree, CFPUA agreed to undertake several projects, some of which are already complete, which are included in the Authority's Capital Improvement Program. Upon completion of all actions, the Consent Decree will be terminated. The City paid a \$300,000 fine to the EPA on December 18, 2013. Should there be significant wastewater overflows, the Authority could be subject to fines ranging from \$250 to \$5,000.

Note 14. Commitments and Contingencies

The Authority has active water and wastewater capital projects as of June 30, 2014. The Authority's remaining commitments with contractors, developers and professional firms related to these projects is approximately \$45 million. The remaining commitments will be funded from the proceeds from revenue bonds, federal and state grants and loans, and funds generated from operations.

The Authority and the City entered into an interlocal agreement on May 6, 2009 to share jointly in the cost of providing water and wastewater services to an area intended to be annexed by the City pursuant to North Carolina General Statutes. The agreement required the City to install water distribution lines and wastewater collection lines, water trunk mains and wastewater capacity related improvements in the proposed annexation area. The City's share was estimated at \$9.9 million with the Authority's share estimated at \$7.7 million. The Authority's share of the cost is included in the total construction commitments disclosed above. Due to changes in North Carolina annexation laws, the City no longer intends to annex this area. The City and Authority are coordinating to develop an amendment which will terminate the interlocal agreement related to this project.

The Authority is a defendant in pending litigation on an eminent domain action. The defendants were seeking \$930,000. Per the Authority's legal counsel, as of September 10, 2014, the Authority's Board has agreed to a settlement of \$325,000, however all final documents have not approved by the plaintiff. A liability of \$325,000 has been recorded in Accounts payable on the Statement of Net Position.

The Authority is a defendant in pending litigation filed by developers to recover wastewater impact fees that were paid to the County for wastewater services which were never received. The amount of potential liability is less than \$350,000. Per the Interlocal agreement, CFPUA is responsible for the liabilities of the County wastewater system. While potential exists for other lawsuits on this issue, no others have been filed at this time, and the Court has refused to certify a class action.

The Authority and the County entered into an agreement on June 14, 2012 in which the County has agreed to assist the Authority in financing and construction of the Kirkland Sewer Project. The County provided economic development funding to construct the Kirkland Sewer Project in the amount of \$650,000. The Authority will reimburse the County with capacity fees for new development collected from developers requiring wastewater capacity for new development. At June 30, 2014, a reimbursement of \$301,333 was remitted to the County, for a total remittance of \$455,737.

The Authority and the County entered into an agreement on October 21, 2012 in order to expedite the extension of public water to areas of Bald Eagle Lane and Fazio Drive to Eagle Point, and to participate in the cost of fire protection. The County has agreed to fund the total project cost currently estimated at \$883,645. The County also agrees to pay \$256,000 for fire services towards the project cost. The Authority's share of the project cost is \$300,000. The County will reimburse the Authority on a monthly basis as expenditures are incurred on the project. At June 30, 2014, total reimbursable expenditures of \$22,555 have been incurred.

The Authority and the County will entered into an agreement on October 4, 2013 to expedite the extension of wastewater to areas of Marquis Hills and Heritage Park. The County will assist in the financing and construction of these projects and has secured funding from the North Carolina State Clean Water State Revolving Fund. The County's share of the project cost will

Cape Fear Public Utility Authority
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

be \$12,698,184. The Authority's share of the project cost is \$4,264,000, for a total project cost of \$16,962,184. The County will reimburse the Authority on a monthly basis as expenditures are incurred on the project. At June 30, 2014, reimbursable costs of \$1,082,846 have been incurred.

Federal and State Assisted Programs

The Authority has been approved to receive proceeds from several federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Billing and Collection Procedures

The City maintains the public drainage system within the City and provides trash services to a large majority of the citizens within the City limits. The cost of providing those services are billed to the customers on behalf of the City by the Authority on the same bimonthly bill the customer receives for the water and/or wastewater services that they have received. The stormwater and solid waste charges are set by the City. The amounts the Authority receives from customers for the City services are wired to the City weekly. In the event of partial payments of current charges, payments are applied to stormwater charges first, solid waste charges second, wastewater charges third and then to water charges. The Authority enforces collection procedures, including shutting off water service, on delinquent accounts. In compliance with the Interlocal Agreement, the Authority uses the same payment application hierarchy for delinquent stormwater and solid waste accounts. Payments are applied to the most delinquent billing period first with the proceeds satisfying the entire outstanding amount for that billing period to stormwater charges first, solid waste charges second, wastewater charges third and then to water charges. The Authority does not have the legal authority to act as a collection agent on behalf of the City.

Note 15. Subsequent Events

The Authority is currently in the process of issuing revenue and refunding bonds anticipated not to exceed \$75 million. The bond will be used to fund approximately \$23 million of projects included in the Authority's \$335 million 10-year Capital Improvement Program. The refunding bonds will refund the Series 2005 Revenue Bonds that were issued by the City of Wilmington. The Authority anticipates that the 2014 Revenue Bonds will be priced in late October and close in December.

PAGE INTENTIONALLY LEFT BLANK

Cape Fear Public Utility Authority
Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Funding Progress
2009-2014

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll for Year Ending on Valuation c	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/12	\$0	\$2,459,288	\$2,459,288	0.00%	\$12,632,605	19.47%
12/31/10	\$0	\$2,351,870	\$2,351,870	0.00%	\$12,895,415	18.24%
12/31/08	\$0	\$7,167,107	\$7,167,107	0.00%	\$11,551,913	62.04%

Required Supplementary Information
Schedule of Employer Contributions
2009-2014

Fiscal Years Ended	Annual Required Contribution	Percentage Contributed
2014	\$ 150,386	219.074%
2013	\$ 150,386	107.838%
2012	\$ 157,782	90.764%
2011	\$ 157,186	6.011%
2010	\$ 1,043,781	0.056%
2009	\$ 1,043,781	0.000%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/12
Actuarial cost method (1)	Entry Age Normal
Amortization method	Level dollar amount, closed
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	4.0%
Salary increases	2.5%
Medical trend rate *	4.5%-7.0%
* Includes inflation at	2.5%

(1) Projected Unit Credit method was used in the 12/31/08 valuation

Cape Fear Public Utility Authority
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) -
Operating Fund
For Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Water charges	\$ 29,794,000	\$ 30,530,929	\$ 736,929
Sewer charges	34,739,000	34,964,993	225,993
Connection fees	293,000	698,623	405,623
Miscellaneous revenue	2,315,200	2,865,567	550,367
Total operating revenues	67,141,200	69,060,112	1,918,912
Nonoperating revenues			
System development charges	4,131,000	4,396,198	265,198
Investment earnings	684,000	876,514	192,514
Sale of capital assets	73,780	73,780	-
Total nonoperating revenues	4,888,780	5,346,492	457,712
Total revenues	72,029,980	74,406,604	2,376,624
Expenditures			
General - administrative	5,649,715	5,045,379	604,336
Operations - water and wastewater	20,550,304	18,945,803	1,604,501
Environment management	2,212,648	2,089,738	122,910
Customer service	2,879,232	2,522,358	356,874
Nondepartmental	2,181,191	2,064,193	116,998
Debt service:			
Principal	12,188,020	11,652,876	535,144
Interest	16,133,732	14,833,731	1,300,001
Bond issuance costs	750,000	-	750,000
Other debt service fees	275,000	85,243	189,757
Repairs and maintenance	1,859,406	1,517,195	342,211
Capital outlay	366,436	302,364	64,072
Contingency	638,306	-	638,306
Total expenditures	65,683,990	59,058,880	6,625,110

(Continued)

Cape Fear Public Utility Authority
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) -
Operating Fund (Continued)
For Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Long-term obligations issued	750,000	-	(750,000)
Capital contributions	-	192	192
Transfers out - Capital Projects Funds	(7,586,214)	(7,586,214)	-
Appropriated fund balance	490,224	-	(490,224)
Total financing (uses)	<u>(6,345,990)</u>	<u>(7,586,022)</u>	<u>(1,240,032)</u>
Revenues and other financing (uses) over expenditures	<u>\$ -</u>	\$ 7,761,702	<u>\$ 7,761,702</u>

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing sources (under)	
expenditures - Capital Projects Funds - Water and Wastewater	\$ (12,449,665)
Capital contributions	2,279,983
Depreciation and amortization on capital and intangible assets	(17,729,409)
Capital and intangible assets	32,650,033
Accounts payable-unencumbered	(121,276)
Long-term obligations:	
Unamortized charge-interest expense	(379,252)
Unamortized bond premium-interest expense	1,065,681
Accrued interest income	(449)
Accrued interest expense	71,040
Unearned revenue	(114,898)
Other post-employment benefits (OPEB)	138,070
Compensated absences	(45,216)
Proceeds from long-term obligations	(6,453,418)
Principal on long-term obligations	13,229,875
Change in net position	<u>\$ 19,902,801</u>

Cape Fear Public Utility Authority
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) -
Capital Projects Funds - Water and Wastewater
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Revenue				
Investment earnings	\$ 5,554,449	\$ 6,170,506	\$ 117,672	\$ 6,288,178
Total revenue	5,554,449	6,170,506	117,672	6,288,178
Expenditures				
Wastewater Capital Projects:				
10th & Anderson Streets	119,867	119,866	-	119,866
10th and Orange Streets	251,000	39,214	-	39,214
13th St & N. Lake Shore	1,350,847	16,221	33,049	49,270
30th Street Sewer Replacement - CWSRF	1,995,085	119,580	1,153,931	1,273,511
608 Hampton Drive	41,064	34,775	6,288	41,063
7800 Masonboro Sound	5,700	-	5,700	5,700
Aerial Lines Piling Assess	100,000	-	-	-
Air Release Valve Improvement to PS	1,693,200	68,160	66,293	134,453
Air Release Valve Replacement	100,000	-	40,690	40,690
Airport Line Replacement	669,572	453,975	215,596	669,571
Alandale Pump Station (PS) Removal Project	3,023,200	251,463	2,104,495	2,355,958
Annexation 98 - Completion of Sewer Extensions	3,814,035	483,096	2,174,243	2,657,339
Between the Creeks Sewer Improvements - CWSRF	541,350	201,982	303,422	505,404
Borden Avenue	67,000	60,832	-	60,832
Brookwood Avenue South	39,000	5,178	-	5,178
Burnett & Central Blvd	115,000	6,500	-	6,500
Burnt Mill Creek Manhole Repair	447,618	40,701	406,916	447,617
Burnt Mill Creek Outfall Repair Phase 2 - CWSRF	3,920,068	3,003,647	905,180	3,908,827
Collection System Assessment	410,000	207,435	20,515	227,950
Collection System Rehab	49,433	47,983	1,450	49,433
Collection System-Standard Development Agreement	339,862	-	-	-
Country Haven PS Upgrade	3,178,140	721,900	682,825	1,404,725
Cypress Grove Land Development Agreement	89,019	-	-	-
Dawson St. Interceptor	444,600	28,468	23,157	51,625
Dock Street Sewer Rehab	219,000	2,750	-	2,750
Downtown Sewer Rehab & Sewer Assessment	858,868	818,655	40,211	858,866
Emergency Sewer Construction	290,000	-	45,152	45,152
Find it/Fix it Repairs	238,765	34,470	7,000	41,470
Flemington Sewer Project	93,550	-	41,308	41,308
Generator Replacement	225,000	-	-	-
GIS As-Built Entry & Mapping Maintenance Contract	198,405	50,920	16,716	67,636
Gore's Alley Sewer Repair	283,663	199,203	84,460	283,663
Grace St-900 Block	1,850	1,400	-	1,400
Greenfield Lake Outfall Rehabilitation - CWSRF	2,844,111	144,868	2,016,895	2,161,763
Hampton Road-100 Block	356,431	351,226	5,204	356,430
Heritage Park Extension	6,765,759	82,980	442,397	525,377
Heritage Park PS	410,000	-	-	-

(Continued)

Cape Fear Public Utility Authority
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) -
Capital Projects Funds - Water and Wastewater (Continued)
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Heritage Park-Upgrade Alternate	66,588	-	-	-
Kilarny & Pine Grove Dr	37,480	16,184	-	16,184
Kirkland Capacity Expansion	650,000	59,639	427,646	487,285
Large Equipment Purchases	865,408	613,840	211,567	825,407
Market & Perry-1800-1900 Block	298,150	173,361	14,819	188,180
Marquis Hills Extension	10,476,425	213,422	511,529	724,951
Mayfaire Outfall Investigation	130,000	82,665	880	83,545
McCumber's Ditch Outfall Rehab - CWSRF	1,574,655	140,199	884,497	1,024,696
McMillan Sewer Rehab	107,784	-	107,783	107,783
Motor Fleet Capital	532,788	-	51,360	51,360
Myrtle Landing Subdivision	332,000	5,000	-	5,000
N. Third St Streetscape	1,472,365	1,367,043	10,339	1,377,382
North 5th Street Sewer Repair	9,700	8,200	-	8,200
North College Road FM Improvement	60,000	-	-	-
Northeast Interceptor (NEI) Rehab Project-including PS 34/35	11,326,947	5,968,106	386,541	6,354,647
Northern Route Force Main (NEI Project)	13,367,861	5,005,296	5,223,129	10,228,425
Northside Wastewater Treatment Plant (WWTP) FM	5,740,710	3,488,812	1,592,705	5,081,517
Northside WWTP Digester	145,000	-	-	-
Northside WWTP Dystor	284,000	-	26,700	26,700
Pressure Pipe Assessment	655,108	625,259	29,848	655,107
Princess Place 2500 Block	3,500	2,000	-	2,000
Princess St-700-800 Block	6,200	3,760	-	3,760
PS 001 Northchase SE	145,716	4,714	-	4,714
PS 004 Northchase NE	75,000	-	-	-
PS 010 Renovation	156,371	26,785	29,930	56,715
PS 015 Madison Equipment Upgrade	75,000	-	-	-
PS 018 Greenhow Woods	75,000	4,768	-	4,768
PS 022 Tangle Oaks #3	300,000	-	-	-
PS 024 Tangle Oaks #1	2,353	730	1,623	2,353
PS 041 Towles Rd	75,000	-	-	-
PS 048 Oak Landing	215,000	-	-	-
PS 090 Clarendon	44,873	44,636	236	44,872
PS 10 & 12 Upgrades	206,829	178,445	28,383	206,828
PS 10 Force Main	350,000	-	34,888	34,888
PS 104 Runny Meade	75,000	-	-	-
PS 11	2,158,524	-	32,164	32,164
PS 119 Beasley Road	150,000	-	-	-
PS 137 Quail Woods	250,000	-	2,268	2,268
PS 14-34-35 Reliability	35,000	-	24,476	24,476
PS 34/35 Pump Repairs	83,413	90,293	(6,880)	83,413
PS 8 Capacity Upgrade	550,000	-	17,322	17,322
PS Barnards Creek	8,688,408	3,897,829	12,330	3,910,159
Pump Station Alarms	50,000	-	-	-
Rankin & 10th Streets	66,000	9,432	-	9,432

(Continued)

Cape Fear Public Utility Authority
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) -
Capital Projects Funds - Water and Wastewater (Continued)
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Redcross Street 300-400 Block	41,000	6,507	-	6,507
River Road Force Main	2,018,469	993,151	577,979	1,571,130
Riverside Subdivision Project	160,055	-	-	-
S. Kerr & Maple Sewer Rehab	129,064	-	129,063	129,063
Scada Implementation	778,046	87,895	20,020	107,915
Sewer Emergency Repair	6,426,432	1,510,382	21,196	1,531,578
Sewer Laterals and Service	50,000	-	-	-
Sewer Pump Station Rehab/Upgrade	150,000	-	40,441	40,441
Smith Creek Rehab - CWSRF	872,079	872,079	-	872,079
Southside WWTP Drain Pipe Rehab	196,370	-	196,370	196,370
Southside WWTP Interim Improvements	700,000	-	-	-
Southside WWTP Rehabilitation and Upgrade	8,682,693	8,301,297	120,104	8,421,401
Southside WWTP Wet Failure Resolution	50,737	50,411	326	50,737
Thickened Alum Sludge	540,000	-	42,392	42,392
Undesignated Sewer Projects	7,037,086	-	-	-
US 421 Regional WWTP	749,341	749,340	-	749,340
Walnut & 10th Streets	57,000	4,230	-	4,230
Walnut Hills Sewer Rehab	307,599	246,139	61,459	307,598
Walnut Hills WTP Demolition	3,546,707	275,837	337,874	613,711
Walnut Street 100-1200 Block	58,000	4,860	-	4,860
Walnut Street 300-400 Block	46,000	9,860	-	9,860
Waltmoor Area Sewer Rehab	391,504	-	391,504	391,504
Waltmoor SS Rehab Phase 2	1,701,201	-	3,555	3,555
Waltmoor SS Rehab Phase 3	1,400,000	-	261	261
Wright Street 600-700 Block	58,000	4,860	-	4,860
Total Wastewater Capital Projects Expenditures	133,707,601	42,744,714	22,441,720	65,186,434

Water Capital Projects:

10th & Anderson Streets Water Repair	24,101	24,100	-	24,100
23rd Street	37,557	37,556	-	37,556
30th Street Water Replacement	250,000	31,238	189,785	221,023
7778 Alexander Dr Water Repair	12,630	150	12,480	12,630
Aeration/Mixer Program	450,000	-	-	-
Annexation 1995 and 1998 Water Lines	401,806	14,003	44,864	58,867
Annexation 1995 Area Water System	55,910	55,910	-	55,910
Aquifer Storage & Recovery (ASR) - DWSRF	2,977,515	2,304,666	84,350	2,389,016
Aquifer Sustainability & Monitoring	800,000	370,629	168,777	539,406
City-County Water System Study and Improvements	417,965	331,107	47,909	379,016
Comprehensive Meter Replacement Program	3,545,859	525,471	753,731	1,279,202
Disinfectant Byproduct Evaluation Project	412,600	-	203,931	203,931
Distribution System-Standard Development Agreement	166,000	-	-	-
Dock Street Water Rehab	173,000	-	-	-
Emergency Water Construction	290,000	-	39	39

(Continued)

Cape Fear Public Utility Authority
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) -
Capital Projects Funds - Water and Wastewater (Continued)
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Emergency Generator Well Site Q	55,000	-	-	-
ESMD HVAC	60,000	-	10,553	10,553
Faulkenberry Waterline	6,750	1,900	-	1,900
Fazio-Eagle Pt Water line	1,061,156	460	23,057	23,517
Figure 8 Island	20,000	-	-	-
Find It/Fix It FY14	173,827	-	-	-
Fire Hydrant Painting	30,000	-	29,926	29,926
Fisherville Water Annex	5,000	-	-	-
Flemington Monitoring Wells	100,000	-	12,961	12,961
Flemington Water-Duke	2,347,000	-	88,793	88,793
GIS and As-Built Integration	141,211	68,070	3,323	71,393
Gores Alley Water Repair	77,850	72,064	5,785	77,849
Heritage Park Water	804,257	44,714	83,523	128,237
Hess Fire & Domestic Service	30,000	-	150	150
IT Business Continuity Equipment (Disaster Recovery)	299,938	275,108	24,830	299,938
Kerr Ave to GE Waterline	750,000	-	-	-
Kerr Ave Waterline	4,614,430	139,022	1,653,465	1,792,487
Landfall-Summer Rest	70,000	150	-	150
Marina Club Dr Rehab	125,000	-	20,171	20,171
Market & Perry 1800-1900 Block	90,050	82,322	7,728	90,050
Market St - Sweeney to Nano	1,000,000	-	-	-
N. Third St Streetscape	1,300,339	1,242,843	4,634	1,247,477
Nano Wellfield Access Road and Drainage	55,000	-	-	-
Nano WTP Discharge Line	322,083	-	195,398	195,398
Nano-Market Feeder	911,849	29,193	793,877	823,070
Phase I Carolina Beach Rd Transmission Main	94,558	94,558	-	94,558
Raw Water Meter Vault	53,404	-	53,027	53,027
Raw Water Transmission	1,632,247	1,355,180	230,811	1,585,991
Riverlights Water Improvements	1,190,000	-	-	-
Sample Station/Auto Flush	100,000	-	11,520	11,520
Scada Implementation	25,000	-	23,553	23,553
SCADA Master Plan	325,000	35,000	57,640	92,640
Southern Transmission Mains	59,195	59,195	-	59,195
Structure Rehab	45,000	-	5,941	5,941
Sweeney Clear Well Rehab	636,300	-	626,950	626,950
Sweeny North HVAC	182,256	-	182,255	182,255
Undesignated Water Projects	5,213,192	-	-	-
Water Distribution Monitor Station	100,000	-	79,114	79,114
Water Emergency Repair	745,626	66,107	-	66,107
Water Laterals and Services	131,000	-	-	-
Water Valve Replacement	762,455	226,288	82,387	308,675
Well Site Security	100,000	28,683	-	28,683
Wellfield and Water Treatment Plant (NHC)	28,120,916	28,116,855	4,058	28,120,913
Total Water Capital Projects Expenditures	63,981,832	35,632,542	5,821,296	41,453,838

(Continued)

Cape Fear Public Utility Authority
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) -
Capital Projects Funds - Water and Wastewater (Continued)
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Completed Projects-Prior Years	132,327,958	132,327,880	-	132,327,880
Total expenditures	330,017,391	210,705,136	28,263,016	238,968,152
Revenue (under) expenditures	(324,462,942)	(204,534,630)	(28,145,344)	(232,679,974)
Other financing sources				
Long-term obligations issued	222,487,718	200,013,612	6,453,418	206,467,030
Capital grants and contributions	22,586,131	5,283,981	1,656,047	6,940,028
Transfers in - Operating Fund	33,022,596	25,436,382	7,586,214	33,022,596
Appropriated fund balance	46,366,497	-	-	-
Total other financing sources	324,462,942	230,733,975	15,695,679	246,429,654
Revenue and other financing sources over (under) expenditures	\$ -	\$ 26,199,345	\$ (12,449,665)	\$ 13,749,680

STATISTICAL SECTION
(Unaudited)

Cape Fear Public Utility Authority Statistical Section (Unaudited)

Financial Trends

These schedules identify the trends in changes over time of the Authority's financial functional effectiveness and financial strength.

Net Position by Component
Changes in Net Position

Revenue Capacity

These schedules contain information to help the reader assess the Authority's revenue sources.

Schedule of User Rates
Principal Water Customers
Principal Wastewater Customers
Consumption by Customer Group
Schedule of New Connections

Debt Capacity

These schedules represent the ratio of debt to revenue.

Pledged-Revenue Coverage
Ratios of Outstanding Debt by Type

Demographic and Economic Information

These schedules show the demographic and economic picture of the environment in which the authority provides its services.

Demographic Statistics
Principal Employers
Full Time Equivalent Employees

Operating Information

These schedules contain operating and capital asset data to show how operations and assets have changed as the Authority grows.

Water Production and Wastewater Treatment
Operating Statistics

Sources

Unless otherwise noted, the information included in these schedules is derived from the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 and is provided for additional analysis purposes only and has not been verified by audit as presented.

Cape Fear Public Utility Authority
Net Position By Component
Last Six Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012 (1)	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009 (1)
Net investment in capital assets	\$ 304,634,404	\$ 295,343,987	\$ 288,506,512	\$ 287,538,728	\$ 295,307,938	\$ 293,467,066
Unrestricted	106,571,931	95,959,547	84,201,125	68,587,385	60,590,755	56,535,895
Total net position	<u>\$ 411,206,335</u>	<u>\$ 391,303,534</u>	<u>\$ 372,707,637</u>	<u>\$ 356,126,113</u>	<u>\$ 355,898,693</u>	<u>\$ 350,002,961</u>

Source: Cape Fear Public Utility Authority's Comprehensive Annual Financial Report.

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Net Position was restated in fiscal years 2012 and 2009 to reflect a change in accounting principle.

Cape Fear Public Utility Authority
Changes in Net Position
Last Six Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012 (1)	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009 (1)
Operating revenues						
Charges for services	\$ 65,495,922	\$ 63,061,317	\$ 61,115,234	\$ 57,086,229	\$ 47,524,673	\$ 42,726,268
Other operating revenues	3,449,292	3,218,814	3,233,216	2,671,784	2,313,214	139,595
Total operating revenues	68,945,214	66,280,131	64,348,450	59,758,013	49,837,887	42,865,863
Operating expenses						
Personnel and benefits	16,233,456	15,320,702	15,316,759	15,176,175	17,038,778	17,714,505
Services and utilities	11,379,231	12,052,125	11,674,355	10,557,920	10,783,853	11,375,036
Materials	2,672,462	2,590,893	2,800,466	3,630,676	2,431,060	3,264,294
Depreciation and amortization	17,729,409	17,591,990	16,107,252	14,283,401	13,096,230	12,400,153
Total operating expenses	48,014,558	47,555,710	45,898,832	43,648,172	43,349,921	44,753,988
Operating income (loss)	20,930,656	18,724,421	18,449,618	16,109,841	6,487,966	(1,888,125)
Nonoperating revenues (expenses)						
Investment earnings	993,737	959,408	962,260	738,453	4,105,897	5,970,732
Interest expense	(11,919,549)	(13,213,771)	(10,500,330)	(13,011,609)	(10,909,406)	(9,674,421)
Bond issuance costs and other debt service fees						
Gain (Loss) on disposal of capital assets	(85,243)	(316,120)	(625,383)	(131,224)	(104,215)	(100,183)
Amortization of bond issuance costs	73,780	(202,214)	-	-	-	-
Contributions from the City of Wilmington and New Hanover County	-	-	-	-	-	(4,357,699)
Total nonoperating revenues (expenses)	1,577,000	1,900,000	1,900,000	1,900,000	1,900,000	64,627,498
Income before capital contributions, special items and extraordinary items	(9,360,275)	(10,872,697)	(8,263,453)	(10,504,380)	(5,007,724)	56,465,927
Capital contributions from the City of Wilmington and New Hanover County	11,570,381	7,851,724	10,186,165	5,605,461	1,480,242	54,577,802
Capital contributions-other	-	-	-	-	-	285,873,980
Special impairment of capital assets	8,332,420	10,744,173	6,395,359	2,813,350	7,982,758	9,551,179
Extraordinary impairment of capital assets	-	-	-	(8,191,391)	(2,275,200)	-
Total capital contributions, special and extraordinary items	8,332,420	10,744,173	6,395,359	(5,378,041)	4,415,490	295,425,159
Increase in net position	19,902,801	18,595,897	16,581,524	227,420	5,895,732	350,002,961
Net position						
Beginning of year, restated	391,303,534	372,707,637	356,126,113	355,898,693	350,002,961	-
End of year, restated	\$ 411,206,335	\$ 391,303,534	\$ 372,707,637	\$ 356,126,113	\$ 355,898,693	\$ 350,002,961

Source: Cape Fear Public Utility Authority's Comprehensive Annual Financial Report.

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Statement of Revenues, Expenses and Changes in Fund Net Position was restated in fiscal years 2012 and 2009 to reflect a change in accounting principle.

Cape Fear Public Utility Authority
Schedule of User Rates
Last Six Fiscal Years

	Fiscal Year					
	2014 ⁽¹⁾	2013 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽¹⁾	2009
Water Rates						
Water Fixed Rate (bi-monthly)	\$ 25.81	\$ 25.81	\$ 25.81	\$ 24.99	\$ 21.89	\$ 15.20
Water Rate per 1,000 gallons	\$ 3.67	\$ 3.42	N/A	N/A	N/A	N/A
Water Variable Rate:						
0 - 9,000 gallons	N/A	N/A	N/A	N/A	\$ 2.22	\$ 1.95
9,001 - 18,000 gallons	N/A	N/A	N/A	N/A	\$ 3.36	\$ 2.95
18,001+ gallons	N/A	N/A	N/A	N/A	\$ 4.50	\$ 3.95
0 - 12,000 gallons	N/A	N/A	\$ 2.64	\$ 2.64	N/A	N/A
12,001 - 24,000 gallons	N/A	N/A	\$ 3.96	\$ 3.96	N/A	N/A
Over 24,000 gallons	N/A	N/A	\$ 5.28	\$ 5.28	N/A	N/A
Irrigation ⁽²⁾	\$ 3.67	\$ 3.42	\$ 3.36	\$ 2.64	N/A	N/A
Non-Residential	\$ 3.67	\$ 3.42	\$ 3.96	\$ 3.96	\$ 3.36	\$ 2.95
Average bi-monthly residential consumption per customer (gallons) ⁽³⁾	8,400	9,200	10,000	10,000	10,000	10,000
Average bi-monthly residential bill	\$ 56.64	\$ 57.27	\$ 52.21	\$ 51.39	\$ 45.23	\$ 35.70
Wastewater Rates						
Wastewater Fixed Rate (bi-monthly)	\$ 29.10	\$ 29.10	\$ 26.68	\$ 26.68	\$ 23.37	\$ 16.50
Wastewater Variable Rate ⁽⁴⁾	\$ 4.56	\$ 4.21	\$ 4.04	\$ 3.59	\$ 3.14	\$ 2.75
Wastewater Flat Rate ⁽⁵⁾	\$ 138.54	\$ 130.14	\$ 123.64	\$ 112.84	\$ 98.73	\$ 82.50
Average bi-monthly residential consumption per customer (gallons) ⁽³⁾	8,400	9,200	10,000	10,000	10,000	10,000
Average bi-monthly residential bill	\$ 67.40	\$ 67.83	\$ 67.08	\$ 62.58	\$ 54.77	\$ 44.00

Note: Fiscal year 2009 was the first year of operations for the Authority.

⁽¹⁾ Rates effective May 1 of respective fiscal year.

⁽²⁾ Board adopted lower irrigation rate to discourage irrigation wells.

For years 2009 and 2010, irrigation rates were set at the over 18,000 gallons rate.

⁽³⁾ Average customer consumption was not calculated prior to 2012. Values for time periods prior to 2012 are estimates.

⁽⁴⁾ Wastewater volume charges are capped at 30,000 gallons for residential customers.

⁽⁵⁾ Wastewater flat rate charge when Authority water is not available.

Cape Fear Public Utility Authority
Principal Water Customers
Current Fiscal Year and Five Years Ago

2014						2009 (1)							
Ten Largest Users of the Water System Annual Consumption			Thousands of Gallons	% of System	Revenues (\$)	% of Revenues	Ten Largest Users of the Water System Annual Consumption			Thousands of Gallons	% of System	Revenues (\$)	% of Revenues
1	UNC Wilmington	115,416	2.36%	\$	430,840	1.43%	1	UNC Wilmington	136,483	2.34%	\$	430,613	1.89%
2	New Hanover Regional Medical Center	54,201	1.11%		233,916	0.78%	2	New Hanover County	63,232	1.08%		232,431	1.02%
3	New Hanover County Schools	40,244	0.82%		256,121	0.85%	3	New Hanover Regional Medical Center	61,473	1.05%		211,318	0.93%
4	Wilmington Housing Authority	39,723	0.81%		171,647	0.57%	4	New Hanover County Schools	47,862	0.82%		208,756	0.92%
5	New Hanover County	33,044	0.68%		195,769	0.65%	5	Wilmington Housing Authority	40,956	0.70%		137,433	0.60%
6	Tribute Properties	31,404	0.64%		270,820	0.90%	6	Lake Forest Apartments	30,088	0.52%		97,305	0.43%
7	College Manor Apartments	28,858	0.59%		120,226	0.40%	7	College Manor Apartments	23,411	0.40%		80,985	0.36%
8	Mayfaire	28,674	0.59%		190,109	0.63%	8	Mayfaire Complex	22,955	0.39%		119,091	0.52%
9	Lake Forest Apartments	25,255	0.52%		102,088	0.34%	9	Tribute Properties	21,463	0.37%		114,526	0.50%
10	NC State Ports Authority	20,287	0.41%		109,378	0.36%	10	Elementis Chromium	18,971	0.33%		58,243	0.26%
Total Net Consumption / Net Revenue		417,107	8.53%	\$	2,080,915	6.93%	Total Net Consumption / Net Revenue		466,893	8.00%	\$	1,690,699	7.42%
Total Annual System Net Consumption / Net Revenue		4,888,957			\$ 30,041,130		Total Annual System Net Consumption / Net Revenue		5,834,129			\$ 22,781,177	

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Restated 2009 Top 10 Users to reflect "Net Consumption" and "Net Revenue"

Source: Cape Fear Public Utility Authority Customer Service Department.

2009 (1)

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Restated 2009 Top 10 Users to reflect "Net Consumption" and "Net Revenue"

Source: Cape Fear Public Utility Authority Customer Service Department.

Cape Fear Public Utility Authority
Consumption by Customer Group
Last Six Fiscal Years

	2014			2013			2012			2011			2010 (1)			2009 (1)		
	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption	Thousand Gallons	% of Consumption
Water Customers																		
Residential	3,415,831	69.87%	3,522,531	69.85%	3,806,074	70.45%	3,887,894	70.88%	3,652,988	70.13%	4,152,536	71.18%						
Commercial	1,006,253	20.58%	1,026,039	20.35%	1,059,983	19.62%	1,075,703	19.61%	1,032,322	19.82%	1,094,936	18.77%						
Industrial	63,349	1.30%	59,116	1.17%	62,267	1.15%	62,278	1.14%	57,719	1.11%	102,707	1.76%						
Institutional and Government	403,523	8.25%	435,048	8.63%	474,130	8.78%	459,656	8.38%	465,940	8.94%	483,950	8.30%						
Total	4,888,957	100.00%	5,042,733	100.00%	5,402,454	100.00%	5,485,531	100.00%	5,208,969	100.00%	5,834,129	100.00%						
Wastewater Customers																		
Residential	3,184,447	68.27%	3,246,521	68.52%	3,424,127	68.94%	3,497,483	68.98%	3,329,608	69.30%	3,543,624	72.97%						
Commercial	922,045	19.77%	923,952	19.50%	941,927	18.96%	957,062	18.88%	842,782	17.54%	869,266	17.90%						
Town of Wrightsville Beach	210,681	4.52%	203,370	4.29%	207,561	4.18%	214,479	4.23%	234,303	4.88%	214,743	4.42%						
Pender County	9,008	0.19%	10,473	0.22%	11,550	0.23%	16,224	0.32%	13,550	0.28%	14,139	0.29%						
Industrial	19,468	0.42%	16,296	0.34%	16,197	0.33%	18,219	0.36%	23,060	0.48%	24,964	0.51%						
Institutional and Government	318,809	6.83%	337,107	7.12%	365,297	7.35%	366,618	7.23%	361,467	7.52%	189,410	3.90%						
Total (2)	4,664,457	100.00%	4,737,719	100.00%	4,966,659	100.00%	5,070,085	100.00%	4,804,770	100.00%	4,856,146	100.00%						

Note: Fiscal year 2009 was the first year of operations for the Authority.

Source: Cape Fear Public Utility Authority Customer Service Department.

(1) Prior year data has been updated to reflect adjustments made in the current year.

Water includes domestic and irrigation connections

(2) The Total value for Thousand Gallons listed for Wastewater Customers does not include an estimation for the volumetric value of the Flat Wastewater customer class.

For billing purposes, the calculation of Flat Wastewater charges is based on 24,000 gallons discharged bimonthly. There were an average of approximately 1,530 Flat Wastewater customers in 2014.

Cape Fear Public Utility Authority
Schedule of New Connections
Last Six Fiscal Years

Fiscal Year Ended June 30	Increase In Available Services	Cumulative Available Services	% Water Growth - Available Services	Increase in Water Connections	Cumulative Water Connections	% Water Growth - Connections
2014	761	68,794	1.12%	391	65,064	0.60%
2013	966	68,033	1.44%	1,224	64,673	1.93%
2012	2,465	67,067	3.82%	457	63,449	0.73%
2011	919	64,602	1.44%	1,121	62,992	1.81%
2010	1,132	63,683	1.81%	227	61,871	0.37%
2009	-	62,551	0.00%	-	61,644	0.00%

Fiscal Year Ended June 30	Increase In Available Services	Cumulative Available Services	% Wastewater Growth - Available Services	Increase In Wastewater Connections	Cumulative Wastewater Connections	% Wastewater Growth - Connections
2014	770	66,829	1.17%	621	64,499	0.97%
2013	1,530	66,059	2.37%	450	63,878	0.71%
2012	199	64,529	0.31%	352	63,428	0.56%
2011	537	64,330	0.84%	255	63,076	0.41%
2010	1,497	63,793	2.40%	683	62,821	1.10%
2009	-	62,296	0.00%	-	62,138	0.00%

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Water connections and available services include domestic and irrigation.

(2) Available Services include domestic and irrigation both connected and non-connected services.

Connected Services are defined as Locations that have Active Billed Customers.

Non-Connected Services are defined as Locations that have Services available but have no Active Billed Customers.

Available services are an indicator of potential customer growth.

(3) Both available services and connected services for all years have been restated to present more accurate numbers based on a better understanding of the data.

Cape Fear Public Utility Authority
Pledged-Revenue Coverage
Water and Sewer Revenue Bonds
Last Six Fiscal Years

Fiscal Year Ended June 30	Gross Revenues (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Total Debt Service	Debt Coverage Ratio
2014							
Parity Debt Coverage Ratio	\$ 74,317,342	\$ 30,508,462	\$ 43,808,880	\$ 7,210,000	\$ 13,209,678	\$ 20,419,678	2.15
Total Debt Coverage Ratio				\$ 11,652,876	\$ 14,833,732	\$ 26,486,608	1.65
2013							
Parity Debt Coverage Ratio	\$ 71,023,046	\$ 30,068,015	\$ 40,955,031	\$ 8,105,000	\$ 13,525,578	\$ 21,630,578	1.89
Total Debt Coverage Ratio				\$ 11,989,171	\$ 14,590,085	\$ 26,579,256	1.54
2012							
Parity Debt Coverage Ratio	\$ 69,045,118	\$ 29,956,912	\$ 39,088,206	\$ 6,919,113	\$ 11,894,186	\$ 18,813,299	2.08
Total Debt Coverage Ratio				\$ 12,006,657	\$ 13,283,201	\$ 25,289,858	1.55
2011							
Parity Debt Coverage Ratio	\$ 62,820,928	\$ 29,378,869	\$ 33,442,059	\$ 3,329,579	\$ 8,612,881	\$ 11,942,460	2.80
Total Debt Coverage Ratio				\$ 9,147,645	\$ 11,160,138	\$ 20,307,783	1.65
2010 (3)							
Parity Debt Coverage Ratio	\$ 53,457,074	\$ 29,314,125	\$ 24,142,949	\$ 2,320,562	\$ 5,220,454	\$ 7,541,016	3.20
Total Debt Coverage Ratio				\$ 8,706,072	\$ 8,092,789	\$ 16,798,861	1.44
2009 (3)							
Parity Debt Coverage Ratio	\$ 47,783,403	\$ 31,517,799	\$ 16,265,604	\$ 2,232,043	\$ 4,040,421	\$ 6,272,464	2.59
Total Debt Coverage Ratio				\$ 7,987,738	\$ 7,508,261	\$ 15,495,999	1.05

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Gross revenues include all charges for services (including system development charges), other charges and investment earnings.

(2) Operating expenses do not include interest, OPEB, depreciation and amortization expenses.

(3) Debt coverage ratios for fiscal years ended June 30, 2010 and 2009 were restated in fiscal year ended June 30, 2011 to be consistent with a restatement of investment earnings.

Cape Fear Public Utility Authority
Ratios of Outstanding Debt by Type
Last Six Fiscal Years

Fiscal Year	General		ARRA	DWSRF		Clean Water		Capital		% of	
	Revenue	Bonds	Revolving	Revolving	Loan	State Revolving	Fund Loans	Leases	Total	Personal	Income (1)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	N/A	N/A
2014	\$ 277,272,935	\$ 2,355,000	\$ 32,259,698	\$ 1,074,947	\$ 91,048	\$ 8,653,524	\$ 8,653,524	\$ -	\$ 321,707,152	N/A	\$ 1,508
2013	285,309,582	5,255,000	35,410,732	1,131,523	-	2,442,453	2,442,453	-	329,549,290	N/A	1,575
2012	293,217,535	7,759,279	37,297,244	444,323	-	-	-	14,171	338,732,552	0.015%	1,643
2011	255,556,814	11,712,630	39,918,647	330,545	-	-	-	179,315	307,697,951	0.015%	1,518
2010	259,225,928	16,371,000	42,475,207	-	-	-	-	413,381	318,485,516	0.014%	1,641
2009	261,888,896	21,605,709	45,007,970	-	-	-	-	155,324	328,657,899	0.014%	1,710

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Personal income demographics provided by US Census Bureau; data provided for as many years as available.

Cape Fear Public Utility Authority
Demographic Statistics
Last Six Fiscal Years

Fiscal Year Ended June 30	City of Wilmington	New Hanover County	Median Age (3)	Public School Enrollment (2)	Local Unemployment Rate % (3)	Personal Income (4)	Per Capita Income (4)
2014	112,067	213,267	38	25,470	6.1%	N/A	N/A
2013	109,922	209,234	38	25,364	9.1%	N/A	N/A
2012	108,297	206,189	37.5	25,253	9.3%	\$50,890	\$37,559
2011	106,476	202,667	36.7	23,934	10.1%	\$45,890	\$36,108
2010	102,207	194,054	38.5	23,643	9.4%	\$46,129	\$34,692
2009	101,526	192,235	38	23,614	9.0%	\$44,719	\$34,578

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) US Census Bureau.

(2) Provided by the NHC Schools Finance Department

(3) North Carolina Department of Commerce

(4) Provided by www.ncworks.gov; data provided for as many years as available.

Cape Fear Public Utility Authority
Principal Employers
Current Fiscal Year and Five Years Ago

2014				2009			
Employers	Employees (1)	Rank	Percentage of Total	Employers	Employees (3)	Rank	Percentage of Total
			County Employment				County Employment
New Hanover Regional Medical Center	5,991	1	5.75%	New Hanover Regional Medical Center	4,890	1	5.10%
New Hanover County Schools	4,226	2	4.06%	New Hanover County Schools	4,130	2	4.30%
GE Wilmington	2,175	3	2.09%	GE Wilmington	3,000	3	3.13%
University of North Carolina at Wilmington	1,844	4	1.77%	University of North Carolina at Wilmington	1,810	4	1.89%
Wal-Mart Stores	1,834	5	1.76%	New Hanover County	1,670	5	1.74%
New Hanover County	1,563	6	1.50%	PPD, Inc.	1,420	6	1.48%
PPD, Inc.	1,500	7	1.44%	Cape Fear Community College	1,260	7	1.31%
Verizon Wireless	1,216	8	1.17%	City of Wilmington	1,200	8	1.25%
Cape Fear Community College	1,176	9	1.13%	Verizon Wireless	1,200	9	1.25%
City of Wilmington	1,100	10	1.06%	Corning, Inc.	1,000	10	1.04%
			21.72%				22.49%
Total # Employed at June 30 of the respective FY (2)			104,163	Total # Employed at June 30 of the respective FY (2)			95,964

Note: Fiscal year 2009 was the first year of operations for the Authority.

- (1) Source: 2013 Book on Business; www.wilmingtonbiz.com
(2) Source: North Carolina Employment Security Commission (2009) and www.ncworks.gov (2014)
(3) Source: New Hanover County CAFR for Fiscal Year Ended June 30, 2009 using the Wilmington Industrial Development, Inc. and NC State Demographics Website.

Cape Fear Public Utility Authority
Full Time Equivalent Employees
Last Six Fiscal Years

Departments	2014	2013	2012	2011	2010	2009
General - Administrative						
Administration	5	6	5	4	6	7
Human Resources/Safety	5	4	4	4	4	4
Finance/Information Technology	15	14.5	14	15	15	16
Engineering	24	22	22	22	24	25
Operations						
Administration	9	9	9	9	9	9
Utility Services	96	96	96	96	104	104
Water Treatment	30	30	30	31	31	31
Wastewater Treatment	40	40	40	40	41	41
Environmental Management	28.5	29.5	29.5	29.5	29.5	30.5
Customer Service	42	41	42	41	41	42
Total FTE's	294.5	292	291.5	291.5	304.5	309.5

Note: Fiscal year 2009 was the first year of operations for the Authority.

Cape Fear Public Utility Authority
Water Production and Wastewater Treatment
(thousands of gallons)
Last Nine Fiscal Years

Fiscal Year Ended June 30	Water Processed and Pumped to System	Wastewater Treated
2014	6,016,143	6,004,110
2013	5,970,000	5,900,239
2012	6,020,000	5,525,894
2011	6,179,900	5,777,917
2010	5,989,700	6,122,662
2009	6,375,455	5,696,412
2008 (1)	6,590,075	5,429,210
2007 (1)	6,906,195	6,132,272
2006 (1)	6,940,475	6,004,330

Note: Fiscal year 2009 was the first year of operations for the Authority.

(1) Information for fiscal years ended June 30, 2006, 2007, 2008 provided by City of Wilmington and New Hanover County.

Cape Fear Public Utility Authority
Operating Statistics
Last Six Fiscal Years

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
Water System						
Number of available service connections ⁽¹⁾	68,794	68,033	67,067	64,602	63,683	62,551
Number of treatment plants - surface water system	1	1	1	1	1	1
Treatment capacity (mgd) - surface water	35	35.00	35.00	27.50	27.50	27.50
Average production (mgd) - surface water	13.44	13.20	13.50	13.70	13.30	14.30
Number of groundwater systems	3	3	3	3	3	3
Number of treatment plants - groundwater system	1	1	1	1	1	-
Number of wells - groundwater system	36	36	36	36	36	36
Treatment capacity (mgd) - groundwater plant	6	6	6	6	6	-
Treatment capacity (mgd) - other groundwater systems	0.70	0.70	0.70	0.70	0.70	0.70
Average production (mgd) - groundwater	2.48	2.95	2.95	3.20	3.30	3.10
Miles of water mains	1041 ⁽²⁾	1,078	1,072	1070 ⁽²⁾	1,129	1,103
Wastewater System						
Number of available service connections ⁽¹⁾	66,829	66,059	64,529	64,330	63,793	62,296
Number of treatment plants	3	3	3	3	3	3
WPC plant permit (mgd)	22.10	22.10	22.10	22.10	22.10	22.10
Average annual daily flow (mgd)	16.45	16.17	15.10	15.80	16.80	15.60
Number of lift stations	141	141	141	141	142	142
Miles of wastewater gravity mains ⁽²⁾	827 ⁽²⁾	850	840	840 ⁽²⁾	881	877
Miles of wastewater force mains	112	110	104	104	100	100
Number of manholes	20,918	20,300	20,300	20,300	N/A	N/A

Note: Fiscal year 2009 was the first year of operations for the Authority.

Source: Cape Fear Public Utility Authority Records

(1) Data restated to remove irrigation meters associated with domestic meters for the same location.

(2) Based on more accurate information as a result of implementing and improving the accuracy of an asset management system.

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 395-4872

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based
On An Audit Of Financial Statements Performed In Accordance With *Government Auditing
Standards***

Independent Auditor's Report

To the Board of Directors
Cape Fear Public Utility Authority
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of the Cape Fear Public Utility Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Cape Fear Public Utility Authority's basic financial statements, and have issued our report thereon dated September 28, 2014.

Internal Control Over Financial Reporting

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

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

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Wilmington, North Carolina
September 28, 2014



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 395-4872

**Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In
Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Board of Directors
Cape Fear Public Utility Authority
Wilmington, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Cape Fear Public Utility Authority's, compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Cape Fear Public Utility Authority's major federal programs for the year ended June 30, 2014. Cape Fear Public Utility Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cape Fear Public Utility Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cape Fear Public Utility Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Cape Fear Public Utility Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Cape Fear Public Utility Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Cape Fear Public Utility Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cape Fear Public Utility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Wilmington, North Carolina
September 28, 2014

Cape Fear Public Utility Authority
Wilmington, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ☐ yes ☒ no

Noncompliance material to financial
statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Loan Funds

Cape Fear Public Utility Authority
Wilmington, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? ____yes Xno

Cape Fear Public Utility Authority
Wilmington, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Cape Fear Public Utility Authority
Wilmington, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Cape Fear Public Utility Authority
Wilmington, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Status: N/A

Cape Fear Public Utility Authority
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
U.S. Environmental Protection Agency					
Passed-through the N.C. Dept. of Environment and Natural Resources:					
Division of Water Services:					
DWSRF Revolving Loan	66.468	FS-984338.13	\$ 91,048	\$ -	\$ -
		Total	91,048	-	-
Passed-through the N.C. Dept. of Environment and Natural Resources:					
Division of Water Quality:					
Capitalization Grants for Clean Water State Revolving Fund	66.458	Various	6,362,370	-	-
		Total	6,362,370	-	-
Total U.S. Environmental Protection Agency			6,453,418	-	-
Total Federal Awards			\$ 6,453,418	\$ -	\$ -

See Notes to Schedule of Expenditures of Federal and State Awards.

Cape Fear Public Utility Authority
Notes to Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes all of the federal and State grant activity of Cape Fear Public Utility Authority (Authority) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Loans Outstanding

DWSRF Loans - American Recovery and Reinvestment Act (ARRA)

During the year ended June 30, 2010, the Authority was approved for a loan from the State of North Carolina, Department of Environment and Natural Resources (DENR). The loan was drawn down as expenditures were paid on the Aquifer Storage and Recovery capital project, to a maximum of \$2,263,046. Half of the loan amount was subject to immediate principal forgiveness under an American Recovery and Reinvestment Act of 2009 (ARRA) program awarded by the Environmental Protection Agency (EPA) through the State Revolving Fund program administered by DENR. The remaining \$1,131,523 will be due in 20 equal annual installments of \$56,576, commencing on May 1, 2014. The loan does not bear interest. At June 30, 2014, \$1,074,947 is recorded as an outstanding loan.

On June 27, 2013, the Authority was approved for a second loan from the State of North Carolina, Department of Environment and Natural Resources (DENR) in the amount of \$204,082. The loan is drawn down as expenditures are paid on the Aquifer Storage and Recovery capital project. The \$204,082 loan will be due in twenty equal annual installments of \$10,204, commencing on May 1, 2015 following the completion of the project. The loan does not bear interest. At June 30, 2014, \$91,048 is recorded as an outstanding loan.

Clean Water State Revolving Loan

The Authority has been approved for various loans through the NC Clean Water State Revolving Fund and has executed promissory notes from the State of North Carolina, Department of Environment and Natural Resources (DENR). The approved loans total \$10,623,459 and are drawn down as expenditures are paid on the respective capital projects. Interest is at rates ranging from 2% to 2.455%. Principal will be due in twenty equal annual installments due on May 1, with interest due semi-annually on May 1 and November 1. At June 30, 2014, \$8,653,524 is recorded as an outstanding loan.

Cape Fear Public Utility Authority
Supplemental Schedule - Schedule of Federal and State Awards
Capital Projects Funds - Water and Wastewater
For the Period 07/01/2008 to 06/30/2014

	DWSRF		Clean Water State Revolving Fund					
	Aquifer Storage & Recovery (ASR)	30th Street Sewer Replacement	Between the Creeks Sewer Improvements	Burnt Mill Creek Outfall Repair Phase 2	Greenfield Lake Outfall Rehab	McCumber's Ditch Outfall Rehab	Smith Creek Rehab	
Federal Funds Received:								
ARRA - DWSRF Revolving Loan	\$	1,131,523	\$ -	\$ -	-	\$ -	\$ -	
ARRA - DWSRF Principal Forgiveness Loan		1,131,523	-	-	-	-	-	
DWSRF Revolving Loan		48,936	-	-	-	-	-	
Capitalization Grants for Clean Water State Revolving Fund Loans		-	149,732	244,523	2,844,203	119,728	109,601	
Federal Funds Not Yet Reimbursed:							623,642	
DWSRF Revolving Loan		42,112	-	-	-	-	-	
Capitalization Grants for Clean Water State Revolving Fund Loans		-	895,401	163,027	181,789	1,141,796	815,419	
Total Federal and State Awards	\$	2,354,094	\$ 1,045,133	\$ 407,550	\$ 3,025,992	\$ 1,261,524	\$ 925,020	
Total expenditures reported on the Schedule of Expenditures of Federal and State Awards								
Fiscal year ended June 30, 2010	\$	380,407	\$ -	\$ -	-	\$ -	\$ -	
Fiscal year ended June 30, 2011		558,450	-	-	-	-	-	
Fiscal year ended June 30, 2012		61,003	-	-	-	-	-	
Fiscal year ended June 30, 2013		1,263,186	-	-	2,442,453	-	-	
Fiscal year ended June 30, 2014		91,048	1,045,133	407,550	583,539	1,261,524	925,020	
	\$	2,354,094	\$ 1,045,133	\$ 407,550	\$ 3,025,992	\$ 1,261,524	\$ 925,020	
Total Other Installment Obligations reported in Long-Term Obligations:								
Fiscal year ended June 30, 2011	\$	330,545	\$ -	\$ -	-	\$ -	\$ -	
Fiscal year ended June 30, 2012		113,778	-	-	-	-	-	
Fiscal year ended June 30, 2013		687,200	-	-	2,442,453	-	-	
Fiscal year ended June 30, 2014		91,048	1,045,133	407,550	583,539	1,261,524	925,020	
	\$	1,222,571	\$ 1,045,133	\$ 407,550	\$ 3,025,992	\$ 1,261,524	\$ 925,020	
ARRA - DWSRF Principal Forgiveness Loan	\$	1,131,523	\$ -	\$ -	-	\$ -	\$ -	

PAGE INTENTIONALLY LEFT BLANK