

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2017

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, 2017

Board Members

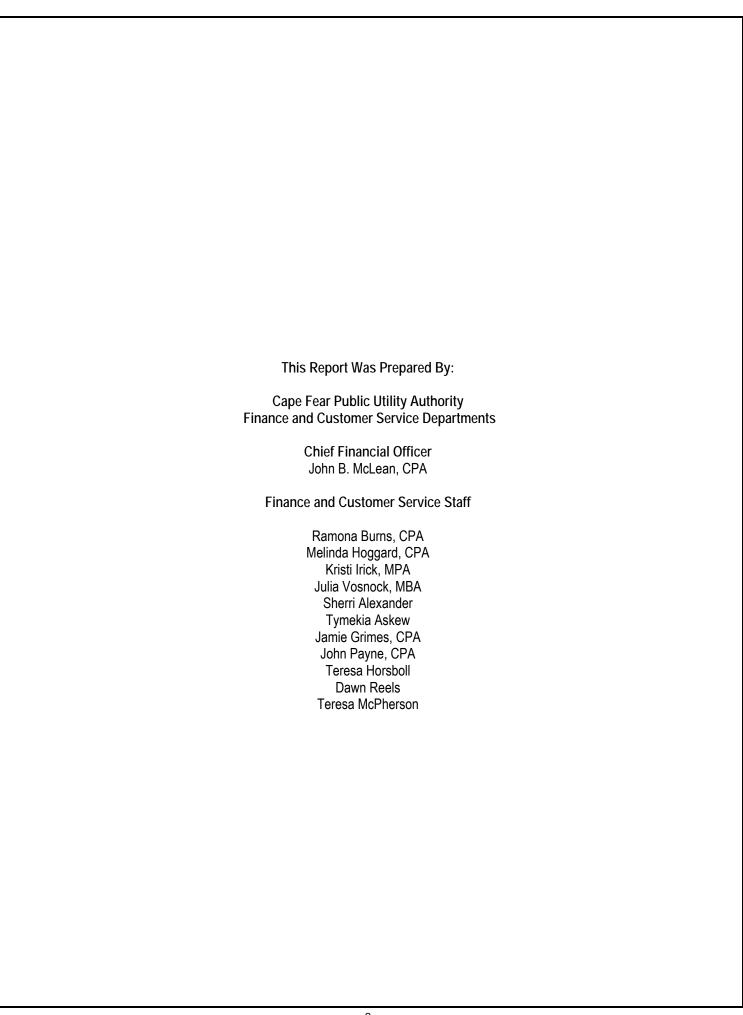
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Larry Sneeden, Secretary
William A. Norris, Treasurer
Wesley P. Corder
Charles Davis, Jr.
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Kevin O'Grady
Charlie Rivenbark
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Executive Director

James R. Flechtner, PE

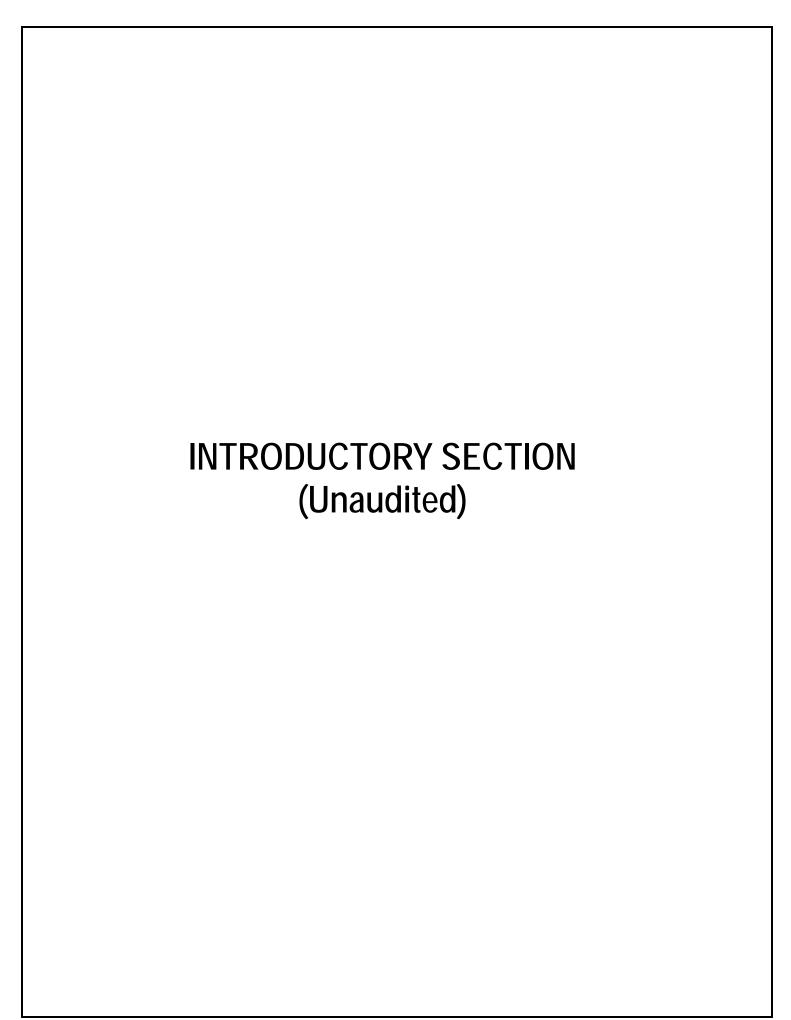
Chief Financial Officer

John B. McLean, CPA



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October 31, 2017

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, 2017. 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, 2017, 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 controls over financial reporting. 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. Cherry Bekaert, LLP conducted the audit and issued an unmodified ("clean") opinion that the financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2017, 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 16-17.

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 2017. 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 to and treated by the Authority. New Hanover County's population is approximately 220,000 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 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 similar to a private enterprise, 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 two groundwater systems. There are 68,612 customer accounts, an increase of 1,260 compared to the previous year. Also, an additional 4,506 locations have services available (vacant lots). The water system has 1,113 miles of distribution lines at June 30, 2017. The Authority also keeps eight wells on standby to supplement the water supply during emergencies or peak demand periods. Metered water consumption for the fiscal year June 30, 2017 increased .21% from 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 10 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, 2016 was 14.35 MGD. The surface water distribution system has been providing water service for more than 100 years and includes 16.0 million gallons of covered finished water storage and 5.6 million gallons of storage in five elevated tanks. The LCFWSA and CFPUA 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, 2017 of 2.475 MGD. The distribution system provides water service to customers and includes 2.8 million gallons of covered ground storage and 2.35 million gallons of elevated storage in five elevated tanks. In addition, the Authority operates one smaller groundwater system, Monterey Heights, providing groundwater directly to customers from four wells and a single 0.5 million gallon elevated storage tank. The groundwater receives disinfection and pH adjustment before being pumped to the distribution system and the storage tanks. Average production of the Monterey Heights system during the fiscal year ended June 30, 2017 was 0.652 MGD.

The Wastewater System

There are 66,384 wastewater accounts, an increase of 654 compared to the previous year. Also, an additional 2,838 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 850 miles of gravity lines, 21,200 manholes, approximately 140 pump stations and 130 miles of pressurized sewage force main. Wastewater consumption, based on metered water (excluding irrigation) for the fiscal year June 30, 2017 decreased.61% from the previous year.

The Authority currently owns and operates the James A. Loughlin, or Northside Wastewater Treatment Plant (NSWWTP) and the M'Kean Maffitt, or Southside Wastewater Treatment Plant (SSWWTP). The NSWWTP is permitted to treat up to 16.0 MGD. The SSWWTP is permitted to treat up to 12.0 MGD. For the fiscal year ended June 30, 2017, the combined average daily flows were 18.76 MGD of the combined 28.1 MGD permitted, including the Walnut Hills Plant, which ceased operation on June 30, 2017. Flows from the Walnut Hills Treatment Plant have been redirected to the NSWWTP. The NSWWTP and SSWWTP both 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 Authority also has a hauled waste program delivering septage and other non-hazardous wastes to NSWWTP for processing.

The Authority has a sewer 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 hauled 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.

Taxable sales in New Hanover County were up 8.9% for the fiscal year ended June 30, 2017. New Hanover County reported a 12% decrease in the number of building permits issued with a 20% increase in the cost of these permitted projects compared to the prior year. The County's unemployment rate at June 30, 2017, of 3.9%, is lower than the 4.8% at June 30, 2016. It is also lower than North Carolina's 4.1% and the United States at 4.3%.

Tourism is a vital part of the area's economic component in terms of employment and revenues. In 2016, New Hanover County was ranked eight out of 100 counties in the state with \$553.60 million in travel-related revenues in calendar year 2016, a 6.28% increase over 2015 revenues. In 2016, tourism provided approximately 6,150 jobs with an annual payroll of \$129 million in New Hanover County. For fiscal year ended June 30, 2017, room occupancy tax receipts increased 12.99 % 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, New Hanover County, Verizon Wireless, Cape Fear Community College, Wal-Mart, City of Wilmington, General Electric Hitachi Nuclear Americas, Wilmington Health Associates, Duke Energy.

Long-Term Financial Planning and Relevant Financial Policies

The Authority's long-term financial plan incorporates the Authority's policy debt limitations and reserve levels. In accordance with these policies, the long-term financial plan includes gradual increases to rates to a structure under which current year rate collections fully fund \$18 to \$20 million in annual recurring capital expenditures. The Authority is currently planning to complete this transition by FY 22-23. During the transition period the Authority will supplement transfers from the operating fund with available reserves to fund capital expenditures. These policies were adopted to produce a flexible financial structure by reducing the proportion of the annual operating budget reserved for mandatory debt service payments, "free up" future borrowing capacity, and achieve robust coverage levels demanded by credit rating agencies.

Debt is a critical capital financing mechanism that provides an immediate funding source and allows for the gradual pay-back of borrowed funds in the future. Debt, however, can be excessive when annual debt service requirements grow to levels that cause rates to increase to unaffordable levels or force cuts to services in the absence of rate increases. The Authority's debt management policy is focused on maintaining the balance between debt funding, rate affordability, and operational sustainability by placing limits on debt issuance.

The Authority's debt management policy explicitly limits debt in two ways. First, the policy provides specific attributes that projects should generally have to be candidates for debt funding (e.g. for high-dollar projects where funding capital improvement exclusively through rates is impractical or for growth-oriented projects in which it makes sense for future rate payers to pay for those improvements). Second, the policy establishes a debt limit expressed in terms of the debt-to-capitalization ratio (debt outstanding as a percentage of the value of capital assets). The Authority may not issue debt if such issuance would cause the Authority's debt-to-capitalization ratio to exceed 45%. Measuring the Authority's debt load using the debt-to-capitalization is an appropriate way to quantify the Authority's debt load because the ratio reflects the Authority's long-

term mix of debt and rate revenue funding for capital improvements. The policy debt metric limit of 45% was derived considering the Authority's debt service coverage target and its expectation of long-term borrowing costs.

The optimal level of reserves provides for a balance between having sufficient amounts to ensure continued service in the event of infrastructure failure or periods of declining revenues and the efficient use of the financial resources provided by rate payers. The Authority's reserve policy provides for a periodic, risk-based assessment of the optimal level of cash reserves. Factors considered in this assessment include working capital requirements, the probability and magnitude of catastrophic infrastructure failure and/or declining revenues, and credit rating agency benchmarks.

Major Initiatives

The Authority's capital improvement plan provides for spending in Fiscal Years 2018 and 2019 of \$45.5 million and \$74.6 million – much higher than the normal \$18 to \$20 million spent annually to improve and expand the water and wastewater system. Major projects are expected to include roughly \$32 million to improve and rehabilitate high-risk wastewater infrastructure; enhancements to Lower Cape Fear Water and Sewer Authority's raw water transmission system to ensure the continued provision of water for the citizens of New Hanover and Brunswick Counties; and the extension of water and wastewater service along the U.S. 421 industrial corridor. These projects will largely be funded with rate revenue collections and existing cash balances consistent with the adopted debt and reserve policy revisions discussed above. Other funding sources include approximately \$16 million in state grants, \$25 to \$30 million in revenue bonds for the raw water line project, and \$13 million in Clean Water State Revolving Loan funds.

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, 2016. The Authority has received this prestigious award each of the 7 fiscal years since it began operations July 1, 2008. 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,

James R. Flechtner, P.E.

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Executive Director

John B. McLean, 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, 2016

Executive Director/CEO



Mike Brown Chair



Jennifer Adams Vice Chair



Larry Sneeden Secretary



William A. Norris Treasurer

Cape Fear Public Utility Authority Board Members



Pat Kusek Commissioner



Kevin O'Grady Councilman



Charles Davis, Jr. Member



Charles Rivenbark Councilman



Wesley P. Corder Member



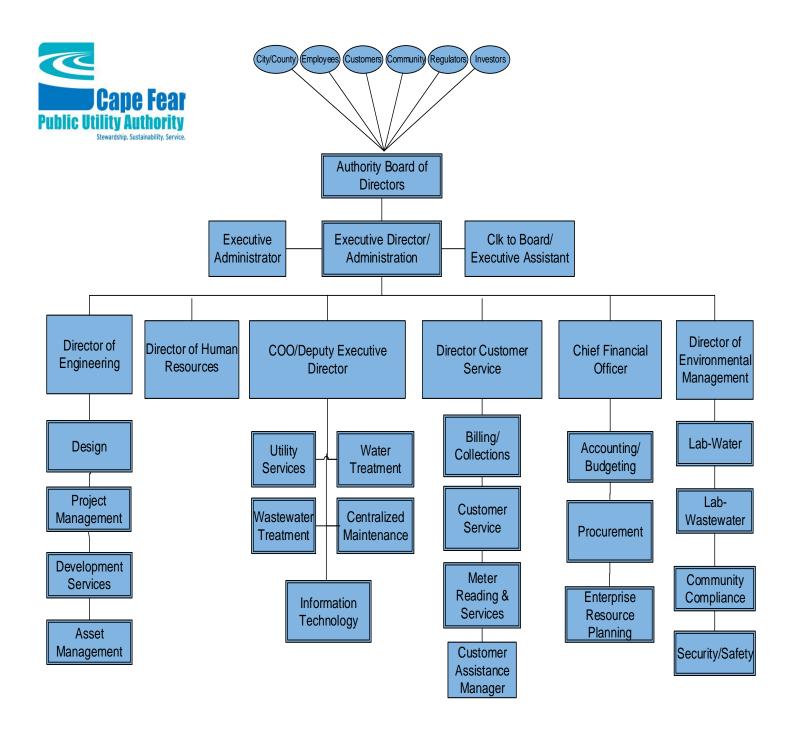
Cindee Wolf Member



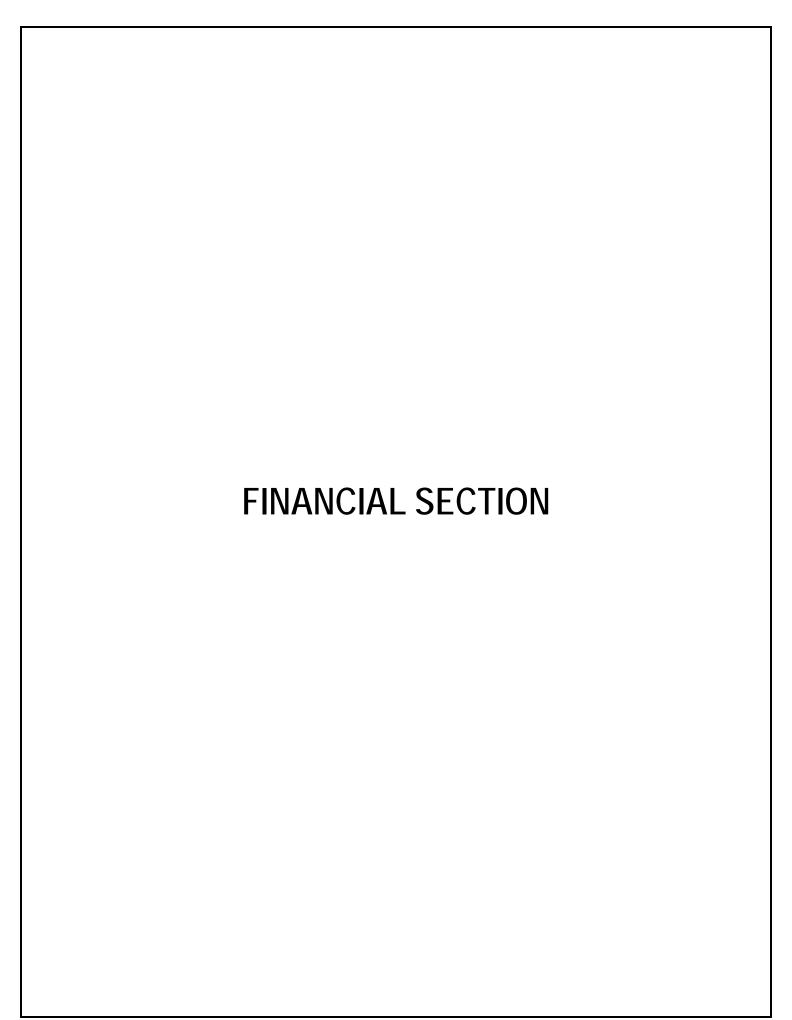
Skip Watkins Commissioner

Other Principal Officials

James R. Flechtner, PE Executive Director John B. McLean, CPA Chief Financial Officer



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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying statement of net position of Cape Fear Public Utility Authority, (the "Authority") as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements.

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 basic 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 of 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2017, 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 the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, and schedules listed in the table of contents under "Supplementary Schedules" and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the Authority's internal control over financial reporting and compliance.

Raleigh, North Carolina October 23, 2017

Chuny Bellacert LLP

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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, 2017. 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 10 of this report.

FINANCIAL HIGHLIGHTS

- The overall financial condition of the Authority improved during the year ended June 30, 2017. Assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$516.0 million (net position) which is an increase of \$31.2 million from the prior year.
- Total operating revenues were \$83.5 million, an increase of \$4.8 million or 6.2% over the prior year. The increase in revenues reflects customer growth from the prior year resulting in additional water and sewer consumption, system development charges, and connection fees.
- Total operating expenses (including depreciation and amortization) were approximately \$62.4 million, an increase of approximately \$9.3 million or 17.5% over the prior year. The change is due to increases in non-capitalizable system repairs and maintenance expense from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority was created in accordance with NCGS 162A 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 and does not have the power of taxation. The Authority's operations, capital expansion program, and debt payments are funded almost entirely through user rates, fees, and other charges for these water and sewer services similar to a private business. As such, the Authority is considered a special-purpose government engaged in only business-type activities for financial reporting purposes.

The Authority's basic financial statements consist of a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Net Position*, and a *Statement of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provide information about the Authority's financial position and results of operations during the year. 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. 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. Finally, the *Statement Cash Flows* provides information on how the Authority's cash and cash equivalents changed during the year. The basic financial statements can be found on pages 26 through 29 of this report.

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 30 through 48 of this report.

FINANCIAL ANALYSIS

Table A presents the Condensed Statement of Net Position for the fiscal years ended June 30, 2017 and June 30, 2016.

Condensed Statement of Net Position				
Table A				
l .				
l .		June 30,		June 30,
l .		2017		2016
Assets				
Current assets	\$	114,168,486	\$	135,545,304
Noncurrent assets-noncapital		28,158,507		12,347,107
Noncurrent assets-capital		676,771,310		658,491,656
Total assets		819,098,303		806,384,067
l .				
Deferred Outflows of Resources		18,106,934		15,964,053
l .				
Liabilities				
Current liabilities		28,030,891		31,694,723
Noncurrent liabilities		292,961,730		305,320,889
Total liabilities		320,992,621		337,015,612
l .				
Deferred Inflows of Resources		168,111		510,751
Net Position				
Net investment in capital assets		391,215,264		359,084,362
Restricted		10,966,309		2,916,717
Unrestricted		113,862,932		122,820,678
Total net position	\$	516,044,505	\$	484,821,757

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 and deferred inflows of resources by approximately \$516.0 million at June 30, 2017, which is an increase of \$31.2 million over the prior year. The largest component of the Authority's net position represents the investment in water and wastewater infrastructure and other capital assets net of the outstanding balance of debt issued to acquire and construct these assets. The Authority's net investment in capital assets increased by \$32.1 million due to net additions in capital assets of \$18.3 million with a decrease in the carrying value of related debt of \$13.8 million.

The restricted component of the Authority's net position consists of those resources that are restricted through law or by outside parties for a particular purpose. The Authority's restricted net position consists of assets set aside each month to pre-fund subsequent debt service payments as required by the Authority's bond indenture.

The Authority's remaining net position is unrestricted and can be used to satisfy the Authority's ongoing obligations including debt service, normal operating expenses, and for the acquisition of capital assets.

Table B presents the Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2017 and June 30, 2016.

Condensed Statement of Revenues, Expenses and Changes in Net Position Table B				
	Year Ended June 30, 2017	Year Ended June 30, 2016		
Revenues				
Operating revenues				
Charges for services	\$ 72,952,927	\$ 68,627,099		
System development charges	6,277,464	6,068,284		
Other operating revenues	4,223,916	3,873,167		
	83,454,307	78,568,550		
Nonoperating revenues				
Investment earnings	880,543	3,312,744		
Contributions from New Hanover County	627,000	950,000		
Other nonoperating revenue	309,153	146,711		
Total revenues	85,271,003	82,978,005		
Expenses				
Operating expenses	41,501,031	32,992,768		
Depreciation and amortization	20,880,300	20,076,373		
	62,381,331	53,069,141		
Nonoperating expenses				
Interest expense	9,321,091	8,274,675		
Bond issuance costs and other debt service fees		717,165		
Total expenses	71,702,422	62,060,981		
Increase in net position before capital contributions	13,568,581	20,917,024		
Capital contributions	17,654,167	20,007,729		
Increase in net position	31,222,748	40,924,753		
<u> </u>				
Net position, July 1	484,821,757	443,897,004		
Net position, June 30	\$ 516,044,505	\$484,821,757		

The approximately \$31.2 million increase in the Authority's net position is a result of the following:

- Outperformance in revenues relative to budgeted levels outpaced operating expenses, excluding depreciation expense by \$2.0 million User charges and fees are set at levels that are anticipated to cover operating costs. Net position increases to the extent that actual revenues exceed budgeted levels and actual operating expenses fall below forecasts. During the year, outperformance of revenues relative to the budget outpaced slightly higher-than-expected levels of operating expenses excluding depreciation by approximately \$2.0 million. Expenses were higher than anticipated related to system repair and maintenance costs that were budgeted in the Authority's capital budget that didn't qualify for capitalization. As shown in Table C, actual fixed and volumetric charges for water and wastewater service exceeded budgeted amounts by \$1,613,870 or 2.41%. The outperformance in water and wastewater charges was due to customer growth that was greater than the growth assumptions incorporated in budgeted estimates. Actual customers (expressed in equivalent residential units) outpaced forecasts by 2,372 (2.81%) for water service and 2,059 (2.54%) for wastewater service. Despite slightly lower-than-expected consumption per customer, the additional customers resulted in increased consumption over forecasts of 112.7 million gallons (2.19%) and 103.8 million gallons (2.27%) for water and wastewater, respectively. Furthermore, the increased growth resulted in outperformance in other revenues tied to new customers including new service charges, connection fees, and most notably system development charges which outperformed budgeted estimates by \$2,677,464.
- Capital asset additions during the year funded with current year revenues outpaced depreciation expense by \$13.9 million Net position increases to the extent that additions to capital assets funded with current year revenues and contributions exceed depreciation on capital assets. During the year, additions to capital assets funded with user charges were \$17.1 million. In addition, developers and other parties contributed \$17.7 million of infrastructure assets These additions outpaced depreciation expense on the Authority's capital assets during the period of \$20.9 million.
- Principal on outstanding debt of \$15.3 million was repaid with current year revenues Retirement of debt with revenues
 earned during the period increases net position. The Authority's user charges are established to recover operating costs
 during the year including the repayment of principal on outstanding debt obligations. During the year, the Authority made
 principal payments of \$15.3 million related to outstanding revenue bonds, installment obligations, and loans.

Comparison of Budgeted and Actual Water and Wastewater Rate Revenues Table C							
	10	Budget		Actual	١.	/ariance	% Variance
Fixed Charges - Water	\$	13,086,000	\$	13,453,405	\$	367,405	2.81%
Volumetric Charges - Water		18,874,000		19,287,717		413,717	2.19%
Fixed Charges - Wastewater		14,129,000		14,488,476		359,476	2.54%
Volumetric Charges - Wastewater		20,841,000		21,314,272		473,272	2.27%
Equivalent residential units - Water		84,502		86,875		2,373	2.81%
Thousands of gallons consumed - Water		5,142,779		5,255,509		112,730	2.19%
Equivalent residential units - Wastewater		80,922		82,981		2,059	2.54%
Thousands of gallons consumed - Wastewater		4,570,395		4,674,182		103,787	2.27%
Water consumption per ERU		60.9		60.5		(0.4)	-0.66%
Wastewater consumption per ERU		56.5		56.3		(0.2)	-0.35%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets include water treatment plants, wastewater treatment plants, pump stations, water distribution systems, and the wastewater collection system. The dollar-weighted average remaining useful life of the Authority's depreciable assets is 29.8 years. Capital assets during the year increased by \$18.3 million (2.8%) to \$676.8 million (net of accumulated depreciation and amortization). The increase was due to capitalization of \$22.5 million in internally constructed or acquired assets and the addition of \$16.7 million in infrastructure constructed by other parties conveyed to the Authority during the year. These additions were offset with depreciation expense of \$20.9 million. Major capital asset additions included the following:

- \$9.9 million and \$6.9 million of conveyed sewer and water lines, respectively, in developing areas of New Hanover County.
- \$4.6 million in expenditures to replace the Authority's existing meters with new, automatic reading technology to reduce the risk of erroneous meter reads and provide for a more efficient meter reading process.
- \$1.8 million to replace air release valves to improve the venting of gas from sewer lines to reduce corrosion, pumping inefficiencies, and the risk of sanitary sewer overflows.
- \$1.7 million for construction of additional alum sludge storage tanks at the Northside Wastewater Treatment Plant.
- \$1.6 million for the completion of the extension of sewer service to Marquis Hills
- \$1.3 million for the construction of a new regional pump station to accommodate new development along Edgewater Club Road.
- \$1.1 million for design of the extension of water and sewer service to the US Highway 421 industrial corridor.

Table D presents capital asset balances at June 30, 2017 and June 30, 2016. Additional information on the Authority's capital assets can be found in Note 4 on page 36 of this report.

Net of Depreciation and Amortization Table D				
		2017		2016
Nondepreciable capital assets: Land Intangible Asset-Easements Construction in progress Total capital assets not being depreciated or amortized		6,863,195 2,219,324 45,058,154 54,140,673	\$	6,863,195 2,134,823 34,063,352 43,061,370
Depreciable capital assets, net: Plant, Structures and Improvements Water and Sewer Lines Furniture, Fixtures and Machinery Intangible Asset-Computer Software Intangible Asset-Water Availability Rights Total capital assets being depreciated or amortized		253,054,095 62,680,531 5,439,980 245,875 1,210,156		258,996,645 349,572,453 5,087,751 476,841 1,296,596 615,430,286
Capital assets, net	\$ 6	76,771,310	\$	658,491,656

Debt Administration

The Authority's long term debt, presented in Table E below, totaled \$299.4 million at June 30, 2017. The Authority's overall debt coverage for fiscal year 2017 was 1.78, remaining above the 1.0 ratio required by bond covenants. Coverage on revenue bond debt was 2.04, well above the 1.2 ratio required by revenue bond covenants.

	Outstanding Long-Term Obligations Table E		
		2017	2016
Revenue Bonds		\$ 278,443,921	\$ 294,031,807
Installment Obligations:			
Locality compensation payment		11,741,800	13,679,800
ARRA Revolving Loan		905,219	961,795
DWSRF Revolving Loan		149,529	158,325
Clean Water State Revolving Loans		8,139,178	8,611,567
Totals	3	\$ 299,379,647	\$ 317,443,294
	=		

During the year, the Board adopted changes to the Authority's debt policy to include specific criteria that projects should generally meet to be candidates for debt funding. These criteria include whether the project is high-dollar where it would be impractical to fund through current year rate revenues; whether the project is growth-oriented where spreading costs through debt payments to future customers who will benefit from the capital improvements is equitable; or whether the project is emergency-related where an immediate source of funding is necessary to quickly restore system functionality. The Board also adopted an explicit debt limitation that is reflective of the Board's target debt service coverage and expectation of borrowing costs. Debt may not be issued if such issuance would cause the "debt-to-capitalization ratio" to exceed 45%. As of June 30, 2017 the Authority's debt to capitalization ratio was 39.05%, or \$40.25 million in additional debt capacity.

The Authority maintains credit ratings of AA+ and Aa2 from Standard and Poor's and Moody's, respectively. Both ratings are one level below the highest possible ratings.

Additional information on the Authority's long-term debt can be found in Note 8, Long-Term Obligations beginning on page 43 of this report.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2017

On June 14, 2017 the Board approved a \$79.5 million annual operating budget for fiscal year 2018, a 3.9 million increase from the original budget adopted for fiscal year. Consistent with the revisions to the Authority's policy to limit the issuance of debt to fund capital improvements, the FY18 budget incorporates increases in water and wastewater rates. The additional rate revenues will be used to provide an additional \$4.4 million in pay-as-you-go funding for the capital program compared to the FY17 budget.

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 john.mclean@cfpua.org.

Cape Fear Public Utility Authority Statement of Net Position June 30, 2017

Current assets \$ 61,513,924 Cash and cash equivalents \$ 22,638,653 Receivables, net 14,209,546 Due from other governments 4,783,392 Restricted: 10,966,309 Prepaids 56,662 Total current assets 114,168,486 Noncurrent assets 114,168,486 Noncurrent assets 28,158,507 Capital assets: 28,158,507 Capital assets, net 622,630,637 Total capital assets, net 622,630,637 Total assets 704,929,817 Total assets 704,929,817 Total assets 704,929,817 Total assets 819,009,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 2 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accounts payable and accrued maturities 2,300,627 Compensated absences, current maturities 2,300,627 Compensated absences, current maturities <	ASSETS	
Investments 22,638,653	Current assets	
Receivables, net 14,209,546 Due from other governments 4,783,392 Restricted: 10,966,309 Cash and cash equivalents 10,966,309 Prepaids 56,662 Total current assets 114,168,486 Noncurrent assets 114,168,486 Investments 28,158,507 Capital assets: 28,158,507 Capital assets 622,630,637 Total capital assets, net 622,630,637 Total capital assets 704,929,817 Total assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 2 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accounts payable and accrued liabilities 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities	Cash and cash equivalents	\$ 61,513,924
Due from other governments 4,783,392 Restricted: 10,966,309 Prepaids 56,662 Total current assets 114,168,486 Noncurrent assets 28,158,507 Capital assets: 28,158,507 Capital assets: 622,630,637 Total capital assets, net 622,630,637 Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 2000 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accound interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 286,084,800 Noncurrent liabilities 292,961,730 Notal pensated absences	Investments	22,638,653
Restricted: 10,966,309 Prepaids 56,662 Total current assets 114,168,486 Noncurrent assets 28,158,507 Capital assets: 28,158,507 Capital assets: 54,140,673 Other capital assets, net 622,630,637 Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 200,000 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accorued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 4,797,538 Noncurrent liabilities 286,084,800 Total noncurrent liabilities 292,961,730 Total noncurrent liabilities	Receivables, net	14,209,546
Cash and cash equivalents 10,966,309 Prepaids 56,662 Total current assets 114,168,486 Noncurrent assets 28,158,507 Capital assets: 28,158,507 Capital assets. 622,630,637 Other capital assets, net 622,630,637 Total capital assets 704,929,817 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES Current liabilities Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 <td>Due from other governments</td> <td>4,783,392</td>	Due from other governments	4,783,392
Prepaids	Restricted:	
Total current assets 114,168,486 Noncurrent assets 28,158,507 Capital assets: 28,158,507 Capital assets: 54,140,673 Other capital assets, net 622,630,637 Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 2000 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total liabilities 292,961,730 <td>Cash and cash equivalents</td> <td>10,966,309</td>	Cash and cash equivalents	10,966,309
Noncurrent assets Investments 28,158,507 Capital assets:	Prepaids	56,662
Investments	Total current assets	114,168,486
Capital assets: Land, easements and construction in progress 54,140,673 Other capital assets, net 622,630,637 Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111	Noncurrent assets	
Land, easements and construction in progress 54,140,673 Other capital assets, net 622,630,637 Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 20,081 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOW	Investments	28,158,507
Other capital assets, net 622,630,637 Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES 18,106,934 Current liabilities 7,613,643 Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION <td< td=""><td>Capital assets:</td><td></td></td<>	Capital assets:	
Total capital assets 676,771,310 Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES Current liabilities Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Net pension liability 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,	Land, easements and construction in progress	54,140,673
Total noncurrent assets 704,929,817 Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES Current liabilities Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Other capital assets, net	622,630,637
Total assets 819,098,303 DEFERRED OUTFLOWS OF RESOURCES 18,106,934 LIABILITIES Current liabilities Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Total capital assets	676,771,310
Total assets 819,098,303	Total noncurrent assets	704,929,817
LIABILITIES Current liabilities Accounts payable and accrued liabilities Accrued interest payable Due to other governments Unearned revenue Customer and escrow deposits Compensated absences, current maturities Long-term obligations, current maturities Net pension liability Compensated absences Other post-employment benefits (OPEB) Long-term obligations, net of current maturities Total noncurrent liabilities Total noncurrent liabilities DEFERRED INFLOWS OF RESOURCES Net investment in capital assets Restricted for debt service Unrestricted 7,613,643	Total assets	
LIABILITIES Current liabilities Accounts payable and accrued liabilities Accrued interest payable Due to other governments Unearned revenue Customer and escrow deposits Compensated absences, current maturities Long-term obligations, current maturities Net pension liability Compensated absences Other post-employment benefits (OPEB) Long-term obligations, net of current maturities Total noncurrent liabilities Total noncurrent liabilities DEFERRED INFLOWS OF RESOURCES Net investment in capital assets Restricted for debt service Unrestricted 7,613,643		
Current liabilities Accounts payable and accrued liabilities Accrued interest payable Due to other governments Unearned revenue Customer and escrow deposits Compensated absences, current maturities Long-term obligations, current maturities Total current liabilities Net pension liability Compensated absences Other post-employment benefits (OPEB) Long-term obligations, net of current maturities Total noncurrent liabilities Per post-employment benefits (OPEB) Total noncurrent liabilities Total liabilities Total liabilities Total noncurrent liabilities Total noncurrent liabilities Total liabilities Total liabilities DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets Restricted for debt service 10,966,309 Unrestricted	DEFERRED OUTFLOWS OF RESOURCES	18,106,934
Accounts payable and accrued liabilities 7,613,643 Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	LIABILITIES	
Accrued interest payable 3,759,101 Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Current liabilities	
Due to other governments 20,081 Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Accounts payable and accrued liabilities	7,613,643
Unearned revenue 233,099 Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Accrued interest payable	3,759,101
Customer and escrow deposits 2,360,627 Compensated absences, current maturities 749,493 Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Due to other governments	20,081
Compensated absences, current maturities Long-term obligations, current maturities Total current liabilities Net pension liability Compensated absences Net pension liability Compensated absences Other post-employment benefits (OPEB) Long-term obligations, net of current maturities Total noncurrent liabilities Total liabilities DEFERRED INFLOWS OF RESOURCES NET POSITION Net investment in capital assets Restricted for debt service Unrestricted 749,493 13,294,847 28,030,891 4,797,538 408,136 1671,256 286,084,800 292,961,730 292,961,730 320,992,621	Unearned revenue	233,099
Long-term obligations, current maturities 13,294,847 Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Net pension liability 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Customer and escrow deposits	2,360,627
Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Net pension liability 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Compensated absences, current maturities	749,493
Total current liabilities 28,030,891 Noncurrent liabilities 4,797,538 Net pension liability 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	•	13,294,847
Net pension liability 4,797,538 Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Total current liabilities	-
Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Noncurrent liabilities	
Compensated absences 408,136 Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Net pension liability	4,797,538
Other post-employment benefits (OPEB) 1,671,256 Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	•	408.136
Long-term obligations, net of current maturities 286,084,800 Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Value of the company	•	·
Total noncurrent liabilities 292,961,730 Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Value of the service of the se		
Total liabilities 320,992,621 DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932		
DEFERRED INFLOWS OF RESOURCES 168,111 NET POSITION Net investment in capital assets Restricted for debt service Unrestricted 10,966,309 113,862,932		
NET POSITION Net investment in capital assets 391,215,264 Restricted for debt service 10,966,309 Unrestricted 113,862,932	Total habilities	020,772,021
Net investment in capital assets391,215,264Restricted for debt service10,966,309Unrestricted113,862,932	DEFERRED INFLOWS OF RESOURCES	168,111
Restricted for debt service 10,966,309 Unrestricted 113,862,932	NET POSITION	
Unrestricted 113,862,932	Net investment in capital assets	391,215,264
Unrestricted 113,862,932	•	
	Unrestricted	113,862,932
	Total net position	

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, 2017

Operating revenues	
Charges for services	\$ 72,952,927
System development charges	6,277,464
Other operating revenues	4,223,916
Total operating revenues	83,454,307
Operating expenses	
Personnel and benefits	17,850,409
Services and utilities	18,292,358
Materials and other	5,358,264
Depreciation and amortization	20,880,300
Total operating expenses	62,381,331
Operating income	21,072,976
Namenavating revenues (synamoss)	
Nonoperating revenues (expenses)	000 E42
Investment earnings	880,543 (9,321,091)
Interest expense	(9,321,091)
State & federal grants	88,899
Gain on disposal of capital assets	
Contributions from New Hanover County	627,000
Total nonoperating (expenses)	(7,504,395)
Income before capital contributions	13,568,581
Capital contributions	17,654,167
Total capital contributions	17,654,167
Change in net position	31,222,748
Net position	
Beginning of year	484,821,757
End of year	\$ 516,044,505

See Notes to Financial Statements.

Cape Fear Public Utility Authority Statement of Cash Flows For the Fiscal Year Ended June 30, 2017

Cash Flows From Operating Activities	
Cash received from customers	\$ 82,390,035
Cash paid to suppliers	(22,668,607)
Cash paid to or on behalf of employees	(17,447,309)
Cash received on behalf of others	19,310,793
Cash payments held on behalf of others	(19,405,268)
Cash received for deposits	1,144,629
Cash returned for deposits	(866,569)
Net cash provided by operating activities	42,457,704
Cash Flows from Noncapital Financing Activities	
Grants from other governments	169,297
Net cash provided by noncapital financing activities	169,297
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(21,639,229)
Proceeds from Clean Water State Revolving Loans	889,583
Principal paid on long-term obligations	(14,673,761)
Interest paid on long-term obligations	(9,328,778)
Proceeds from sale of capital assets	92,023
Capital contributions	967,483
Net cash used for capital and related financing activities	(43,692,679)
Cash Flows From Investing Activities	
Purchases of investments	(42,000,000)
Proceeds from investment maturities	57,400,351
Proceeds from interest on investments	425,487
Net cash provided by investing activities	15,825,838
Net increase in cash and cash equivalents	14,760,160
Cash and cash equivalents, beginning of year	57,720,073
Cash and cash equivalents, end of year	\$ 72,480,233
Reconciliation to the Statement of Net Position:	
Cash and cash equivalents	\$ 61,513,924
Restricted cash and cash equivalents	10,966,309
	\$ 72,480,233

(Continued)

Cape Fear Public Utility Authority Statement of Cash Flows (Continued) For the Fiscal Year Ended June 30, 2016

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 21,072,976
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	20,880,300
Changes in assets and liabilities:	
Decrease in receivables, net and due from other governments	2,820,912
Decrease in inventories	1,728,133
(Increase) in prepaids	(7,390)
(Decrease) in accounts payable, accrued liabilities and due to other governments	(4,334,231)
(Decrease) in unearned revenue	(31,128)
Increase in customer and escrow deposits	163,212
Increase in compensated absences	56,104
(Increase) in pension-related deferred outflows of resources	(3,181,474)
(Decrease) in pension-related deferred inflows of resources	(342,640)
Increase in net pension liability	3,814,855
(Decrease) in OPEB obligation	(181,925)
Total adjustments	21,384,728
Net cash provided by operating activities	\$ 42,457,704
Supplemental Schedule of Noncash Activities	
Contributions of capital assets from developers	\$ 16,686,684
Debt payment reduction from New Hanover County	\$ 627,000

See Notes to Financial Statements.

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.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The Authority is a special-purpose government engaged only in business-type activities. Therefore, all activities of the Authority are presented in a single column using the financial statements that are required for enterprise funds. 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.

The Authority's activities are accounted for using the 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.

The Authority distinguishes 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 including those for water and wastewater service, system development charges, connection fees, penalties, and others. Operating expenses for the Authority include the cost of materials and 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. These include but are limited to grant revenues, investment income, gains/losses on the sale of capital assets, and interest expense.

Budgets

Budgets are adopted utilizing the modified accrual basis of accounting as required by State statute. An annual budget ordinance is adopted for operating and capital appropriations. All operating appropriations lapse at fiscal year-end, while capital appropriations continue until project completion.

Expenditures may not legally exceed appropriations at the functional level for operating appropriations and at the project fund level for capital appropriations. 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, Cash Equivalents, Deposits and Investments

For financial statement presentation, the Authority defines "cash and cash equivalents" as demand deposits and investments (including restricted assets) purchased with an original maturity of 3 months or less. Investments in the North Carolina Capital Management Trust (NCCMT) Government and Term portfolios are considered cash and cash equivalents because the weighted-average maturity of the investments in each portfolio is less than 3 months. The Authority's certificates of deposits are investments, rather than cash and cash equivalents, because the original maturities were greater than 3 months at the time of purchase.

Restricted Assets and Liabilities

The Authority is required by its bond indenture to deposit 1/6 of the next interest payment and 1/12 of the next principal payment with its trustee each month. These deposits are irrevocable and are considered restricted.

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.

Prepaids

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

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 acquisition 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.

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:

	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 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 10.0 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. 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 Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position reports 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 several items that meet this definition – a deferred charge on debt refunding and pension-related deferrals. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources which are defined as an acquisition of net position that applies to a future reporting period. The Authority reports deferred inflows of resources related to pensions.

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, and estimated useful lives of capital assets, compensated absences, other post-employment benefits, medical self-insurance, workers' compensation self-insurance and the net pension liability and pension-related deferrals.

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 amortized into interest expense over the life of the bonds using the effective interest method. The difference between the reacquisition value and carrying value of old debt on bond refundings are deferred and amortized into interest expense. Bond issuance costs are expensed in the period incurred.

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.

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.

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 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".

Pension Plans

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

Note 2. Cash, Cash Equivalents, Deposits and Investments

A reconciliation of the Authority's cash, deposits, and investments for disclosure purposes and cash, cash equivalents, and investments for financial statement presentation as of June 30, 2017 is included below:

Note Disclosure

Cash on hand		\$ 2,200
Deposits		112,025,941
Investments		11,249,252
	Total	\$ 123,277,393
Presentation on the Statement of Net Position	•	
Current Assets		
Cash and cash equivalents		\$ 61,513,924
Restricted cash and cash equivalents		10,966,309
Investments		22,638,653
Noncurrent Assets		
Investments		28,158,507
	Total	\$ 123,277,393

Deposits

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.

Custodial Credit Risk for 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 Authority's agent in the Authority's name. Under the Pooling Method, uninsured deposits are collateralized with securities in a statewide collateral pool 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 Authority, these deposits are considered to be held by the participating Authority's agents in its 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 Authority. Because of the inability to measure the exact amounts of collateral pledged for the Authority 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 financial stability standards for each depository that collateralizes public deposits under the Pooling Method, including minimum capitalization standards. The Authority relies on the State Treasurer to monitor those financial institutions.

At June 30, 2017, the carrying amount of the Authority deposits was \$112,025,941 and the bank balance was \$112,449,706. Of the bank balance, \$1,744,236 was covered by FDIC insurance and \$110,705,470 was covered by collateral held under the Pooling Method.

Investments

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 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") Government Portfolio and Term Portfolio, an SEC registered 2a-7 external investment pool.

Investments in the NCCMT Government Portfolio are valued at amortized cost, which is the share price. Investments in the NCCMT Term Portfolio are valued at fair value. At June 30, 2017, the Authority's investments in the NCCMT Government Portfolio were \$282,943. The fair value of the Authority's investments in the NCCMT Term Portfolio was \$10,966,309. Fair value for these investments were valued using quoted market prices (Level 1 inputs) and measured using the market approach.

The Authority's investments in the NCCMT Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The Authority's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

Note 3. Receivables

At June 30, 2017, 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 accomplished by multiplying the unbilled water usage by the approximate number of days unbilled at June 30.

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

Receivables - Authority customers	\$ 16,318,442
Accrued interest receivable	11,543
Allowance for doubtful accounts - Authority	(2,120,439)
Total	\$ 14,209,546

Due from other governments that is owed to the Authority consists of the following:

State of North Carolina	\$ 646,871
Lower Cape Fear Water & Sewer Authority	2,256,676
Brunswick County	11,648
City of Wilmington	3,376
New Hanover County	1,538,574
Town of Wrightsville Beach	326,247
Total Due from Other Governments	\$ 4,783,392

Note 4. Capital Assets

Capital assets activity consists of the following for the fiscal year ended June 30, 2017. Depreciation and amortization expense for the year was \$20,562,894 and \$317,406, respectively. Capital asset additions for the year include \$837,162 of capitalized interest.

	J	Beginning Balances luly 1, 2016	Increas	es	Decreas	es	Completed Projects	J	Ending Balances une 30, 2017
Capital assets not being depreciated:									
Land	\$	6,863,195	\$	-	\$ -	•	\$ -	\$	6,863,195
Intangible Asset-Easements		2,134,823		-		•	84,501		2,219,324
Construction in progress		34,063,352	22,067,10	00		•	(11,072,298)		45,058,154
Total capital assets not being									
depreciated or amortized		43,061,370	22,067,1	00		•	(10,987,797)		54,140,673
Capital assets being depreciated or amortized:									
Plant, Structures and Improvements	;	310,201,242		-	-		2,758,799		312,960,041
Water and Sewer Lines		113,748,448	16,686,68	34	-		6,570,159		437,005,291
Furniture, Fixtures and Machinery		14,726,829	409,2	91	(88,49	95)	1,658,839		16,706,464
Intangible Asset-Computer Software		4,349,555		-	-	-	-		4,349,555
Intangible Asset-Water Availability Rights		1,988,116		-	-		-		1,988,116
Total capital assets being									
depreciated or amortized		745,014,190	17,095,9	75	(88,49	5)	10,987,797		773,009,467
Less accumulated depreciation or amortization for:									
Plant, Structures and Improvements		51,204,598	8,701,3	48			-		59,905,946
Water and Sewer Lines		64,175,995	10,148,7	65			-		74,324,760
Furniture, Fixtures and Machinery		9,639,077	1,712,7	30	(85,37	'3)	-		11,266,484
Intangible Asset-Computer Software		3,872,714	230,9	66			-		4,103,680
Intangible Asset-Water Availability Rights		691,520	86,4	40			-		777,960
Total accumulated depreciation									
and amortization		129,583,904	20,880,2	99	(85,37	'3)	-		150,378,830
Total capital assets being									
depreciated or amortized, net	(615,430,286							622,630,637
Capital assets, net	\$ (558,491,656	_					•	676,771,310

Capital contributions as shown on the Statement of Revenues, Expenses and Changes in Fund Net Position consist of the following at June 30, 2017.

Capital Contributions	
Contributions from Developers-Cost Sharing	967,483
Contribution from Developers (Non-Cash)	16,686,684
Total Capital Contributions	\$ 17,654,167

Note 5. Operating Leases

The Authority leases building, office facilities, tower space, equipment and land under several operating lease arrangements. The 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 an amendment to that lease effective August 1, 2016, with a new lease term of 60 months, with the option to extend the lease for one additional two-year period. A lease for tower space for an antenna site commenced October 1, 2014 with a lease term of 60 months, with an option to extend the lease for four additional five-year periods. A lease for equipment commenced on July 1, 2015 with a lease term of 96 months, with an option to extend the lease for two additional one-year periods. Total lease costs were \$840,052 for the fiscal year ended June 30, 2017. The future minimum lease payments as of June 30, 2017 are as follows:

Year Ending June 30	Amount
2018	\$ 683,900
2019	695,716
2020	694,936
2021	701,184
2022	713,141
Thereafter	86,923
Total	\$ 3,575,800

Note 6. Post-Retirement Benefits

Local Governmental Employees' Retirement System

Plan description. The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is

included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with 5 years of creditable service, at age 60 with 25 years of creditable service. Plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with 5 years of creditable service. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The Plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the Plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2017, was 7.25% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority \$1,031,849 for the year ended June 30, 2017.

Refunds of Contributions – Members who have terminated service as a contributing member, may file an application for a refund of their contributions. By state law, prior to January 1, 2015, refunds to members with at least five years of service included 4% interest. Effective January 1, 2015, refunds to members include interest (currently 4%) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions — At June 30, 2017, the Authority reported a net pension liability of \$4,797,538 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Authority's proportion was 0.2261%, which was an increase of 0.0071% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of \$1,322,590. Deferred outflows and deferred inflows of resources related to pensions were as follows:

	Deferred Outflows of Resources		ferred Inflows f Resources
Pensions - differences between expected and actual experience	\$	90,137	\$ 168,111
Pensions - difference between projected and actual earnings on pension plan investments		2,652,434	-
Pensions - changes in assumptions		328,589	-
Pensions - changes in proportion and difference between Authority contributions and proportionate share of contributions		180,324	-
Pensions - contributions subsequent to the measurement date		1,031,849	-
Total pension-related deferred outflows/inflows of resources	\$	4,283,333	\$ 168,111

Deferred outflows of resources resulting from \$1,031,849 in contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows:

Year ended June 30:		
2018		505,285
2019		505,396
2020		1,294,722
2021		777,970
	Total	3,083,373

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

Inflation 3.0 percent

Salary increases 3.50 to 7.75 percent, including inflation and productivity factor

Investment rate of return 7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.25%)	Dis	scount Rate (7.25%)	•	1% Increase (8.25%)
Authority's proportionate share of the net pension liability (asset)	\$ 11,386,796	\$	4,797,538	\$	(706,300)

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

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 expense related to the NC-401(k) Supplemental Retirement Income Plan and the 457 Deferred Compensation Plan totaled \$411,201 and \$99,493, respectively, for the fiscal year ended June 30, 2017.

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 of Wilmington (City) or New Hanover County (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 by paying a portion of retiree coverage through private insurers. The plan does not issue a stand-alone financial report.

At December 31, 2015, the date of the latest actuarial valuation, membership consisted of 137 active plan members and 15 retirees or retiree dependents.

Funding Policy. The Authority funds OPEB on a pay-as-you-go basis meaning that benefits are paid as they become due.

Summary of Significant Accounting Policies. Post-employment benefits are paid as they come due from the Authority's operating fund. Assets have been designated for OPEB purposes but have not been placed in an irrevocable trust fund. Unrestricted net position of \$3,005,540 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)	\$ 238,418
Interest on net OPEB obligation	82,589
Adjustment to annual required contribution	(114,810)
Annual OPEB cost	206,197
Contributions made	(388,122)
Decrease in net OPEB obligation	(181,925)
Net OPEB obligation, beginning of year	1,853,181
Net OPEB obligation, end of year	\$ 1,671,256

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:

			Percentage of		
For The Year	Annual		Annual OPEB	Ν	let OPEB
Ended June 30	(OPEB Cost	Cost Contributed	C	bligation
2017	\$	206,197	188.23%	\$	1,671,256
2016	\$	205,861	170.47%	\$	1,853,181
2015	\$	150,131	146.69%	\$	1,998,254

Funded Status and Funding Progress. As of December 31, 2015, 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 \$3,157,860. The covered payroll (annual payroll of active employees covered by the plan) was \$7,701,969, and the ratio of the UAAL to the covered payroll was 41.00%.

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.

For the December 31, 2015 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 4.5% and 8.0%, and mortality assumptions from the RP-2000 Combined Mortality Table for males and females with no mortality improvement. The UAAL is being amortized on a level dollar amount on an open, 30-year basis.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 7. 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 self-insures risks associated with workers' compensation for the first \$500,000 per incident, transfers risk for the next \$1 million per incident through the purchase of insurance, and retains all risks thereafter. The Authority carries commercial coverage or bonds for all other risks of loss including property, general liability, auto, crime, public official liability and excess liability coverage. Claims did not exceed coverage for any category for the fiscal years ended June 30, 2017, 2016, or 2015.

For self-insured risks, 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. The Authority carried a worker's compensation reserve of \$140,000 at June 30, 2016 and June 30, 2017. Incurred claims during the year equaled worker's compensation claim payments of \$119,801.

The Authority's Chief Financial Officer and Deputy Financial Officer are individually bonded for \$250,000. Remaining employees that have access to funds are bonded under a blanket bond of \$1,000,000.

Note 8. Long-term Obligations

G.S. 162A-8 gives the Authority the power to periodically issue revenue bonds in accordance of the provisions of G.S. 159-80 through G.S. 159-98. 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.

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 \$627,000 for fiscal year ended June 30, 2017. The debt payment reduction amount will be \$304,000 for 2018. 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.

The Authority has pledged net revenue, revenues over current expenses, to repay outstanding revenue bonds. Proceeds from the bonds provided financing for various improvements to the Authority's water and sewer system. The bonds are payable from net revenues and are payable through 2040. The total principal and interest remaining to be paid on the bonds is \$352,416,554. Principal and interest paid for the current year and net revenues were \$21,442,881 and \$43,512,675, respectively.

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 three 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, 2017 was 2.04 for parity indebtedness and 1.78 for all indebtedness.

Details of the Authority's outstanding bonded and long-term installment obligations at June 30, 2017 are as follows:

Revenue Bonds	•
\$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 semiannual interest through August 1, 2036; coupons ranging from 3.25% to 5.00%	
\$60,355,000 Water and Sewer System Revenue and Refunding Revenue Bonds, Series 2014A issued for water and sewer improvements; principal payments due annually on June 1 in varying amounts of \$1,015,000 to \$3,940,000 plus semiannual interest through June 1, 2040; coupons ranging from 3.00% to 5.00%	
\$4,730,000 Taxable Water and Sewer System Refunding Revenue Bonds, Series 2014B issued to refund outstanding portions of 2005 Bonds; principal payments due annually on June 1 in varying amounts of \$1,155,000 to \$1,195,000 plus semiannual interest through June 1, 2019; coupons ranging from .20% to 2.00%	
\$155,770,000 Water and Sewer System Refunding Revenue Bonds, Series 2016 issued to (a) refund all of the outstanding 2008 bonds and (b) prepay all of the outstanding 2006A Certificates of Participation; principal payments due annually on August 1 in varying amounts of \$2,000,000 to \$10,915,000 plus semiannual interest through August 1, 2034; coupons ranging from 1.75% to 5.00%	
Total Revenue Bonds	243,015,000
Installment Obligations	•
Locality compensation payable to New Hanover County for Refunding Certificates of Participation, Series 2005A, due in annual principal payments on August 26 ranging from \$824,000 to \$891,800 through August 26, 2017; semiannual interest payments due each August and February	
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 \$1,105,000 through December 1, 2027; semiannual interest payments due December 1 and June 1	
Total Installment Obligations	11,741,800
Total Revenue Bonds and Installment Obligations	254,756,800
Plus Unamortized Premiums	35,428,921
Net Carrying Value of Revenue Bonds and Installment Obligations	\$ 290,185,721

At June 30, 2017 the Authority carried deferred outflows of resources related to the difference between the reacquisition price of refunding debt and the net carrying value of refunded debt in the amount of \$13,823,601.

During Fiscal Year 2016, the Authority defeased outstanding 2008 Water and Sewer System Revenue and Revenue Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Position. At June 30, 2017 \$165,175,000 of the 2008 Water and Sewer System Revenue and Revenue Refunding Bonds remained outstanding.

Other Installment Obligations

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 \$1,131,523 loan is due in 20 equal annual installments of \$56,576, commencing on May 1, 2014. The loan does not bear interest. At June 30, 2016, \$905,216 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 was drawn down as expenditures were paid on the Aquifer Storage and Recovery capital project, to a maximum of \$175,917. The \$175,917 loan is due in 20 equal annual installments of \$8,796, commencing on May 1, 2015. The loan does not bear interest. At June 30, 2017, \$149,529 is recorded as an outstanding loan. The payments on the Authority's outstanding DWSRF Loans for the future years are as follows:

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 \$17,678,126 and are drawn down as expenditures are paid on the respective capital projects.

Details of the Authority's outstanding Clean Water Revolving Fund Loans at June 30, 2017 are as follows:

Clean Water State Develoing Fund Leans	,	Approved	_	Balance une 30,
Clean Water State Revolving Fund Loans		Loan		2017
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	,420,794
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	\$	364,650
30th Street Sewer Rehabilitation - \$1,086,266, principal				
payments of \$54,313 due annually on May 1 plus interest due				
semi-annually through May 1, 2034 at a rate of 2.0%.	\$	1,086,266	\$	923,326
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%.	\$	1,097,140	\$	932,569
Smith Creek 'Alandale' Pump Station - \$1,913,623, principal				
payments of \$95,681 due annually on May 1 plus interest due				
semi-annually through May 1, 2034 at a rate of 2.0%.	\$	1,913,623	\$1	,626,580
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	,871,259
Total	\$	9,753,501	\$8	,139,178

Changes in the Authority's debt during the fiscal year (except for changes in the net pension liability and net OPEB obligation which are discussed in Note 6 were) were as follows:

	Balance				Balance	Current
	July 1, 2016	Additions		Retirements	June 30, 2017	Maturities
Revenue Bonds	\$ 255,840,000	\$	-	\$ 12,825,000	\$ 243,015,000	\$ 10,795,000
Installment Obligations:						
Locality compensation payment	13,679,800		-	1,938,000	11,741,800	1,946,800
Unamortized Premiums/Discounts	38,191,807		-	2,762,886	35,428,921	-
Total Bonds and Installment Obligations	 307,711,607		-	17,525,886	290,185,721	12,741,800
Other Installment Obligations:						
ARRA Revolving Loan	961,795		-	56,576	905,219	56,576
DWSRF Revolving Loan	158,325		-	8,796	149,529	8,796
Clean Water State Revolving Loans	8,611,567		-	472,389	8,139,178	487,675
Total Other Installment Obligations	 9,731,687		-	537,761	9,193,926	553,047
Total Long-Term Obligations	 317,443,294		-	18,063,647	299,379,647	13,294,847

The debt service requirements for the Authority's outstanding bonds and installment obligations for future years are as follows:

Year Ending	Revenue	Bonds	Installment O	bligations	To	tal
June, 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	10,795,000	10,662,258	1,946,800	465,844	12,741,800	11,128,102
2019	10,980,000	10,202,963	1,030,000	409,350	12,010,000	10,612,313
2020	10,030,000	9,699,413	1,015,000	368,450	11,045,000	10,067,863
2021	10,540,000	9,194,013	1,000,000	328,150	11,540,000	9,522,163
2022	11,070,000	8,656,638	990,000	288,350	12,060,000	8,944,988
2023-2027	59,440,000	35,038,431	4,815,000	810,200	64,255,000	35,848,631
2028-2032	71,535,000	20,184,225	945,000	23,625	72,480,000	20,207,850
2033-2037	54,915,000	5,386,363	-	-	54,915,000	5,386,363
2038-2040	3,710,000	377,250	-	-	3,710,000	377,250
Total	\$243,015,000	\$109,401,554	\$11,741,800	\$2,693,969	\$254,756,800	\$112,095,523

Year Ending	Clean Water S Fund	•	ARRA Loan	DWSRF Loan		
June 30,	Principal	Interest	Principal	Principal		
2018	487,675	173,798	\$ 56,576	\$ 8,796		
2019	487,675	163,356	56,576	8,796		
2020	487,675	152,914	56,576	8,796		
2021	487,675	142,472	56,576	8,796		
2022	487,675	132,030	56,576	8,796		
2023-2027	2,438,375	503,524	282,880	43,980		
2028-2032	2,438,375	242,476	282,880	43,980		
2033-2034	824,053	23,897	56,579	17,589		
Total	8,139,178	\$1,534,467	\$ 905,219	\$ 149,529		

Note 9. Construction and Other Significant Commitments

Construction commitments. The Authority has active water and wastewater capital projects as of June 30, 2017. The projects include wastewater, water, and system-wide projects. At the end of the year, the Authority's commitments with contractors, developers and professional firms are as follows:

Project Type	Spent -	to-Date	Remaining C	ommitment
Wastewater Projects	\$ 47,	842,406	\$	6,938,714
Water Projects	14,	887,572		9,323,289
System-wide Projects	1,	435,708		4,604,875
Complete Projects	263,	824,012		-
	\$ 327,	989,698	\$	20,866,878

Encumbrances. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The Authority periodically enters into agreements with other parties in order to provide water and sewer services. Funds are encumbered at the time of the agreement. At year end the amount of outstanding encumbrances were as follows:

	Remaining				
Budgetary Fund	C	ommitment			
Operating Fund	\$	20,100			
Capital Projects Funds		20,866,878			
	\$	20,886,978			

These remaining commitments will be funded from the proceeds from state grants and loans and funds generated from operations.

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

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 (1) c	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2015	\$0	\$3,157,860	\$3,157,860	0.00%	\$7,701,969	41.00%
12/31/2014	\$0	\$2,272,027	\$2,272,027	0.00%	\$8,448,100	26.89%
12/31/2012	\$0	\$2,459,288	\$2,459,288	0.00%	\$9,775,517	25.16%

Notes to the Required Schedules:

On February 1, 2016 the Authority ceased self-insuring retiree health care benefits and began sharing the cost of premiums on individual, fully-insured policies.

⁽¹⁾ Covered payroll is reported as of the fiscal year ended prior to the Actuarial Valuation Date.

Cape Fear Public Utility Authority Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liabilty (Asset) Local Government Employees' Retirement System 2014-2017 *

	2014	2015	2016	2017
Authority's proportion of the net pension liability (asset)	0.2096%	0.2133%	0.2190%	0.2261%
Authority's proportionate share of the net pension liability (asset)	\$ 2,526,485 \$	(1,258,105) \$	982,683 \$	4,797,538
Authority's covered-employee payroll	\$ 12,624,256 \$	13,060,438 \$	13,374,328 \$	14,196,327
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.01%	-9.63%	7.35%	33.79%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.35%	102.64%	98.09%	91.47%

^{*} The amounts presented for each fiscal year were measured as of the prior fiscal year ending June 30 based on an actuarial valuation dated the previous December 31.

Information is not available for years prior to 2014.

Schedule of Authority Contributions Local Government Employees' Retirement System 2014-2017 *

_		2014	2015	2016	2017
Contractually required contribution	\$	923,373 \$	945,565	\$ 946,895	\$ 1,031,849
Contributions in relation to the contractually req		923,373	945,565	946,895	1,031,849
Contribution deficiency (excess)		-	-	-	-
Authority's covered-employee payroll		13,060,438	13,374,328	14,196,327	14,232,400
Contributions as a percentage of covered- employee payroll		7.07%	7.07%	6.67%	7.25%

^{*} Information is not available for years prior to 2014.

Cape Fear Public Utility Authority Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Operating Fund For the Fiscal Year Ended June 30, 2017

Revenues Water rate revenues Wastewater rate revenues System development charges Investment earnings State & federal grants Other charges for service Total revenues Expenditures Salaries & Benefits Operating	\$	31,960,000 34,970,000 3,600,000 443,200 - 3,677,366	\$	31,960,000 34,970,000 3,600,000	\$	Actual 32,741,121 35,802,748	\$ (Negative) 781,121
Wastewater rate revenues System development charges Investment earnings State & federal grants Other charges for service Total revenues Expenditures Salaries & Benefits	\$	34,970,000 3,600,000 443,200 - 3,677,366	\$	34,970,000 3,600,000	\$		\$ 781,121
System development charges Investment earnings State & federal grants Other charges for service Total revenues Expenditures Salaries & Benefits		3,600,000 443,200 - 3,677,366		3,600,000		35,802,748	
Investment earnings State & federal grants Other charges for service Total revenues Expenditures Salaries & Benefits		443,200 - 3,677,366					832,748
State & federal grants Other charges for service Total revenues Expenditures Salaries & Benefits		3,677,366				6,277,464	2,677,464
Other charges for service Total revenues Expenditures Salaries & Benefits				443,200		652,859	209,659
Total revenues Expenditures Salaries & Benefits				-		220,254	220,254
Expenditures Salaries & Benefits				3,677,366		6,469,752	2,792,386
Salaries & Benefits		74,650,566		74,650,566		82,164,198	7,513,632
Salaries & Benefits							
Operating		20,839,440		20,255,705		19,559,712	695,993
		17,954,641		18,482,654		16,568,978	1,913,676
Capital Outlay		387,706		558,998		510,788	48,210
Debt Service		24,950,053		24,950,053		24,022,711	927,342
Contingency		953,000		953,000		-	953,000
Total expenditures		65,084,840		65,200,410		60,662,189	4,538,221
		,		, ,			, ,
Other financing sources (uses)							
Long-term obligations issued		690,000		690,000		-	(690,000)
Transfers out - Capital Projects Funds		(10,530,726)		(16,430,910))	(16,430,910)	-
Sale of capital assets		-		-		88,899	88,899
Appropriated fund balance		275,000		6,290,754		-	(6,290,754)
Total financing (uses)		(9,565,726))	(9,450,156))	(16,342,011)	(6,891,855)
Revenues and other financing (uses)							
over expenditures	\$	-	\$	-	\$	5,159,998	\$ 5,159,998
Reconciliation of modified accrual basis to full accrual ba	sis	:					
Revenues and other financing sources over expenditures -							
Capital Projects Funds - Water, Wastewater & Sytem-Wid	le				\$	(4,078,984)	
Capital contributions - conveyed infrastructure						16,686,684	
Depreciation and amortization on capital and intangible asse	ets					(20,880,300)	
Pension expense						(1,322,590)	
Contributions to pension plans						1,031,849	
Other post-employment benefits (OPEB)						181,925	
Capitalized expenditures						22,476,391	
Interest expense:							
Accrued interest expense						(2,553,769)	
Amortization of deferred amount on refunding						(1,038,593)	
Amortization of premium						2,762,886	
Accrued revenue						(371,050)	
Consumption of inventory						(1,728,133)	
Compensated absences						(56,104)	
Contribution from New Hanover County						627,000	
Proceeds from long-term obligations						(348,223)	
Principal on long-term obligations						14,673,761	
Change in net position						31,222,748	

Cape Fear Public Utility Authority

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) - Capital Projects Funds - Water, Wastewater & System-Wide

From Inception and For the Fiscal Year Ended June 30, 2017

Revenue	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Capital grants and contributions	\$ 27,543,547	\$ 24,459,053	\$ 967,764	\$ 25,426,817
Charges for services	3,350,000	Ψ 24,400,000	2,158,346	2,158,346
Investment earnings	6,737,405	6,737,128	228,634	6,965,762
Total revenue	37,630,952	31,196,181	3,354,744	34,550,925
	. ,,	- , , -	-,,	7,117,1
Expenditures				
Wastewater Capital Projects:				
13TH ST/N. LAKE SHORE OUT	2,138,847	107,393	319,074	426,467
2ND AND KIDDER TO S. FRON	95,103	-	95,102	95,102
6619 NEWBURY WAY	150,000	-	3,455	3,455
ALUM SLUDGE TANK	1,758,000	201,485	1,523,578	1,725,063
ARV IMPROVE TO PUMP STATI	2,511,347	216,648	1,603,231	1,819,879
ARV REPLACEMENT-AM	15,298	-	15,298	15,298
BLUE CLAY ROAD FM	1,703,209	-	484,444	484,444
BRENDA DR UTILITY RELOCAT	34,240	41,088	(6,848)	34,240
CAROLINA HEIGHTS & LINCOL	700,000	-	221,067	221,067
CCTV CUT AND COVER REHAB	360,000	-	209,535	209,535
D-TOWN GRAVITY PH 1	1,860,000	-	2,313	2,313
ECHO FARMS AND BASIN 36 O	1,322,093	-	713,339	713,339
EDGEWATER CLUB PS	1,613,573	475,797	1,126,506	1,602,303
FLOW MONITORING, MODELING	420,000	-	292,930	292,930
FORCE MAIN 013 ASSESSMENT	34,800	-	34,800	34,800
FY16 UNDESIGNATED SEWER	1,379,223	13,535	(13,535)	-
GENERATOR REPLACE SPS-062	51,708	-	51,708	51,708
GRAVITY SEWER REHAB 2016	13,535	-	13,535	13,535
GRAVITY SEWER REHAB-GRANT	100,000	-	53,374	53,374
GREENFIELD LKE OUTFLL-SRF	2,848,882	2,800,314	47	2,800,361
GREENVILLE LOOP ROAD ARV	6,861	-	6,832	6,832
GRIT RAKE	29,950	-	29,950	29,950
HERITAGE PARK EXTENSION	7,502,885	7,501,437	1,448	7,502,885
KILARNY & PINE GROVE DR	17,635	16,184	1,450	17,634
MANDATORY SE CONNECTION	150,000	30,578	39,917	70,495
MANHOLE AT LANEY HS	100,000	-	85,837	85,837
MARQUIS HILLS EXTENSION	11,947,657	9,073,391	1,412,027	10,485,418
MASONBORO SD SE ANNEX	165,365	17,653	41,639	59,292
MISC PS	350,000	5,349	54,785	60,134
MYRTLE LANDING SUBDIVISIN	386,148	5,000	381,148	386,148
N KERR AVE MANHOLE REPLAC	323,195	-	323,194	323,194
NORTHSIDE WWTP DIGESTER	945,000	124,568	18,525	143,093
NSWWTP CAUSTIC TANK	177,216	· =	177,215	177,215
PARK AVE SEWER ER	75,000	-	52,910	52,910
PRIMARY SLUDGE PUMPS	50,000	-	12,275	12,275
PS #10 REPLACEMENT-GRANT	50,000	-	31,903	31,903
PS #209 NEW CENTER DRIVE	38,410	-	37,980	37,980

Cape Fear Public Utility Authority Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) Capital Projects Funds - Water, Wastewater & System-Wide

From Inception and For the Fiscal Year Ended June 30, 2017

Actual Prior Current **Project** Total to Ordinance Years Year Date PS #'S34 & 35 REPLACEMENT 150,000 119,517 119,517 PS 10 FORCE MAIN (LOAN) 350.000 75,042 256,963 332,005 PS 11 D/TOWN WATERSHED 4,309,157 866,321 280,660 1,146,981 PS 130 TIDALHOLM UPGRADE 51,390 9,659 9,659 PS 19 REPLACE PUMPS 50,111 5,346 44,764 50,110 PS 5 6 13 16 21 29 REPLAC 102,800 66,054 66,054 PS 50 HIDDEN LAKES 104,834 104,834 104,834 PS 8 CAPACITY UPGRADE 1,380,000 23,589 94,575 118,164 PS 89 CAPACITY UPGRADE 500,000 29,900 59,948 89,848 PS BARNARDS CREEK 7,854,262 7,842,724 741 7,843,465 PS#001 NORTHCHASE SE 215,716 16,144 4,326 20,470 PS#010 RENOVATION 406,371 66,186 90,375 156,561 PS#018 GREENHOW WOODS 155,000 16,372 4,503 20,875 PS#048 OAK LANDING 215,000 16,379 4,104 20,483 PS#104 RUNNY MEADE 75,000 5,449 2,116 7,565 PS#12 FORCE MAIN (LOAN) 1,830,000 70,433 117,354 187,787 PS#137 QUAIL WOODS 279,548 7,443 37,668 45,111 PS#36 IMPROVEMENTS 15.000 5.291 5,291 PS#69 MOTTS CREEK UPGRADE 400,000 59,829 7,500 67,329 PUMP STATION ALARMS 50,000 6,515 6,515 PUMP STATION SCADA IMPLEM 580,000 18,127 251,389 269,516 RUNNYMEADE CAP. CHAIR RD. 339,299 339,299 339,299 77,882 SANIT. SWR OUTFALL HOGGAR 77,882 77,882 SCADA IMPLEMENTATION 778,046 430,217 106,871 537,088 SECONDARY CLARIFIERS STRU 50,881 50,882 50,881 SHINWOOD RD UTILITY RELOC 16,034 18.600 16.034 (2,566)SOUTHSIDE WWTP REHAB DISI 75,000 47,200 47,200 SSWWTP FORCE MAIN ER 7,712 7,712 7,712 SSWWTP INTERIM REHAB 2&3 850,531 44,302 635,630 679,932 SSWWTP REHAB CWSRF 600,000 202,760 202,760 SSWWTP SCADA IMPROVEMENTS 14,050 5,800 8,250 14,050 SUN DIAL CT IN SEA SPRAY 22,190 22,189 22,189 TRALEE PLACE DEVELOPER AG 33,600 33,600 33,600 US HIGHWAY 421 1,400,000 970,670 970,670 WALNUT HILLS WTP DEMO 1,909,717 2,015,712 (105,996)1,909,716 WALTMOOR SS REHAB PH2 2,162,851 2,161,431 1,419 2,162,850 34,678,673 13,163,738 47,842,411 **Total Wastewater Capital Projects Expenditures** 68,837,163 Water Capital Projects: 4TH ST WATER MAIN LINING 1.074.675 94,606 557,141 651.747 ANNEXATION EASEMENTS 105,444 4,830 3,000 7,830 ASR WESTBROOK WELL 515,855 104,795 309,379 414,174 COMP METER REPLACE PH 2 10,850,000 45,562 3,996,806 4,042,368 DBP REDUCTION INFRASTRUCT 2,850,000 2,656,505 16,382 2,672,887 **DEVELOPER AGREEMENT** 172,586 10,335 10,335

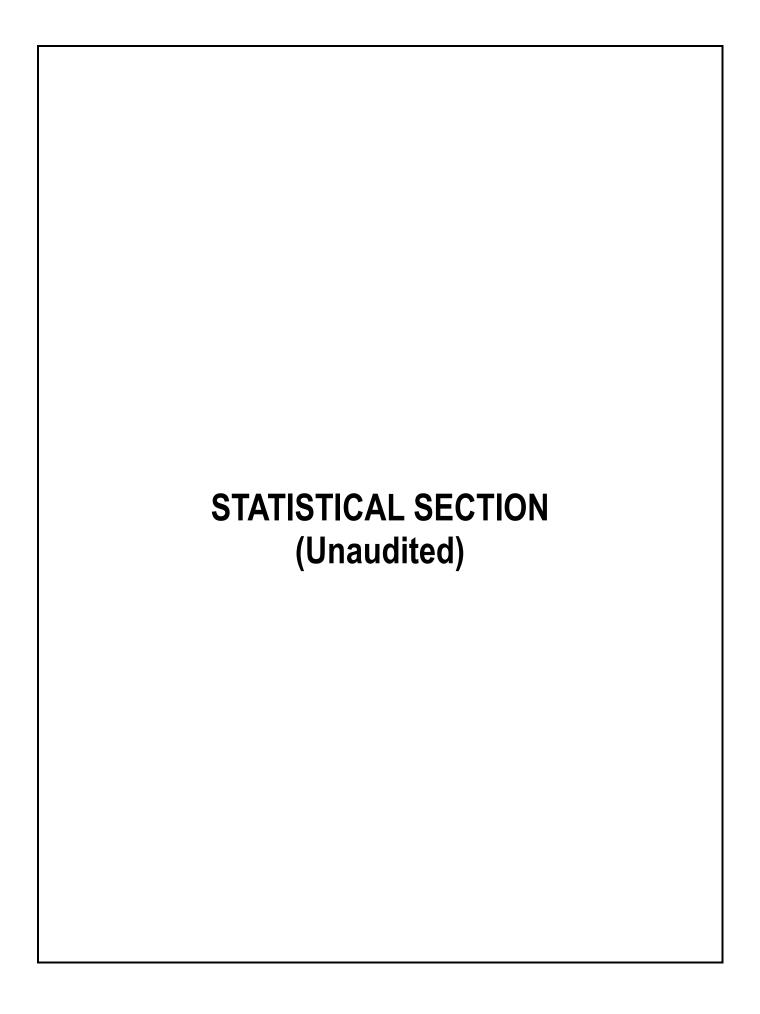
Cape Fear Public Utility Authority Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) Capital Projects Funds - Water, Wastewater & System-Wide From Inception and For the Fiscal Year Ended June 30, 2017

			Actual	
	Project	Prior	Current	Total to
	Ordinance	Years	Year	Date
EMD HVAC & POWER SUPPLY	50,000	7,960	1,990	9,950
EMERGENCY RAW WATERLINE R	2,500,000	-	2,146,698	2,146,698
EMS DEPARTMENT ROOF REPLA	100,000	-	2,475	2,475
FIFI RAW WATER LINE REHAB	100,000	-	61,812	61,812
H2O TOWERS STRUCTURE REHA	214,998	-	212,757	212,757
KERR AVE WATERLINE-PH 2	2,607,253	1,200,066	746,872	1,946,938
KINGS BLUFF PUMP STATION	50,000	-	31,300	31,300
KINGS BLUFF RAW WATER BAR	130,500	-	84,922	84,922
LANDFALL-SUMMER REST WLE	100,000	3,254	13,454	16,708
MANDATORY H2O CONNECTION	592,000	86,854	115,421	202,275
METER SERVS BDLG@SWEENEY	502,500	122,878	366,900	489,778
MKT ST-MILITARY CO-NANO	33,000	1,650	31,350	33,000
MONTEREY HEIGHTS TO SURFA	2,645,000	-	202,090	202,090
N. WATER ST WATER REPLACE	680,296	126,749	120,423	247,172
NEW RAW WATER LINE	1,700,000	-	23,295	23,295
OZONE POWER SUPPLY UNIT U	346,000	-	96,000	96,000
RACHELS PLACE DEV. AGMT.	75,624	-	75,624	75,624
RAW WATER ELEVATOR SHAFT	30,000	-	2,840	2,840
REPLACE CH AQUIFER SOURCE	300,000	-	61,711	61,711
RINGO DR WATER EXT	30,963	5,228	25,735	30,963
RIVERLIGHTS WATER IMPROVE	1,245,000	75,269	(75,269)	-
SAMPLE STION/AUTOFLUSH AM	57,245	21,377	19,232	40,609
SAS WATER SUPPLY IMPROVEM	35,000	-	13,713	13,713
SHINWOOD WATERLINE REHAB	20,000	-	20,000	20,000
SWEENEY HIGH SV PUMP #5	25,234	-	25,234	25,234
US HIGHWAY 421	700,000	-	554,512	554,512
WATER DIST MONITOR STATIO	103,189	94,688	8,500	103,188
WATER DISTRIB SAMPLE STAT	220,000	-	34,689	34,689
WATER METERS FOR NEW CUST	250,000	-	(44,201)	(44,201)
WATER METERS-NEW CUSTOMER	205,000	136,520	68,480	205,000
WATER MODELING SOFTWARE	80,000	-	49,639	49,639
WATER VALVE REPLACE-AM	391,139	65,030	809	65,839
WELL SITE SECURITY	100,000	41,204	500	41,704
Total Water Capital Projects Expenditures	31,788,501	5,099,609	9,787,966	14,887,575

Cape Fear Public Utility Authority Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) Capital Projects Funds - Water, Wastewater & System-Wide From Inception and For the Fiscal Year Ended June 30, 2017

			Actual	
	Project	Prior	Current	Total to
	Ordinance	Years	Year	Date
System-Wide Capital Projects:				
CUSTOMER SERVICE REMODEL	125,000	1,737	122,193	123,930
ENTERPRISE SOFTWARE REPLA	5,400,000	4,972	108,092	113,064
IT NETWORKING INFRASTURCT	264,271	144,262	48,168	192,430
LARGE EQUIP PURCHASE	175,500	-	162,522	162,522
MOTOR FLEET CAPITAL	1,306,197	-	778,665	778,665
PORTABLE EMERG. GENERATOR	70,000	-	11,969	11,969
SCADA SYSTEM SERVER UPGRA	60,400	-	11,998	11,998
VIRTUAL DESKTOP MIGRATION	240,000	23,577	17,555	41,132
Total System-Wide Capital Projects Expenditures	7,641,368	174,548	1,261,162	1,435,710
Completed Projects-Prior Years	273,731,197	261,353,747	-	261,353,747
Total expenditures	381,998,229	301,306,577	24,212,866	325,519,443
Revenue (under) expenditures	(344,367,277)	(270,110,396)	(20,858,122)	(290,968,518)
Other financing sources				
Long-term obligations issued	232,881,507	230,502,601	348,223	230,850,824
Transfers in - Operating Fund	82,631,381	65,171,550	16,430,910	81,602,460
Appropriated fund balance	28,854,389	-	-	-
Total other financing sources	344,367,277	295,674,151	16,779,133	312,453,284
Revenue and other financing				
sources over expenditures	\$ -	\$ 25,563,755	\$ (4,078,989)	\$ 21,484,766

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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

<u>Demographic and Economic Information</u>

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, 2016 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 Current Fiscal Year and Last Eight Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014 (1)	Fiscal Year 2013	Fiscal Year 2012 (1)	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009 (1)
Net investment in capital assets Restricted Unrestricted	\$ 391,215,264 10,966,309 113,862,932	\$ 359,084,362 2,916,717 122,820,678	\$ 335,218,505 - 108,678,499	\$ 304,634,404 - 104,968,819	\$ 295,343,987 - 95,959,547	\$ 288,506,512 - 84,201,125	\$ 287,538,728 - 68,587,385	\$ 295,307,938 - 60,590,755	\$ 293,467,066 - 56,535,895
Total net position	\$ 516,044,505	\$ 484,821,757	\$ 443,897,004	\$ 409,603,223	\$ 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.

⁽¹⁾ Net Position was restated in fiscal years 2014, 2012 and 2009 to reflect a change in accounting principle.

Cape Fear Public Utility Authority Changes in Net Position Current Fiscal Year and Last Eight Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014 (1)	Fiscal Year 2013	Fiscal Year 2012 (1)	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009 (1)
Operating revenues									
Charges for services	\$ 72,952,927	\$ 68,627,099	\$ 67,429,021	\$ 65,495,922	. , ,	. , ,	, ,	\$ 47,524,673	, -,
System development charges	6,277,464	6,068,284	4,740,567	4,396,198	3,832,586	3,734,210	2,035,607	2,287,015	2,727,848
Other operating revenues (2)	4,223,916	3,873,167	3,835,966	3,344,807	3,152,075	3,173,602	2,671,784	2,313,214	139,595
Total operating revenues	83,454,307	78,568,550	76,005,554	73,236,927	70,045,978	68,023,046	61,793,620	52,124,902	45,593,711
Operating expenses									
Personnel and benefits (2)	17,850,409	16,598,873	15,944,834	16,128,971	15,253,963	15,257,145	15,176,175	17,038,778	17,714,505
Services and utilities	18,292,358	13,809,862	11,967,879	11,379,231	12,052,125	11,674,355	10,557,920	10,783,853	11,375,036
Materials and other	5,358,264	2,584,033	2,665,849	2,672,462	2,590,893	2,800,466	3,630,676	2,431,060	3,264,294
Depreciation and amortization	20,880,300	20,076,373	18,776,391	17,729,409	17,591,990	16,107,252	14,283,401	13,096,230	12,400,153
Total operating expenses	62,381,331	53,069,141	49,354,953	47,910,073	47,488,971	45,839,218	43,648,172	43,349,921	44,753,988
Operating income (loss)	21,072,976	25,499,409	26,650,601	25,326,854	22,557,007	22,183,828	18,145,448	8,774,981	839,723
Nonoperating revenues (expenses)									
Investment earnings	880,543	3,312,744	1,012,470	993,737	959,408	962,260	738,453	4,105,897	5,970,732
Interest expense	(9,321,091)	(8,274,675)	(8,332,023)	(11,919,549)	(13,213,771)	(10,500,330)	(13,011,609)	(10,909,406)	(9,674,421)
State grants	220,254	-	-	-	-	-	-	-	-
Bond issuance costs and other debt service fees	-	(717,165)	(683,650)	(85,243)	(316,120)	(625,383)	(131,224)	(104,215)	(100,183)
Gain (Loss) on disposal of capital assets	88,899	53,691	77,599	73,780	(202,214)	-	-	-	-
Amortization of bond issuance costs	-	-	-	-	-	_	_	-	(4,357,699)
Gain (Loss) on extinguishment of debt	-	93,020	-	_	_	_	_	-	-
Contributions from the City of Wilmington and New Hanover County	627.000	950.000	1.254.000	1.577.000	1,900,000	1,900,000	1.900.000	1.900.000	64,627,498
Total nonoperating revenues (expenses)	(7,504,395)	(4,582,385)	(6,671,604)	(9,360,275)	(10,872,697)	(8,263,453)	(10,504,380)	(5,007,724)	56,465,927
Income before capital contributions, special items and			(, , ,	(, , ,	, , , ,	(, , , ,	, , , ,	(, , , ,	<u> </u>
extraordinary items	13,568,581	20,917,024	19,978,997	15,966,579	11,684,310	13,920,375	7,641,068	3,767,257	57,305,650
Capital contributions from the City of Wilmington and New Hanover County		_	-	-	_	_	-	-	285,873,980
Capital contributions-other	17,654,167	20,007,729	14,314,784	3,936,222	6,911,587	2,661,149	777,743	5,695,743	6,823,331
Special impairment of capital assets	, ,	-	-	-	-	-	(8,191,391)	(2,275,200)	-
Extraordinary impairment of capital assets		_	_	_	_	_	-	(1,292,068)	_
Total capital contributions, special and extraodinary items	17,654,167	20,007,729	14,314,784	3,936,222	6,911,587	2,661,149	(7,413,648)	2,128,475	292,697,311
Increase in net position	31,222,748	40,924,753	34,293,781	19,902,801	18,595,897	16,581,524	227,420	5,895,732	350,002,961
Net position									
Beginning of year	484,821,757	443,897,004	411,206,335	391,303,534	372,707,637	356,126,113	355,898,693	350,002,961	-
Restatement		-	(1,603,112)	-		-	-	,,,	_
End of year, restated	\$ 516,044,505	\$ 484,821,757	\$ 443,897,004	\$ 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.

⁽¹⁾ Statement of Revenues, Expenses and Changes in Fund Net Position was restated in fiscal years 2015, 2012 and 2009 to reflect a change in accounting principle.

⁽²⁾ Certain amounts presented in prior year's data have been reclassified to be consistent with the current year's presentation.

Cape Fear Public Utility Authority Schedule of User Rates Current Fiscal Year and Last Eight Fiscal Years

							Fisc	al Year								
	2017 ⁽¹⁾		20	016 ⁽¹⁾	2	015 ⁽¹⁾	2	014 ⁽¹⁾	2	013 ⁽¹⁾	2012 ⁽¹⁾	2	.011 ⁽¹⁾	2	010 ⁽¹⁾	2009
Water Rates																
Water Fixed Rate (bi-monthly)	\$ 2	5.81	\$	25.81	\$	25.81	\$	25.81	\$	25.81	\$ 25.81	\$	24.99	\$	21.89	\$ 15.20
Water Rate per 1,000 gallons	\$	3.67	\$	3.67	\$	3.67	\$	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		N/A	N/A		N/A	\$	2.22	\$ 1.95
9,001 - 18,000 gallons		N/A		N/A		N/A		N/A		N/A	N/A		N/A	\$	3.36	\$ 2.95
18,001+ gallons		N/A		N/A		N/A		N/A		N/A	N/A		N/A	\$	4.50	\$ 3.95
0 - 12,000 gallons		N/A		N/A		N/A		N/A		N/A	\$ 2.64	\$	2.64		N/A	N/A
12,001 - 24,000 gallons		N/A		N/A		N/A		N/A		N/A	\$ 3.96	\$	3.96		N/A	N/A
Over 24,000 gallons		N/A		N/A		N/A		N/A		N/A	\$ 5.28	\$	5.28		N/A	N/A
Irrigation (2)	\$	3.67	\$	3.67	\$	3.67	\$	3.67	\$	3.42	\$ 3.36	\$	2.64		N/A	N/A
Non-Residential	\$	3.67	\$	3.67	\$	3.67	\$	3.67	\$	3.42	\$ 3.96	\$	3.96	\$	3.36	\$ 2.95
Average bi-monthly residential consumption per customer (gallons) (3)	8	,400		8,600		8,600		8,400		9,200	10,000		10,000		10,000	10,000
Average bi-monthly residential bill	\$ 5	6.64	\$	57.37	\$	57.37	\$	56.64	\$	57.27	\$ 52.21	\$	51.39	\$	45.23	\$ 35.70
Wastewater Rates																
Wastewater Fixed Rate (bi-monthly)	\$ 2	9.10	\$	29.10	\$	29.10	\$	29.10	\$	29.10	\$ 26.68	\$	26.68	\$	23.37	\$ 16.50
Wastewater Variable Rate ⁽⁴⁾	\$	4.56	\$	4.56	\$	4.56	\$	4.56	\$	4.21	\$ 4.04	\$	3.59	\$	3.14	\$ 2.75
Wastewater Flat Rate (5)	\$ 13	8.54	\$	138.54	\$	138.54	\$	138.54	\$	130.14	\$ 123.64	\$	112.84	\$	98.73	\$ 82.50
Average bi-monthly residential consumption per customer (gallons) (3)	8	,400		8,600		8,600		8,400		9,200	10,000		10,000		10,000	10,000
			\$	68.32	\$	68.32	\$	67.40	\$	67.83	\$	\$	62.58	\$	54.77	\$ 44.00

⁽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 Eight Years Ago

2017

0.41%

0.36%

0.31%

167,560

98,770

68,146

7.96% \$ 2,041,590

\$ 32,938,782

21,422

18,720

16,395

418,725

5,257,949

2009 (1)

0.39%

0.37%

0.33%

8.00% \$ 1,690,699

\$ 22,781,177

119,091

114,526

58,243

0.52%

0.50%

0.26%

7.42%

22,955

21,463

18,971 466,893

5,834,129

Thousands of % of Thousands of % of % of Gallons % of System Revenues (\$) Revenues Gallons Revenues (\$) Revenues Ten Largest Users of the Water System Annual Consumption System Ten Largest Users of the Water System Annual Consumption 1.32% 1.89% 1 UNC Wilmington 106,046 2.02% \$ 433,532 1 UNC Wilmington 136,483 2.34% \$ 430,613 1.17% 0.83% 1.02% 2 New Hanover Regional Medical Center 61,496 272,382 2 New Hanover County 63,232 1.08% 232,431 0.84% 0.93% 3 New Hanover County 43.953 228,738 0.69% 3 New Hanover Regional Medical Center 61,473 1.05% 211,318 0.81% 0.69% 0.92% 4 LSREF3 Bravo, LLC (Multi-family Complexes) 42,575 4 New Hanover County Schools 0.82% 226,098 47,862 208,756 5 Wilmington Housing Authority 42,086 0.80% 189,660 0.58% 5 Wilmington Housing Authority 40,956 0.70% 137,433 0.60% 0.77% 0.75% 0.52% 0.43% 6 NHC Board of Education 40,412 248,277 6 Lake Forest Apartments 30,088 97,305 7 Lake Forest Apartments 25,620 0.49% 108,427 0.33% 7 College Manor Apartments 0.40% 80,985 0.36% 23,411

8 Mayfaire Complex

9 Tribute Properties

10 Elementis Chromium

Total Net Consumption / Net Revenue

Total Annual System Net Consumption / Net Revenue

0.51%

0.30%

0.21%

6.20%

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

Total Annual System Net Consumption / Net Revenue

Total Net Consumption / Net Revenue

8 Tribute Properties

9 College Manor Apartments

10 State of North Carolina

(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 Principal Wastewater Customers Current Fiscal Year and Eight Years Ago

2017 2009 ⁽¹⁾

	Thousands	% of	D (A)	% of		Thousands		D(d)	% of
Ten Largest Users of the Wastewater System Annual Consumption	of Gallons		Revenues (\$)		Ten Largest Users of the Wastewater System Annual Consumption	of Gallons		Revenues (\$)	
1 Town of Wrightsville Beach	184,695	3.81%	\$ 740,843	1.98%	1 Town of Wrightsville Beach	214,743	4.42%	\$ 442,639	2.00%
2 New Hanover Regional Medical Center	59,916	1.24%	325,861	0.87%	2 UNC Wilmington	87,800	1.81%	269,249	1.22%
3 UNC Wilmington	59,903	1.24%	331,656	0.89%	3 New Hanover Regional Medical Center	54,042	1.11%	176,741	0.80%
4 Wilmington Housing Authority	42,056	0.87%	230,420	0.62%	4 New Hanover County Schools	45,665	0.94%	199,592	0.90%
5 LSREF3 Bravo, LLC (Multi-family Complexes)	41,803	0.86%	262,577	0.70%	5 Wilmington Housing Authority	40,652	0.84%	129,175	0.58%
6 New Hanover County	38,875	0.80%	248,449	0.67%	6 New Hanover County	34,744	0.72%	132,783	0.60%
7 New Hanover County Schools	36,182	0.75%	275,359	0.74%	7 Lake Forest Apartments	30,080	0.62%	92,040	0.42%
8 Lake Forest Apartments	25,620	0.53%	133,064	0.36%	8 Mayfaire Complex	25,303	0.52%	125,124	0.57%
9 Tribute Properties	20,746	0.43%	191,054	0.51%	9 Tribute Properties	24,536	0.51%	154,676	0.70%
10 City of Wilmington	19,944	0.41%	198,825	0.53%	10 College Manor Apartments	23,411	0.48%	77,352	0.35%
Total Net Consumption / Net Revenue	529,740	10.94%	\$ 2,938,108	7.87%	Total Net Consumption / Net Revenue	580,975	11.96%	\$ 1,799,371	8.15%
Total Annual System Net Consumption / Net Revenue	4,850,416		\$ 37,336,970	_	Total Annual System Net Consumption / Net Revenue	4,856,146		\$ 22,089,335	_

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 Current Fiscal Year and Last Eight Fiscal Years

_	201	7	20	16	20)15	2	2014	2	013	2	2012	2	011	201	10 (1)	200	09 (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	3,651,875	69.45%	3,630,541	69.20%	3,461,812	68.80%	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	1,151,382	21.90%	1,128,569	21.51%	1,053,502	20.94%	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	68,109	1.30%	74,645	1.42%	65,334	1.30%	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	386,583	7.35%	413,036	7.87%	451,090	8.96%	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	5,257,949	100.00%	5,246,790	100.00%	5,031,738	100.00%	4,888,957	100.00%	5,042,734	100.00%	5,402,454	100.00%	5,485,531	100.00%	5,208,969	100.00%	5,834,129	100.00%
Wastewater Customers				07.000/														
Residential	3,277,428	67.57%	3,287,280	67.36%	3,171,068	67.33%	3,184,447	68.27%	3,246,521	68.52%	3,424,127	68.94%	3,497,483		3,329,608	69.30%	3,543,624	
Commercial	1,048,627	21.62%	1,019,892	20.90%	956,150	20.30%	922,045	19.77%	923,952	19.50%	941,927	18.96%	957,062		842,782	17.54%	869,266	
Town of Wrightsville Beach	184,695	3.81%	227,370	4.66%	207,905	4.41%	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	11,291	0.23%	10,562	0.22%	10,033	0.21%	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	15,470	0.32%	18,257	0.37%	21,027	0.45%	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	312,907	6.45%	316,946	6.49%	343,878	7.30%	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)	4,850,418	100.00%	4,880,306	100.00%	4,710,062	100.00%	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 2015.

Cape Fear Public Utility Authority Schedule of New Connections Current Fiscal Year and Last Eight Fiscal Years

	Increase In	Cumulative	% Water			
	Available	Available	Growth -	Increase in	Cumulative	% Water
Fiscal Year Ended	Services	Services	Available	Water	Water	Growth -
June 30	Water	Water	Services	Connections	Connections	Connections
2017	1,679	73,118	2.35%	1,260	68,612	1.87%
2016	1,083	71,439	1.54%	1,216	67,352	1.84%
2015	1,562	70,356	2.27%	1,072	66,136	1.65%
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%
	Increase In	Cumulative				
	Increase In Available	Cumulative Available	% Wastewater			
			% Wastewater Growth -	Increase In	Cumulative	% Wastewater
Fiscal Year Ended	Available	Available		Increase In Wastewater	Cumulative Wastewater	% Wastewater Growth -
Fiscal Year Ended June 30	Available Services	Available Services	Growth -			
	Available Services Wastewater	Available Services Wastewater	Growth - Available	Wastewater	Wastewater	Growth -
June 30	Available Services Wastewater (2)(3)	Available Services Wastewater (3)	Growth - Available Services	Wastewater Connections	Wastewater Connections	Growth - Connections
June 30 2017	Available Services Wastewater (2)(3) 2,317	Available Services Wastewater (3) 71,539	Growth - Available Services 3.35%	Wastewater Connections 1,239	Wastewater Connections 67,623	Growth - Connections 1.87%
June 30 2017 2016	Available Services Wastewater (2)(3) 2,317 976	Available Services Wastewater (3) 71,539 69,222	Growth - Available Services 3.35% 1.43%	Wastewater Connections 1,239 654	Wastewater Connections 67,623 66,384	Growth - Connections 1.87% 0.99%
June 30 2017 2016 2015	Available Services Wastewater (2)(3) 2,317 976 1,417	Available Services Wastewater (3) 71,539 69,222 68,246	Growth - Available Services 3.35% 1.43% 2.12%	Wastewater Connections 1,239 654 731	Wastewater Connections 67,623 66,384 65,730	Growth - Connections 1.87% 0.99% 1.12%
June 30 2017 2016 2015 2014	Available Services Wastewater (2)(3) 2,317 976 1,417 770	Available Services Wastewater (3) 71,539 69,222 68,246 66,829	Growth - Available Services 3.35% 1.43% 2.12% 1.17%	Wastewater Connections 1,239 654 731 1,195	Wastewater Connections 67,623 66,384 65,730 64,999	Growth - Connections 1.87% 0.99% 1.12% 1.87%
June 30 2017 2016 2015 2014 2013	Available Services Wastewater (2)(3) 2,317 976 1,417 770 1,530	Available Services Wastewater (3) 71,539 69,222 68,246 66,829 66,059	Growth - Available Services 3.35% 1.43% 2.12% 1.17% 2.37%	Wastewater Connections 1,239 654 731 1,195 448	Wastewater Connections 67,623 66,384 65,730 64,999 63,804	Growth - Connections 1.87% 0.99% 1.12% 1.87% 0.71%
June 30 2017 2016 2015 2014 2013 2012	Available Services Wastewater (2)(3) 2,317 976 1,417 770 1,530 199	Available Services Wastewater (3) 71,539 69,222 68,246 66,829 66,059 64,529	Growth - Available Services 3.35% 1.43% 2.12% 1.17% 2.37% 0.31%	Wastewater Connections 1,239 654 731 1,195 448 571	Wastewater Connections 67,623 66,384 65,730 64,999 63,804 63,356	Growth - Connections 1.87% 0.99% 1.12% 1.87% 0.71% 0.91%

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

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.

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

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

⁽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 Current Fiscal Year and Last Eight Fiscal Years

Fiscal Year Ended June 30	Re	Gross venues (1)	Less Operating expenses (2)	Net Available Revenue	ebt Service Principal	D	ebt Service Interest	D	Total ebt Service	Debt Coverage Ratio
2017 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	85,271,003	\$ 41,501,031	\$ 43,769,972	\$ 12,825,000 15,300,761		8,617,881 9,328,777	\$	21,442,881 24,629,538	2.04 1.78
2016 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	81,854,931	\$ 33,164,836	\$ 48,690,095	\$ 5,945,000 8,504,035	\$	12,944,573 14,296,359	\$	18,889,573 22,800,394	2.58 2.14
2015 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	77,002,229	\$ 30,712,770	\$ 46,289,459	\$ 6,850,000 11,493,145	\$	13,056,801 14,633,341		19,906,801 26,126,486	2.33 1.77
2014 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	74,317,342	\$ 30,508,462	\$ 43,808,880	\$ 7,210,000 11,652,876		13,209,678 14,833,732		20,419,678 26,486,608	2.15 1.65
2013 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	71,023,046	\$ 30,068,015	\$ 40,955,031	\$ 8,105,000 11,989,171	\$ \$	13,525,578 14,590,085		21,630,578 26,579,256	1.89 1.54
2012 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	69,045,118	\$ 29,956,912	\$ 39,088,206	\$ 6,919,113 12,006,657	•	11,894,186 13,283,201		18,813,299 25,289,858	2.08 1.55
2011 Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	62,820,928	\$ 29,378,869	\$ 33,442,059	\$ 3,329,579 9,147,645		8,612,881 11,160,138		11,942,460 20,307,783	2.80 1.65
2010 (3) Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	53,457,074	\$ 29,314,125	\$ 24,142,949	\$ 2,320,562 8,706,072		5,220,454 8,092,789	\$	7,541,016 16,798,861	3.20 1.44
2009 (3) Parity Debt Coverage Ratio Total Debt Coverage Ratio	\$	47,783,403	\$ 31,517,799	\$ 16,265,604	\$ 2,232,043 7,987,738		4,040,421 7,508,261	\$	6,272,464 15,495,999	2.59 1.05

⁽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 Current Fiscal Year and Last Eight Fiscal Years

		General		ARRA	DWSRF	Clean Water			% of		
Fiscal	Revenue	Obligation	Installment	Revolving	Revolving	State Revolving	Capital		Personal		Per
Year	Bonds	Bonds	Obligations	Loan	Loan	Fund Loans	Leases	Total	Income (1)	C	Capita
2017	278,443,921	-	11,741,800	905,219	149,529	8,139,178	-	299,379,647	N/A	\$	1,340
2016	294,031,807	-	13,679,800	961,795	158,325	8,611,567	-	317,443,294	N/A	\$	1,441
2015	291,532,167	-	29,044,491	1,018,371	167,121	8,696,154	-	330,458,304	N/A	\$	1,528
2014	277,272,935	2,355,000	32,259,698	1,074,947	91,048	8,653,524	-	321,707,152	N/A	\$	1,550
2013	285,309,582	5,255,000	35,410,732	1,131,523	-	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

⁽¹⁾ Personal income provided by www.ncworks.gov; data provided for as many years as available.

Cape Fear Public Utility Authority Demographic Statistics Current Fiscal Year and Last Eight Fiscal Years

Fiscal Year	City of	New Hanover		Public	Local		
Ended	Wilmington	County	Median	School	Unemployment	Personal	Per Capita
June 30	Population (1)	Population (1)	Age (3)	Enrollment (2)	Rate % (3)	Income (4)	Income (4)
2017	117,525	223,483	38	26,096	3.9%	N/A	\$40,487
2016	115,933	220,358	38	25,901	4.8%	N/A	N/A
2015	113,657	216,298	38	26,241	5.6%	N/A	N/A
2014	112,067	213,267	38	25,470	6.1%	N/A	\$40,076
2013	109,922	209,234	38	25,364	9.1%	N/A	\$38,846
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

- (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 Eight Years Ago

2017 2009

	Employees		Percentage of Tota	al	Employees		Percentage of Total County
Employers	(1)	Rank	Employment	Employers	(3)	Rank	Employment
New Hanover Regional Medical Center	6,880	1	5.95%	New Hanover Regional Medical Center	4,890	1	5.10%
New Hanover County Schools	4,300	2	3.72%	New Hanover County Schools	4,130	2	4.30%
GE Hitachi Nuclear Energy and GE Aviation	3,000	3	2.59%	GE Hitachi Nuclear Energy and GE Aviation	3,000	3	3.13%
Wal-Mart Stores	2,387	4	2.06%	University of North Carolina at Wilmington	1,810	4	1.89%
University of North Carolina Wilmington	1,933	5	1.67%	New Hanover County	1,670	5	1.74%
New Hanover County	1,692	6	1.46%	PPD	1,420	6	1.48%
PPD	1,500	7	1.30%	Cape Fear Community College	1,260	7	1.31%
Verizon Wireless	1,354	8	1.17%	City of Wilmington	1,200	8	1.25%
Duke Energy	1,325	9	1.15%	Verizon Wireless	1,200	9	1.25%
City of Wilmington	1,000	10	0.86%	Corning, Inc.	1,000	10	1.04%
		=	21.93%	 =		=	22.49%
Total # Employed at June 30 of the respective FY (2)		_	115,687	Total # Employed at June 30 of the respective FY (2)		_	95,964

⁽¹⁾ Source: 2017 Book on Business; www.wilmingtonbiz.com

⁽²⁾ Source: North Carolina Employment Security Commission (2009) and www.ncworks.gov (2017)

⁽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
Current Fiscal Year and Last Eight Fiscal Years

Departments	2017	2016	2015	2014	2013	2012	2011	2010	2009
General - Administrative									
Administration	5	5	5	5	6	5	4	6	7
Human Resources/Safety	5	5	5	5	4	4	4	4	4
Finance/Information Technology (2)	12	12	12	15	14.5	14	15	15	16
Engineering	27	27	25	24	22	22	22	24	25
Operations									
Administration/Information Technology (1)(2)	14	14	14	9	9	9	9	9	9
Centralized Maintenance (1)	19	14	14	-	-	-	-	-	-
Utility Services (1)	85	90	87	96	96	96	96	104	104
Water Treatment (1)	25	25	24	30	30	30	31	31	31
Wastewater Treatment (1)	30	30	30	40	40	40	40	41	41
Environmental Management	28.5	28.5	28.5	28.5	29.5	29.5	29.5	29.5	30.5
Customer Service (1)	53	53	50	42	41	42	41	41	42
Total FTE's	303.5	303.5	294.5	294.5	292	291.5	291.5	304.5	309.5

⁽¹⁾ In FY 14 the Operations Divisions were reorganized to create a new Centralized Maintenance Division.

⁽²⁾ In FY15 the Authority reorganized resulting in individual position moves and department moves.

⁻ Information Technology moved to Operations - Administration

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

Fiscal Year	Water Processed	
Ended	and	Wastewater
June 30	Pumped to System	Treated
2017	6,488,231	6,266,178
2016	6,353,470	6,865,851
2015	6,038,539	6,379,565
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

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

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

Cape Fear Public Utility Authority
Operating Statistics
Current Year and Last Eight Fiscal Years

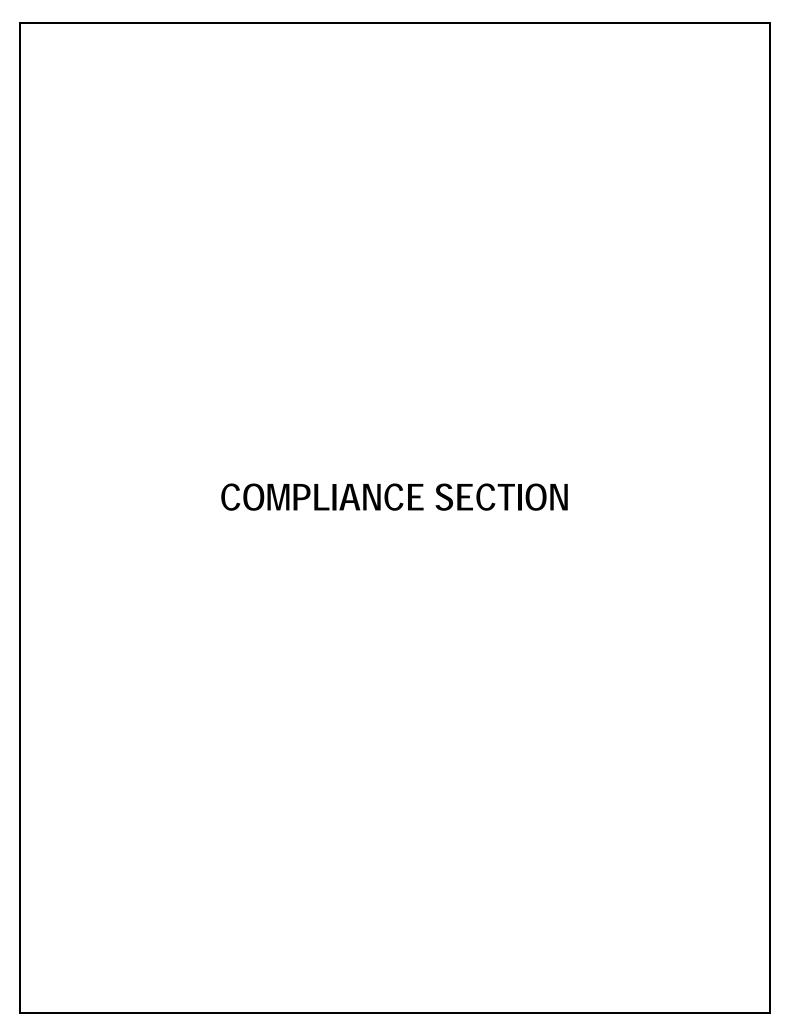
Fiscal Year 2017 2016 2015 2014 2013 2012 2011 2010 2009 Water System Number of available service connections⁽¹⁾ 73.118 71.439 70.356 68.794 68.033 67.067 64.602 63.683 62.551 Number of treatment plants - surface water system 1 1 1 1 1 1 1 1 1 27.50 27.50 Treatment capacity (mgd) - surface water 35.00 35.00 35.00 35.00 35.00 35.00 27.50 14.63 14.35 13.44 13.20 13.70 13.30 14.30 Average production (mgd) - surface water 13.56 13.50 2 3 3 3 3 3 3 3 Number of groundwater systems 3 Number of treatment plants - groundwater system 1 1 1 1 1 1 1 1 37 34 36 36 36 36 36 Number of active wells - groundwater system 36 36 6 6 6 6 6 6 6 6 Treatment capacity (mgd) - groundwater plant Treatment capacity (mgd) - other groundwater systems 0.90 0.70 0.70 0.70 0.70 0.70 0.70 0.70 0.70 Average production (mgd) - groundwater 3.08 3.04 2.94 2.48 2.95 2.95 3.20 3.30 3.10 1,041 (2) 1,070 (2) Miles of water mains 1.113 1.114 1.089 1.078 1.072 1.129 1.103 Wastewater System Number of available service connections⁽¹⁾ 71.539 69.222 68.246 66.829 66.059 64.529 64.330 63.793 62.296 3 Number of treatment plants 2 3 3 3 3 3 3 3 WPC plant permit (mgd) 28.10 28.10 28.10 22.10 22.10 22.10 22.10 22.10 22.10 Average annual daily flow (mgd) 17.16 18.76 17.48 16.45 16.17 15.10 15.80 16.80 15.60 Number of lift stations 146 142 143 141 141 141 141 142 142 Miles of wastewater gravity mains⁽²⁾ 827⁽²⁾ 840(2) 877 848 844 840 881 877 850 Miles of wastewater force mains 142 131 131 112 110 104 104 100 100 Number of manholes 22.017 21.221 21.049 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 implementating and improving the accuracy of an asset management system.





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

The Board of 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Cape Fear Public Utility Authority (the "Authority"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raleigh, North Carolina October 23, 2017

Chury Belaert LLP