

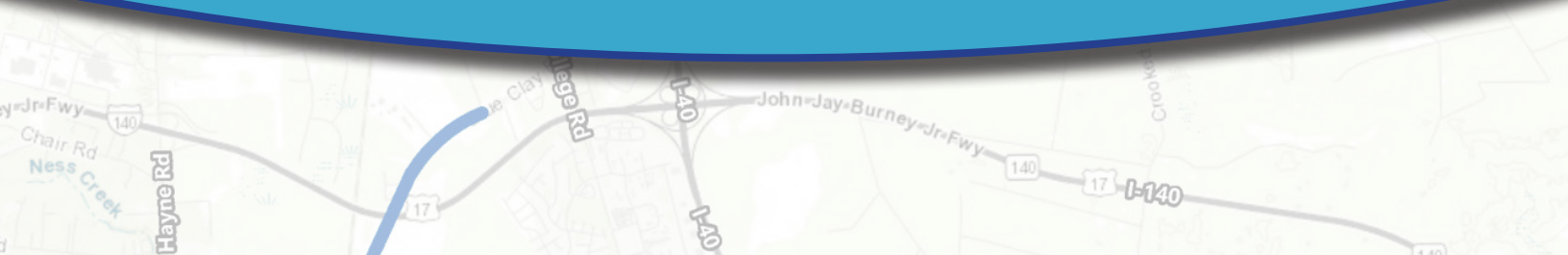


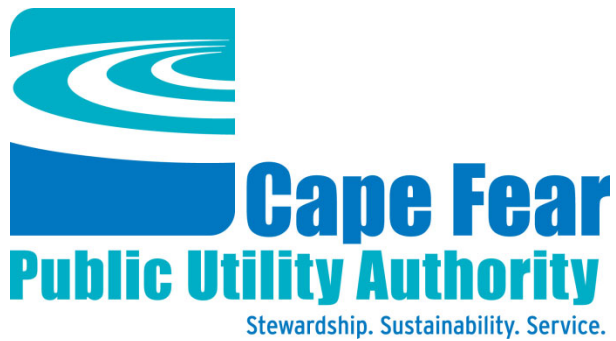
**Cape Fear
Public Utility Authority**

New Hanover County, NC

Annual Comprehensive Financial Report

**For the Fiscal Year Ended
June 30, 2024**





**CAPE FEAR PUBLIC UTILITY AUTHORITY
NEW HANOVER COUNTY, NORTH CAROLINA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2024**

Board Members

Jennifer Adams, Chairman
Wesley P. Corder, Vice Chairman
William Norris, Treasurer
Jessica Cannon, M.D., Secretary
Commissioner Jonathan Barfield, Jr.
Hollis B. Briggs, Jr.
Deans Hackney
Councilman Charlie Rivenbark
Bill Smith
Councilman Luke Waddell
Commissioner Rob Zapple

Executive Director

Kenneth Waldroup, PE

Deputy Executive Director & Chief Financial Officer

John B. McLean, CPA

This Report Was Prepared By:

**Cape Fear Public Utility Authority
Finance and Customer Service Departments**

Chief Financial Officer
John B. McLean, CPA

Finance and Customer Service Staff

Sherri Alexander
Cindy Emerson
Ben Guerrieri
Chris Bolton
Pauli Ervin
Julia Faircloth, MBA
Teresa McPherson
Ken Mendonça
John Payne, CPA
Brandi Snead
Bryce Wilson

**Cape Fear Public Utility Authority
Table of Contents**

	Page
Title Pages	1-2
Table of Contents	3
Introductory Section (Unaudited)	
Letter of Transmittal	6-12
Certificate of Achievement for Excellence in Financial Reporting	13
Cape Fear Public Utility Authority Board Members and Other Principal Officials	14-15
Organizational Chart	16
Financial Section	
Report of Independent Auditor	18-21
Management's Discussion and Analysis (MD&A)(Unaudited)	23-29
Basic Financial Statements:	
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Net Position	31
Statement of Cash Flows	32-33
Notes to Financial Statements	35-53
Required Supplementary Information - Local Government Employees' Retirement System	54-55
Required Supplementary Information - Other Post-Employment Benefits	56
Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Operating Fund	57-59
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Capital Projects Funds - Water, Wastewater & System-Wide	60
Statistical Section (Unaudited)	
Net Position by Component	63
Changes in Net Position	64
Schedule of User Rates	65
Principal Water Customers	66
Principal Wastewater Customers	67
Consumption by Customer Group	68
Schedule of New Connections	69
Pledged-Revenue Coverage	70
Ratios of Outstanding Debt by Type	71
Demographic Statistics	72
Principal Employers	73
Full Time Equivalent Employees	74
Water Production and Wastewater Treatment	75
Operating Statistics	76
Compliance Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	78-79
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	80-82
Schedule of Findings and Questioned Costs	83-84
Summary Schedule of Prior Audit Findings	85
Schedule of Expenditures of Federal and State Awards	86-87

PAGE LEFT INTENTIONALLY BLANK

INTRODUCTORY SECTION

(Unaudited)



September 30, 2024

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Cape Fear Public Utility Authority (the Authority) for the fiscal year ended June 30, 2024. The Authority, like all other local governments and public authorities in the State, is required by 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, 2024, and to provide further accountability to customers, bondholders, and other stakeholders by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

The Authority's management is responsible for the completeness and reliability of the information contained in this report and maintains a comprehensive framework of internal control that it has established for this purpose. As noted earlier, the Authority is required by state law to have an annual independent financial audit. Mauldin & Jenkins, LLC 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, 2024, and changes in financial position and its cash flows in conformity with GAAP. The independent auditor's report on the basic financial statements is located at the beginning of the financial section of this report on pages 18-21.

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 for the year ended June 30, 2024. MD&A complements this letter and should be read in conjunction with it.

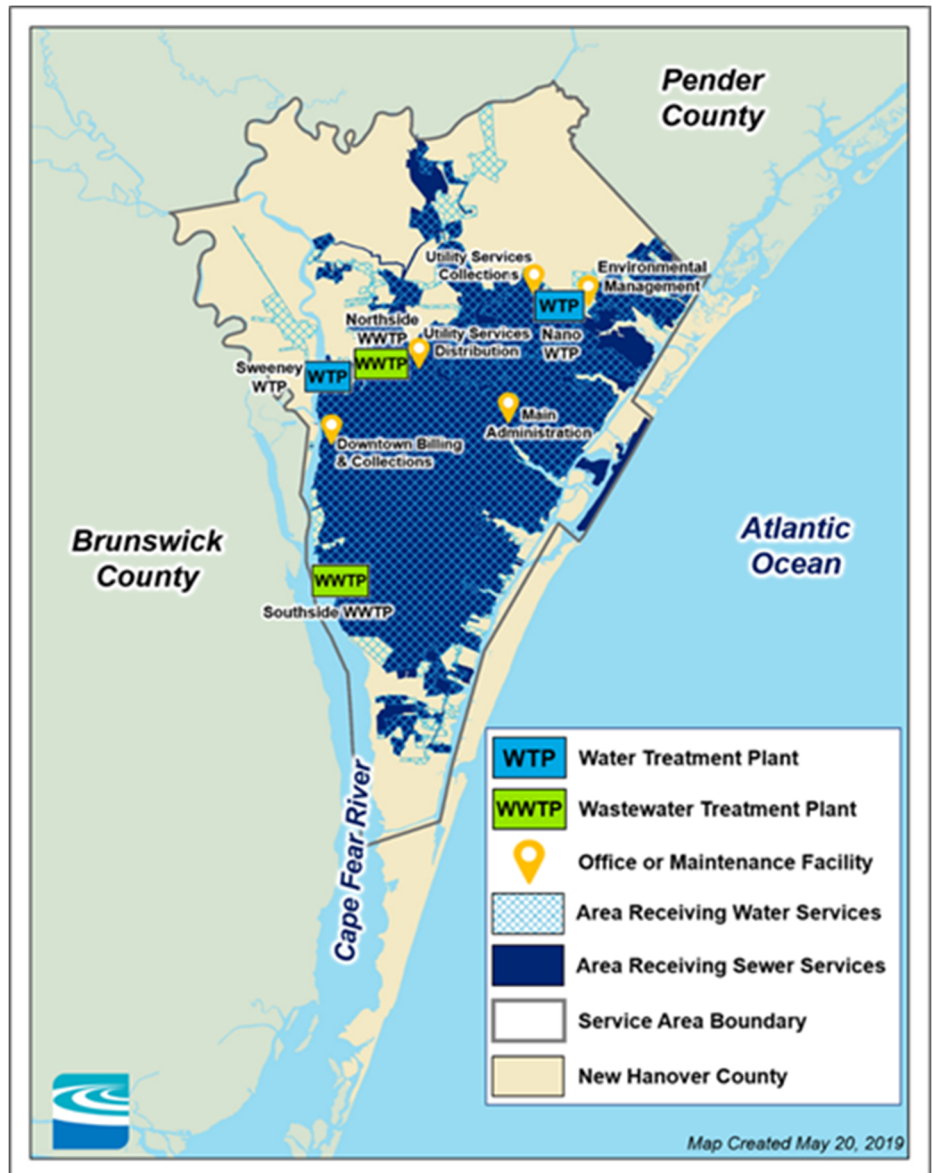
Authority Profile

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. The Authority entered into a wholesale water purchase agreement with the Town of Wrightsville Beach to supplement their water capacity during tourist season up to 1,152,000 gallons per day. New Hanover County's population is approximately 230,000 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 third 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) that is updated and approved each year. 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 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 with a combined treatment capacity of 52.31 million gallons per day (MGD) and 1,217 miles of water distribution mains. As of June 30, 2024 there were 76,101 premises with actively billed water and/or irrigation services, an increase of 728 compared to the previous year. The Authority also keeps seven wells on standby to supplement the water supply during emergencies or peak demand periods. Water production for the fiscal year totaled 7.58 billion gallons.

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 10.0 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 44.0 MGD. Average production during the fiscal year ended June 30, 2024 was 16.92 MGD and peak production of 23.03 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 5.5 million gallons of storage in four elevated tanks.

In October 2009, the Authority placed a Membrane-Filtration Groundwater Plant (the Richardson Water Treatment Plant, RWTP) into operation to serve the northeast section of the distribution system. The RWTP has a rated capacity of 7.0 MGD. The source of raw water is from 24 wells drawing from two different aquifers. The Membrane plant softens the groundwater and removes organic and inorganic contaminants to produce a blended groundwater that is followed by disinfection, pH adjustment, fluoridation, and corrosion control treatment. The Richardson Plant had a daily average production during the fiscal year ended June 30, 2024 of 2.95 MGD and peak production of 5.3 MGD. The Richardson distribution system provides water service to customers and includes 2.8 million gallons of covered ground storage and 2.1 million gallons of elevated storage in four elevated tanks. In addition, the Authority operates one smaller groundwater system, known as the Monterey Heights system, providing groundwater directly to customers from five wells and a single 0.5 million gallon elevated storage tank. The groundwater receives disinfection at each well site 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, 2023 was 0.86 MGD with peak production of 1.48 MGD.

The Wastewater System

As of June 30, 2024 there were 76,445 premises with actively billed wastewater service, an increase of 759 compared to the previous year. 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 940 miles of gravity lines, 23,602 manholes, 159 pump stations and 163 miles of pressurized wastewater force mains. Wastewater treated during the fiscal year totaled 6.43 billion gallons.

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, 2024, the combined average daily flows were 17.58 MGD of the combined 28.0 MGD permitted. 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. 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, six 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

Since 2007, the North Carolina General Assembly has used a three-tiered system for designating counties to determine a variety of state funding opportunities to assist in economic development. The tier designations are based on four factors: average unemployment rate, median household income, percentage growth in population, and adjusted property tax base per capita. This data is compiled annually by the North Carolina Department of Commerce. New Hanover County has long been one of the 20 least distressed (Tier 3) counties, the *2024 County Tier Designation Memo* indicates improvement in two areas and a decline in two areas resulting in an overall distress rating of 9th least distressed County in 2024 down two spots from 2023. Out of the 100 counties in the State, New Hanover County ranks:

- the 21st lowest average unemployment rate at 3.19% from October 2022 – September 2023, down 2 spots from the prior year;
- the 18th highest median household income at \$66,212, down 5 spots from the prior year;
- the 19th highest population growth rate at 4.59% from July 2019 – July 2022, up fourteen spots from the prior year; and
- the 11th highest adjusted property tax base per capita at \$204,471, staying the same as the prior year.

The percentage of households in New Hanover County below the federal poverty level decreased from 13.7%, from 14.3% according to the 5-year American Community Survey 2017-2021. Growth in the County remains steady but appears to be declining slightly. Rolling 12-month building permits reviewed, which serves as a leading indicator of growth, declined by 42% from June 2023 to June 2024.

Long-Term Financial Planning and Relevant Financial Policies

The long-term financial plan is an essential tool to ensure that the Authority will continue to be both operationally and financially sustainable. Operating and capital needs are developed to provide the highest level of service that is both responsive to the changing needs of our community and responsible to our local environment. The long-term financial plan is the product of a continuous, iterative process that balances these operating and capital needs with financial

constraints provided for in the Authority's financial policies. These financial policies are focused on maintaining the balance among debt, cash reserves, and rate affordability. Key financial policies include the following:

- Debt management – 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. Given the Authority's current capital needs, rate revenues must provide approximately \$20 million in pay-as-you-go capital funding each year to remain below the 45% debt limit.
- Cash reserves – The Authority's cash reserve policy is focused on optimizing the level of reserves that 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 reserve policy provides for a periodic determination of appropriate reserve levels that is tailored to the Authority's unique geographic and business environment. The Authority's current reserve target is \$50 million in unassigned fund balance.

Major Initiatives

The Authority measures success in terms of five key intended outcomes. As the regulatory, economic, political, and technical environment changes, management identifies threats and opportunities with respect to these intended outcomes. Strategies are developed in response to adapt the Authority's operations to ensure continued excellence for each intended outcome. Each intended outcome is listed below along with the related initiatives that are currently in progress.

- Customer Satisfaction & Stakeholder Understanding
 - Transforming brand perception – The Authority is committed to providing value to customers and the community. Part of providing value comes from the Authority understanding the community's needs and from the community understanding the value of the services the Authority provides. CFPUA is pursuing more efficient and effective avenues for customer interactions, expanding involvement with local businesses, non-profits, educational institutions, and professional organizations. In addition, CFPUA has continued to focus on engaging customers through in-person community events such as participating in Wilmington's annual MLK Day and Azalea Festival parades, as well as creating several multi-media customer engagement campaigns focusing on providing "Clearly Better" water to our customers.
 - Affordability – The health and well-being of our community depend on access to clean water and sanitary sewer service. The Authority is committed to doing everything possible to ensure that customers are able to afford these critical services. The Authority adopted a measure of affordability that estimates the percentage of income spent on basic water and wastewater services for an average household in the Authority's service area earning less than the self-sufficiency standard. The Authority's goal is for this percentage to be no greater than the percentage of income spent on basic water and wastewater services by a hypothetical household earning the self-sufficiency

standard. The Authority is currently researching ways to develop a well-funded, efficient customer assistance program and exploring implementing an increasing block rate structure.

- Infrastructure Reliability and Product Quality
 - High-performing and reliable infrastructure – The Authority has finalized and operationalized an updated Asset Management Master Plan that provides a road map for managing assets over the next five years. The Authority has been working to develop a wet weather sewer model that will aid staff in making data driven decisions of system capacity with wet weather conditions, with a final model expected in October of 2024. Additionally, staff continue to work with key stakeholders to ensure proper management of an existing 48-inch transmission main that provides source water to the Sweeney Water Treatment Plant.
 - Optimizing water and wastewater systems – The Authority is currently undertaking the following activities: initiating projects identified under the Utility Consolidation Agreement with the Town of Wrightsville Beach (Town) to improve the Town's water and sewer system in accordance with the Authority's standards; developing a roadmap for funding the expansion and upgrade of the Southside Wastewater Treatment Plant; optimizing the performance and reactivation schedules of the GAC facility at Sweeney Water Treatment Plan to ensure consistent water quality and proper facilities management.
- Environmental Stewardship and Protection - The Authority draws raw water from the Cape Fear River and two aquifers. Treated wastewater effluent is discharged into the Cape Fear River. Further, these treatment processes also demand a high level of energy consumption. For these reasons its critical to be good stewards of these natural resources and mindful of environmental impacts. The Authority has a goal to reduce greenhouse gas emissions by 43% from the 2019 baseline by 2030, the following activities are underway to facilitate the Authority to achieve its goal and support sustainability initiatives: evaluating and optimizing energy usage at CFPUA facilities, including increasing lighting efficiencies and evaluating sites for solar arrays; installing several LEV charging stations at CFPUA facilities; and involvement in local source water protection efforts and research. Authority staff are also evaluating grant opportunities to fund future environmental sustainability projects.
- Employee and Leadership Development – With the imminent retirement of key personnel and high turnover rates, its critical to retain and develop the next generation of leaders. The Authority has implemented a workforce development program committed to employee and leadership development focused on recruiting, training, and empowering a competitive workforce. In addition, the Authority is committed to having diverse, equitable, and inclusive workplace and has contracted with an outside consultant to identify opportunities and make recommendations.
- Financial Viability – The Authority is committed to maintaining a balance among long-term debt, operating and capital needs, reserves, and rates to ensure that the financial decisions made today maintain and strengthen its financial position in the future. The Authority's financial policies are aimed at providing boundary conditions for financial decisions. The Authority will continue to evaluate and update these policies to maintain this long-term balance.

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 annual comprehensive financial report for the fiscal year ended June 30, 2023. This was the fifteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

A handwritten signature in black ink that reads "John B. McLean". The signature is written in a cursive, flowing style.

John B. McLean, CPA
Deputy Executive Director & 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

CFPUA Board Members



**Jennifer Adams,
Chairwoman**

Appointed by New Hanover County

Seated in 2016, Term ends 2025

Committees: Executive, Finance,
and Human Resources



**Deans Hackney,
Vice-Chairman**

Appointed by the City of
Wilmington

Seated in 2018, Term ends 2025

Committees: Executive, Finance,
and Long Range Planning



**Jessica Cannon, M.D.,
Secretary**

Appointed by the City of
Wilmington

Seated in 2019, Term ends 2026

Committees: Executive, Human
Resources, and Sustainability



**Wesley P. Corder,
Treasurer**

Appointed by the City of
Wilmington

Seated in 2017, Term ends 2026

Committees: Communications,
Executive, and Finance



**Jonathan Barfield, Jr.,
Commissioner**

Appointed by New Hanover County

Seated in 2019, Term ends 2024

Committees: Communications and
Human Resources



**Hollis Briggs, Jr.,
Member**

Appointed by New Hanover County

Seated in 2019, Term ends 2025

Committees: Communications,
Human Resources, Sustainability,
and Long Range Planning



William Norris
Member

Appointed by the City of
Wilmington

Seated in 2013, Term ends 2024

Committees: Executive, Finance,
and Human Resources



Charlie Rivenbark,
Councilman

Appointed by the City of
Wilmington

Seated in 2010, Term ends 2024

Committees: Long Range Planning



Bill Smith, P.E.,
Member

Appointed by New Hanover County

Seated in 2024, Term ends 2026

Committees: Long Range Planning



Luke Waddell,
Councilman

Appointed by the City of
Wilmington

Seated in 2022, Term ends 2025

Committees: Finance, Sustainability



Rob Zapple,
Commissioner

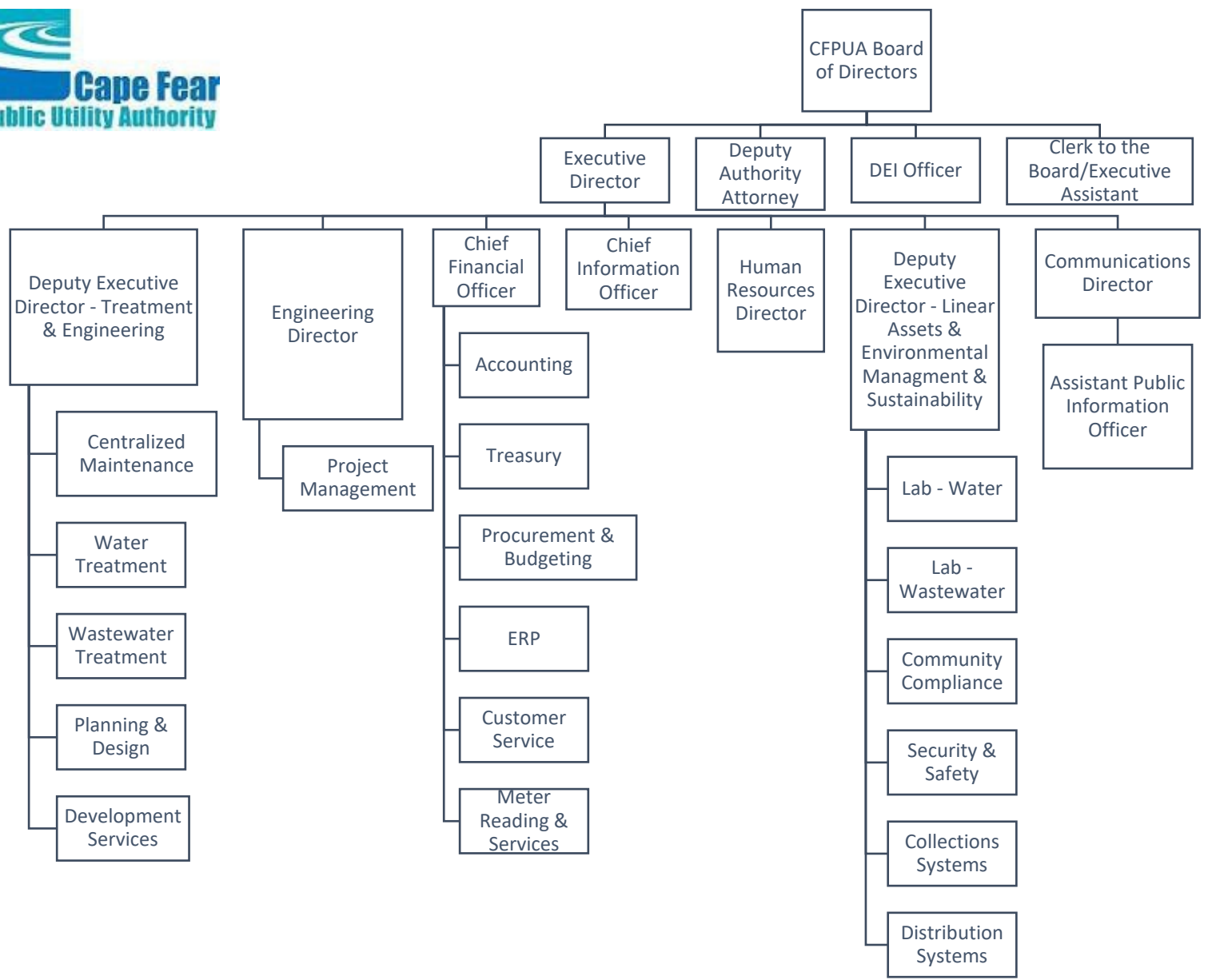
Appointed by New Hanover County

Seated in 2019, Term ends 2024

Committees: Finance, Long Range
Planning, and Sustainability



Donna Pope,
Clerk to the Board



Total Budgeted Positions – 338.125

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Cape Fear Public Utility Authority** (the "Authority") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to the Authority's pension and other post-employment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Operating Fund, the Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Capital Projects Funds – Water, Wastewater and System-Wide, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of North Carolina Single Audit Implementation Act (collectively, "the supplementary information") are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

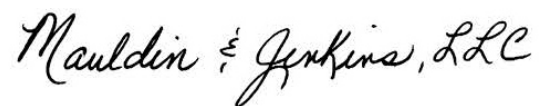
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the title pages, introductory section, and statistical section, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Raleigh, North Carolina
September 26, 2024

PAGE LEFT INTENTIONALLY BLANK

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

The management of Cape Fear Public Utility Authority (Authority) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2024. 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 12 of this report.

FINANCIAL HIGHLIGHTS

- The overall financial condition of the Authority improved during the year ended June 30, 2024. 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 \$681.3 million, an increase of \$22.8 million from the prior year.
- The \$22.8 million increase in net position was mainly driven by 1) capital investments of current year revenues, including capital contributions, that exceeded depreciation on capital assets and 2) use of current year revenues to retire outstanding debt.

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 wastewater services similar to a private business. As such, the Authority is considered a special-purpose government engaged only in business-type activities for the purpose of external financial reporting.

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 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 where the related cash flows occur in a different fiscal year. Finally, the *Statement of 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 30 through 33 of this report.

The notes provide additional information that is essential to obtain a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found on pages 35 through 52 of this report.

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

FINANCIAL SUMMARY & ANALYSIS

Table A presents the Condensed Statement of Net Position for the fiscal years ended June 30, 2024 and June 30, 2023.

Condensed Statement of Net Position		
Table A		
	June 30, 2024	June 30, 2023
Assets		
Current assets	\$ 96,338,882	\$ 90,554,357
Non-current assets - noncapital	7,033,247	17,814,066
Non-current assets - capital	881,950,679	854,875,432
Total assets	\$ 985,322,808	\$ 963,243,855
Deferred Outflows of Resources	\$ 17,964,673	\$ 19,122,468
Liabilities		
Current liabilities	\$ 48,128,646	\$ 40,936,806
Noncurrent liabilities	272,533,099	280,849,767
Total liabilities	\$ 320,661,745	\$ 321,786,573
Deferred Inflows of Resources	\$ 1,368,608	\$ 2,153,434
Net Position		
Net investment in capital assets	\$ 623,633,593	\$ 586,552,396
Restricted	9,234,916	10,061,434
Unrestricted	48,388,619	61,812,486
Total net position	\$ 681,257,128	\$ 658,426,316

The Authority's total net position as of June 30, 2024 was \$681.3 million, an increase of \$22.8 million or 3.5% compared to 2023. The total increase in net position is attributable to a \$37.1 million increase in the Authority's net investment in capital assets and a \$13.4 million decrease in unrestricted net position. This decrease in unrestricted net position is due to 1) lower-than-expected retail revenues and system development charges and 2) planned spending of capital reserve funds on the Southside Wastewater Treatment Plant Replacement and Capacity Upgrade project. The increase in the Authority's net investment in capital assets was due to the retirement of debt and investments of capital reserves, current year operating revenues, and capital grants in the Authority's infrastructure that outpaced depreciation and amortization during the year.

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

Table B presents the Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2024 and June 30, 2023.

Condensed Statement of Revenues, Expenses and Changes in Net Position		
Table B		
	Year Ended June 30, 2024	Year Ended June 30, 2023
Revenues		
Operating revenues		
Charges for services	\$ 97,837,298	\$ 91,473,039
System development charges	5,773,400	8,143,955
Other operating revenues	2,845,432	2,846,201
	\$ 106,456,130	\$ 102,463,195
Nonoperating revenues		
Investment earnings	\$ 3,712,286	\$ 1,993,569
Capital contributions	15,932,427	18,663,161
Grants	10,164,061	3,620,524
Other nonoperating revenue	167,662	999,287
Total revenues	\$ 136,432,566	\$ 127,739,736
Expenses		
Operating expenses	\$ 74,072,281	\$ 61,255,865
Depreciation and amortization	31,855,701	29,630,931
Interest expense	7,673,772	7,999,695
Total expenses	\$ 113,601,754	\$ 98,886,491
Increase in net position	\$ 22,830,812	\$ 28,853,245
Net position, July 1	\$ 658,426,316	\$ 629,305,300
Cumulative effect of change in accounting principle	-	267,771
Net position, June 30	\$ 681,257,128	\$ 658,426,316

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

Operating revenues increased due to an increase in water and wastewater retail revenues. As the chart below shows, the increase in water retail revenues was driven by a 3.0% increase in customers resulting in a 2.3% increase in billed usage. The increase in wastewater retail revenues was driven by an increase in retail rates and a 2.6% increase in customers.

Changes in Water & Wastewater Retail Rates			
	2024	2023	% Change
Water			
Fixed charge revenues	\$19,317,131	\$18,756,211	3.0%
Fixed charge (per month)	\$16.21	\$16.21	0.0%
Average ERUs billed per month	99,307	96,423	3.0%
Volumetric revenues	\$30,355,224	\$29,677,916	2.3%
Volumetric rate (per 1,000 gallons)	\$4.74	\$4.74	0.0%
Average annual usage per ERU (gallons)	64,488	64,934	-0.7%
Wastewater			
Fixed charge revenues	\$19,163,242	\$16,125,962	18.8%
Fixed charge (per month)	\$16.86	\$14.55	15.9%
Average ERUs billed per month	94,717	92,359	2.6%
Volumetric revenues	\$26,347,619	\$24,742,862	6.5%
Volumetric rate (per 1,000 gallons)	\$4.84	\$4.63	4.5%
Average annual usage per ERU (gallons)	57,473	57,861	-0.7%

The increase in wastewater rates was mainly driven by the Southside Wastewater Treatment Plant Replacement and Capacity Upgrade project which is currently estimated to cost upwards of \$250.0 million. Funding such a large project has significant impacts to retail rates. Initial projections showed a 25% - 30% increase in the average residential bill when the Authority begins paying the principal and interest on the debt issued to fund the project. To reduce the single year impact, the Authority has implemented a plan to gradually increase retail sewer rates over the next 5 years. In addition to smoothing the large single-year increase over several years; this plan also provides for the accumulation of capital reserve funds for the project which ultimately reduces the amount of debt issued for the project resulting in lower long-term retail rates. The increase to wastewater retail rates above reflects the first of these planned increases.

The increase to retail revenues was partially offset by a decrease in system development charges. Despite an increase in the rates charged to new development, system development charges decreased due to a decline in new permitted development in the service area relative to the prior fiscal year.

Nonoperating revenues also increased from the prior year despite a decrease in capital contributions (new infrastructure conveyed to the Authority by developers). The increase in nonoperating revenues was driven by an increase in capital grants. During the year, the Authority received \$9.4 million related to ongoing projects to extend service to the northern region of New Hanover County, an increase of \$7.8 million recognized in the prior year. In addition, the Authority's investment earnings increased by \$1.7 million due to the purchase of higher yielding investments that have tracked closely to increases in the federal funds rate.

The increase in operating expenses compared to the prior year was driven by increases in personnel & benefits costs and operations & maintenance costs. The increase to personnel & benefits cost reflects a 6% market and cost-of-living adjustment approved by the Board as part of the 2024 budget and an increase in pension expense. The increase to operations & maintenance costs relate to per- and polyfluoroalkyl (PFAS) including the regeneration and replacement of granular activated carbon media at

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

the Sweeney Water Treatment Plant and increases in legal costs related to PFAS litigation. In addition, operating & maintenance cost increased due to emergency repair projects; single water service installations; and studies related to consolidation with the Town of Wrightsville Beach, wet weather modeling, and water system master planning.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

The largest component of net position is the Authority's net investment in capital assets. This amount represents the economic resources invested in the Authority's water and wastewater system less the carrying value of the outstanding obligations used to finance those investments. The Authority's capital assets include treatment plants, pump stations, linear assets, equipment, leased facilities, and assets related to subscription-based information technology arrangements. Capital assets are financed from several sources including state, federal, and local grants; conveyances of infrastructure constructed by developers; operating revenues; and debt. Debt includes revenue bonds, low-interest loans issued under federal programs administered by the North Carolina Department of Environmental Quality, and liabilities related to leased facilities and subscription-based information technology arrangements.

During the year, the Authority's capital assets increased by \$27.0 million (3.2%) with \$58.9 million in capital asset additions outpacing depreciation and amortization of \$31.9 million. Overall, construction-in-progress decreased by \$42.7. This change included \$40.7 million of additions and \$83.5 million of reductions related to assets placed in service during the year:

Significant additions to construction-in-progress during the year included the following:

- \$19.0 million to extend water and sewer service to the northern areas of New Hanover County.
- \$6.1 million for continuing design and interim rehabilitation work related to the replacement of the Southside Wastewater Treatment Plant.
- \$3.4 million for a new pump station to accommodate growth in the southern region of the service area.
- \$3.0 million to rehabilitate sewer lines at the intersection of Market Street and Porters Neck Road.
- \$2.3 million to complete the rehabilitation of the Pump Station #14 force main.
- \$1.8 million to replace and upsize Pump Station #69.

Significant decreases to construction-in-progress related to assets placed in service during the year included the following:

- \$42.3 million for a granular activated carbon facility at the Sweeney Water Treatment Plant
- \$13.6 million for a new redundant raw water transmission main extending from King's Bluff to the 3 million gallon ground tank near Brunswick County's Northwest Water Treatment Plant
- \$11.1 million for a rehabilitated and upsized force main at Pump Station #14.
- \$2.9 million for interim rehabilitation work at the Southside Wastewater Treatment Plant that is scheduled to be replaced by 2030.

Other significant additions to capital assets included \$15.0 million of water and sewer lines conveyed to the Authority by private developers during the years and \$3.2 million in new fleet, equipment, and software purchases.

The carrying value of the Authority's outstanding debt used to finance infrastructure investments decreased by \$10.0 million. This decrease was attributable to a net \$7.9 million reduction to outstanding principal and the amortization of bond premiums and deferred amounts on bond refundings. The \$7.9 million reduction in outstanding principal reflects the retirement of \$16.6 million in debt and the addition of \$8.7 million in new principal related to a low-interest loan used to finance the rehabilitation of the Pump Station #14 force main.

The Authority's debt policy includes specific criteria that capital 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;

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

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 Authority's debt policies also include 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 Authority's debt-to-capitalization ratio to exceed 45%. As of June 30, 2024 the Authority's debt-to-capitalization ratio was 28.2%, or \$148.2 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.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Transfer of the Town of Wrightsville Beach's Water and Sewer Operations

In June 2024, the Authority's Board and the Town of Wrightsville Beach's Board of Alderman approved an agreement to transfer the Town's water and sewer operations to the Authority. The Authority currently serves the Town as a wholesale water and wastewater customer. Between September 30 and December 31, 2025, the Authority will begin operating and maintaining the Town's systems and serving the Town's approximately 2,800 customer accounts on a retail basis. At transition, Town of Wrightsville Beach customers will begin paying the same retail rates as existing Authority customers.

Pursuant to the agreement, the Town of Wrightsville will be required to pay approximately \$13.0 million in system development charges. These revenues will be subject to the Authority's one-time revenue policy. Under this policy, one-time revenues may be used to fund capital reserves to reduce the amount of debt the Authority would have had to issue in the future for capital projects, pay off debt prior to scheduled maturities, or supplement amounts committed to fund other postemployment benefits. In addition, the Authority will undertake several capital projects to ensure the Town's residents are provided the same level of service as the Authority's existing customers. The projects, currently estimated to cost approximately \$24.0 million, will replace and rehabilitate aging infrastructure and provide redundancy to reduce the risk of service disruptions.

The agreement is structured to ensure that existing Authority customers will not subsidize any of the consolidation costs. Instead, consolidation costs will be funded from several outside sources. At transition, the Authority will receive a cash transfer from the Town's water and sewer enterprise fund of approximately \$12.0 million. In addition, the North Carolina General Assembly appropriated \$25.0 million for the consolidation. Given recent inflationary trends in construction costs, the capital projects will likely exceed current estimates. All costs exceeding current estimates will be funded by a portion of retail rates paid by Town residents.

Increases to Retail Water and Wastewater Rates

The Authority adopted increases to water and wastewater retail rates as part of the Fiscal Year 2025 budget. As a result, next year's retail rate revenues are forecasted to increase by approximately 6.0% compared to 2024. The rate increases were driven by the following factors:

- *Southside Wastewater Treatment Plant Replacement and Capacity Upgrade Project* – As mentioned earlier, the Authority has implemented a plan to gradually increase retail wastewater rates over the next several years. In addition to avoiding a large single-year increase; this plan provides for the accumulation of capital reserve funds for the project which ultimately reduces the amount of debt issued for the project resulting in lower long-term retail rates.
- *Growth in operating expenses* – All else being equal, growth in operating expenses puts upward pressure on retail rates. For the Fiscal Year 2025 budget, operations & maintenance appropriations increased by 16.9% compared to the previous year. The increase was attributable to treatment, testing, biosolids disposal, and legal fees related to PFAS removal and service contract costs to address an anticipated increase in utility locates driven by a county-wide broadband upgrade initiative.

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

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, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 27,359,462
Investments	24,598,135
Receivables, net	18,257,649
Due from other governments	13,660,015
Restricted:	
Cash and cash equivalents	12,427,768
Prepays	35,853
Total current assets	\$ 96,338,882

Noncurrent assets

Investments	\$ 7,033,247
Capital assets:	
Land, easements and construction in progress	79,463,244
Other capital assets, net	802,487,435
Total capital assets	\$ 881,950,679
Total noncurrent assets	\$ 888,983,926
Total assets	\$ 985,322,808

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	\$ 6,371,558
Amounts related to pensions	9,815,888
Amounts related to OPEB	1,777,227
Total deferred outflows of resources	\$ 17,964,673

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	\$ 18,855,795
Restricted:	
Accrued interest payable	3,192,852
Due to other governments	4,120,120
Unearned revenue	810,181
Customer and escrow deposits	3,777,811
Total OPEB liability, current portion	356,145
Long-term obligations, current portion	17,015,742
Total current liabilities	\$ 48,128,646

Noncurrent liabilities

Net pension liability	16,083,637
Total OPEB liability, net of current portion	6,872,423
Long-term obligations, net of current portion	249,577,039
Total noncurrent liabilities	\$ 272,533,099
Total liabilities	\$ 320,661,745

DEFERRED INFLOWS OF RESOURCES

Amounts related to pensions	\$ 71,316
Amounts related to OPEB	1,297,292
Total deferred inflows of resources	\$ 1,368,608

NET POSITION

Net investment in capital assets	\$ 623,633,593
Restricted for:	
Debt service	9,234,916
Unrestricted	48,388,619
Total net position	\$ 681,257,128

See Notes to Financial Statements.

Cape Fear Public Utility Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

Operating revenues

Charges for services	\$ 97,837,298
System development charges	5,773,400
Other operating revenues	2,845,432
Total operating revenues	\$ 106,456,130

Operating expenses

Personnel and benefits	\$ 33,576,575
Operations and maintenance	40,495,706
Depreciation and amortization	31,855,701
Total operating expenses	\$ 105,927,982
Operating income	\$ 528,148

Other nonoperating revenues (expenses)

Investment earnings	\$ 3,712,286
Interest expense	(7,673,772)
Capital grants	10,164,061
Capital contributions	15,932,427
Gain on disposal of capital assets	70,411
Insurance proceeds	97,251
Total other nonoperating revenues (expenses)	\$ 22,302,664
Increase (decrease) in net position	\$ 22,830,812

Net position

Beginning of year	\$ 658,426,316
End of year	\$ 681,257,128

See Notes to Financial Statements.

Cape Fear Public Utility Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

Cash Flows From Operating Activities	
Cash received from customers	\$ 105,296,345
Cash paid to suppliers	(42,358,228)
Cash paid to or on behalf of employees	(31,488,578)
Cash received on behalf of others	22,154,975
Cash payments held on behalf of others	(21,947,177)
Cash received for deposits	1,049,281
Cash returned for deposits	(737,400)
Net cash provided by operating activities	\$ 31,969,218
Cash Flows From Capital and Related Financing Activities	
Cash paid to acquire, construct and improve capital assets	\$ (36,747,748)
Cash proceeds from installment obligations	8,733,380
Grants and contributions received from others	3,868,098
Principal paid on long-term obligations	(15,995,225)
Interest paid on long-term obligations	(9,608,266)
Proceeds from sale of capital assets	70,411
Proceeds from insurance	97,251
Net cash used for capital and related financing activities	\$ (49,582,099)
Cash Flows From Investing Activities	
Purchases of investments	\$ (13,222,767)
Proceeds from investment maturities	26,000,000
Proceeds from investment earnings	2,496,552
Net cash provided by investing activities	\$ 15,273,785
Net decrease in cash and cash equivalents	\$ (2,339,096)
Cash and cash equivalents, beginning of year	\$ 42,126,326
Cash and cash equivalents, end of year	\$ 39,787,230
Reconciliation to the Statement of Net Position:	
Cash and cash equivalents	\$ 27,359,462
Restricted cash and cash equivalents	12,427,768
	\$ 39,787,230

(Continued)

Cape Fear Public Utility Authority
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2024

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 528,148
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	31,855,701
(Increase)/Decrease in deferred outflows of resources related to pensions and OPEB	58,140
Increase/(Decrease) in deferred inflows of resources related to pensions and OPEB	(784,826)
Changes in assets and liabilities:	
(Increase)/Decrease in receivables, net	(1,497,846)
(Increase)/Decrease in prepaids	(5,192)
Increase/(Decrease) in operating accounts payable, accrued liabilities and due to other governments	(1,626,694)
Increase/(Decrease) in unearned revenue	52,096
Increase/(Decrease) in customer and escrow deposits	472,164
Increase/(Decrease) in compensated absences	86,173
Increase/(Decrease) in net pension liability	2,557,494
Increase/(Decrease) in total OPEB liability	273,860
Total adjustments	\$ 31,441,070
Net cash provided by operating activities	\$ 31,969,218

Schedule of non-cash capital and related financing activities

Addition to subscription assets	\$ 108,092
Contributions of capital assets from developers	15,027,244

See Notes to Financial Statements.

PAGE LEFT INTENTIONALLY BLANK

Note 1. Summary of Significant Accounting Policies

The accounting policies and financial statements of the Cape Fear Public Utility Authority (the 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.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The Authority is a special-purpose government engaged only in business-type activities. Therefore, the Authority's enterprise fund and government-wide data are presented in a single set of financial statements. 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 financial statements are reported 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, includes 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 are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

Budgets

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

Expenditures may not legally exceed appropriations at fund level for both the operating and capital budgets. 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 portfolio are considered cash and cash equivalents because the weighted-average maturity of the investments in the portfolio is less than 3 months. The Authority’s certificates of deposits are considered investments, rather than cash and cash equivalents, because the original maturities were greater than 3 months at the time of purchase. Certificates of deposit are valued at cost plus the amount of accreted interest as of the reporting date. All other Investments are valued at fair market value.

Restricted Assets and Liabilities

Restricted assets and liabilities are those that have constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or by law through state statute. The Authority is required by its bond indenture to irrevocably deposit 1/6 of the next interest payment and 1/12 of the next principal payment with its trustee each month. These amounts less accrued interest payable on the related debt are considered restricted. Unspent bond proceeds are considered restricted assets since these proceeds are restricted for use for certain capital projects.

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 historical revenue collection rates to determine the percentage uncollectible.

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 increase utility or capacity or do not materially extend lives of existing capital assets are expensed in the period incurred. Conveyed capital assets are recorded at acquisition value at the time of the conveyance, which is the value on the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, easements, and construction-in-progress are not depreciated. Intangible right to use leased facilities, right to use subscription-based information technology, and other intangible assets are depreciated using the straight-line method over the contract term. Other tangible property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful 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.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources and deferred inflows of resources which are defined as consumption and acquisition of net assets that applies to a future reporting period, respectively. The Authority has several items that meet this definition – a deferred charges on debt refunding equal to the difference between the reacquisition price and the net carrying value of the old debt; deferrals related to changes in the net pension liability and total OPEB liability; and deferrals related to employer pension and OPEB plan contribution plans made subsequent to the measurement date and the end of the fiscal year.

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, workers' compensation self-insurance, and the net pension and total OPEB liabilities and related deferrals.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Position, net of bond premiums and discounts. Bond premiums and discounts are amortized into interest expense over the life of the bonds using the effective interest method. 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.

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, 2024 is included below:

Note Disclosure Presentation		
Cash on hand	\$	4,200
Deposits		9,180,623
Investments		62,233,789
Total	\$	71,418,612
Presentation on the Statement of Net Position		
Current Assets		
Cash and cash equivalents	\$	27,359,462
Investments		24,598,135
Restricted cash and cash equivalents		12,427,768
Noncurrent Assets		
Investments		7,033,247
Total	\$	71,418,612

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 noninterest-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, 2024, the carrying amount of the Authority deposits was \$9,180,623 and the bank balance was \$9,429,393. Of the bank balance, \$250,000 was covered by FDIC insurance and \$9,179,393 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2024, the Authority's investment balances were as follows:

Investments by Type	Fair Value	Valuation Method	Credit Rating	Weighted Average Days to Maturity
U.S. Treasuries	17,570,239	Fair value - Level 1	AAA	235
Government-sponsored Entities:				
Federal Home Loan Bank	11,963,219	Fair value - Level 2	AAA	227
North Carolina Capital Management Trust:				
Government Portfolio	32,700,331	Fair value - Level 1	AAAm	N/A
	<u>\$ 62,233,789</u>			

All investments are measured using the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest rate risk. The Authority's investment policy prohibits investments in single securities maturing more than 5 years from the purchase date. In addition, the weighted average maturity of the Authority's portfolio including cash and certificates of deposit may not exceed 360 days. At June 30, 2024, the weighted average maturity of the Authority's portfolio was 115 days.

Credit risk. The Authority is limited by G.S. 159-30(c) to highly rated investments including 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") Governmental Portfolio.

Concentration of Credit Risk. Except for U.S. treasury securities, money market funds and authorized pools, no more than 25% of the Authority's total investment portfolio including cash and certificates of deposit will be invested in a single security type.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority engages a third-party custodial agent for book entry transactions, all of which are held in the Authority's name.

Note 3. Receivables/Payables

Amounts for receivables and payables are aggregated in the Statement of Net Position. Below is the detail of these amounts.

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

Receivables - Authority customers	\$ 16,039,905
Allowance for doubtful accounts - Authority	(1,501,827)
Receivables - Stormwater & Solid waste billed on behalf of the City of Wilmington	3,719,571
Total	\$ 18,257,649

At June 30, 2024 amounts due from other governments consisted of the following:

State of North Carolina-Sales & Use Tax	1,743,299
State of North Carolina-Grants	11,151,147
New Hanover County	161,782
Town of Wrightsville Beach	603,787
Total	\$ 13,660,015

At June 30, 2024 the Authority's accounts payable, accrued liabilities and amounts due to other governments consisted of the following:

Vendor accounts payable	\$ 15,196,585
Retainage payable	1,555,171
Accrued salaries & benefits	1,941,521
Other accrued liabilities	162,518
Total accounts payable and accrued liabilities	\$ 18,855,795
Due to State of North Carolina-Use Tax	\$ 13,160
Due to City of Wilmington-Stormwater & Solid Waste	4,106,960
Total amounts due to other governments	\$ 4,120,120

Note 4. Capital Assets

Capital assets activity consists of the following for the fiscal year ended June 30, 2024. Depreciation and amortization expense for the year was \$29,778,307 and \$2,077,394, respectively.

	Beginning Balances July 1, 2023	Increases	Decreases	Ending Balances June 30, 2024
Capital assets not being depreciated:				
Land	\$ 4,370,915	\$ -	\$ -	\$ 4,370,915
Intangible Asset - Easements	6,494,363	87,009	-	6,581,372
Construction in progress	111,296,125	40,740,377	(83,525,545)	68,510,957
Total capital assets not being depreciated or amortized	122,161,403	40,827,386	(83,525,545)	79,463,244
Capital assets being depreciated or amortized:				
Plant, Structures and Improvements	378,853,144	48,226,795	-	427,079,939
Water and Sewer Lines	576,611,677	44,843,732	-	621,455,409
Furniture, Fixtures and Machinery	47,100,285	8,410,417	(187,638)	55,323,064
Intangible Asset - Leased Facilities	10,525,026	-	-	10,525,026
Intangible Asset - Computer Software	7,319,329	40,071	-	7,359,400
Intangible Asset - Subscription Assets	2,050,074	108,092	-	2,158,166
Intangible Asset - Water Availability Rights	1,988,116	-	-	1,988,116
Total capital assets being depreciated or amortized	1,024,447,651	101,629,107	(187,638)	1,125,889,120
Less accumulated depreciation or amortization for:				
Plant, Structures and Improvements	115,561,169	11,356,644	-	126,917,813
Water and Sewer Lines	141,909,487	13,700,796	-	155,610,283
Furniture, Fixtures and Machinery	25,798,252	4,720,866	(187,638)	30,331,480
Intangible Asset - Leased Facilities	1,631,023	598,691	-	2,229,714
Intangible Asset - Computer Software	4,590,526	696,958	-	5,287,484
Intangible Asset - Subscription Assets	946,568	695,306	-	1,641,874
Intangible Asset - Water Availability Rights	1,296,597	86,440	-	1,383,037
Total accumulated depreciation and amortization	291,733,622	31,855,701	(187,638)	323,401,685
Total capital assets being depreciated or amortized, net*	732,714,029			802,487,435
Capital assets, net	\$ 854,875,432			\$ 881,950,679

Note 5. Leases and Subscription-Based Information Technology Arrangements

The Authority leases office and warehouse facilities under two lease arrangements. A new lease for the Administration Building became effective June 15, 2023 with an initial term ending July 31, 2035 with an option to extend for an additional 5-year term. Beginning August 1, 2021, the lease for the Operations Center was modified to include a new five-year term, with the option to extend the lease for one additional five-year period. Both leases require the Authority to pay a portion of common area maintenance items and property taxes. These amounts vary from year to year and are not included in the measurement of the lease liabilities.

and assets. During the year, the Authority recognized \$227,814 of these variable payments as outflows of resources in the financial statements.

In addition, the Authority is party to several subscription-based information technology arrangements related to the use of software including asset management, enterprise resource planning, human capital management, remote supervisory control and plant operations, virtual machines, laboratory management, metering software and office suite applications. In some cases, subscription payments are based on pricing, user counts, and customer counts that vary significantly each year. These variable payments were excluded from the measurement of the subscription liabilities and assets. During the year, the Authority recognized \$717,816 of these variable payments as outflows of resources in the financial statements.

At June 30, 2024 principal and interest requirements to maturity for the Authority's lease and subscription liabilities were as follows:

Year Ending June 30,	Lease liabilities		Subscription liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 373,200	\$ 339,608	\$ 136,551	\$ 8,859
2026	401,878	324,159	114,530	3,517
2027	437,197	307,450	-	-
2028	469,640	289,363	-	-
2029	503,283	269,966	-	-
2030-2034	2,500,327	1,040,566	-	-
2033-2039	3,123,001	508,111	-	-
2040-2041	850,994	20,034	-	-
	<u>\$ 8,659,520</u>	<u>\$ 3,099,257</u>	<u>\$ 251,081</u>	<u>\$ 12,376</u>

Note 6. Post-employment 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State

Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina 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, 2024, was 12.85% 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 were \$2,922,799 for the year ended June 30, 2024.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the Authority reported a net pension liability of \$16,083,637 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023, the Authority's proportion was 0.24284%, which was a decrease of 0.00343% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Authority recognized pension expense of \$4,905,153. Deferred outflows and deferred inflows of resources related to pensions were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,792,193	\$ 38,583
Difference between projected and actual earnings on pension plan investments	4,304,685	-
Changes in assumptions	683,462	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	112,749	32,733
Contributions subsequent to the measurement date	2,922,799	-
Total pension-related deferred outflows/inflows of resources	\$ 9,815,888	\$ 71,316

Deferred outflows of resources resulting from \$2,922,799 of contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ending June 30, 2025. 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:	
2025	2,539,640
2026	1,225,266
2027	2,874,843
2028	182,024
Total	6,821,773

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including a 3.25% inflation and productivity factor
Investment rate of return	6.50%, 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019. 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	<u>6.0%</u>	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the asset liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 27,864,269	\$ 16,083,637	\$ 6,384,717

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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 two deferred compensation plans created in accordance with Internal Revenue Code Section 457: the NC 457 Plan administered by the State Treasurer and an Authority-sponsored 457 plan. The plans, available to all Authority employees, permit 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 plans are held in trust for the exclusive benefit of the participants and their beneficiaries.

Funding Policy. The Authority makes contributions on behalf of all employees to the NC-401(k) Supplemental Retirement Income 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 an additional 2%.

The Authority's expense related to the NC-401(k) Supplemental Retirement Income Plan totaled \$794,460 for the fiscal year ended June 30, 2024.

Other Post-Employment Benefits (OPEB)

Plan Description. The Interlocal Agreement that created the Authority requires that OPEB benefits be provided to certain employees that transferred from the City of Wilmington and New Hanover County at inception. The Authority provides post-employment health care benefits to retirees of the Authority through a single-employer defined benefit plan. The Board is authorized to amend the terms of postemployment health care benefits. The plan is closed to new entrants as benefits are only provided to certain employees that were employed by the City of Wilmington (City) or New Hanover County (County) prior to July 1, 2008. To be eligible for post-retirement health care benefits, employees must retire under the Local Government Employees' Retirement System (LGERS), elect to continue medical coverage by paying the applicable monthly premium for coverage, and attain the minimum service requirements. Employees who transferred from the County must have at least 5 years of creditable service. Employees who transferred from the City hired before January 1, 2007 are eligible to receive benefits regardless of the amount of years of service.

Employees who transferred from the City hired on or after January 1, 2007 must have at least 5 years of creditable service. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. As of the measurement date, membership consisted of 84 active plan members and 19 retirees or retiree dependents receiving benefits.

Benefits Provided. Post-employment health benefits under the plan consist of premium subsidies equal to the difference between the total cost of individual health insurance policies purchased for each retiree and the share paid by the retiree. The amount of the retiree share depends on whether the employee transferred from the City or County and years of service at retirement.

Contributions. Employees do not contribute to the plan during their active service. The Authority contributes amounts sufficient to cover OPEB payments as they become due from an initial balance of \$4.2 million that was transferred from the City and County upon the formation of the Authority based on an actuarial valuation. This balance may be supplemented by operating surpluses with approval from the Board. Once the balance is exhausted, OPEB benefits will be paid from operating revenues in the year the benefits become due. At June 30, 2024 the remaining balance designated for OPEB benefits was \$1,493,000.

Actuarial Assumptions. The Authority's total OPEB liability as of June 30, 2024 was \$7,228,568. The total OPEB liability was measured as of December 31, 2023 based on an actuarial valuation as of June 30, 2022. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using entry age normal cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation	3.25% - 8.41%
Discount Rate	3.26%
Healthcare cost trend rates	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

The discount rate was based on Bond Buyer's 20-Bond GO Index for December 31, 2023. Mortality rates were based on Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board. The remaining actuarial assumptions were based on a review of recent plan experience performed concurrently with the June 30, 2022 valuation.

The plan does not issue a stand-alone financial report.

Changes in the Total OPEB Liability.

	Total OPEB Liability
Balance at June 30, 2023	\$ 6,954,708
Changes for the year:	
Service cost	193,263
Interest	259,972
Differences between expected and actual experience	(47,030)
Changes in assumptions and other inputs	189,552
Benefit payments	(321,897)
Net changes	273,860
Balance at June 30, 2024	\$ 7,228,568

Changes to the total OPEB liability attributable to changes in assumptions and other inputs reflect a decrease in the discount rate from 3.72% to 3.26%.

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB liability	\$ 7,657,249	\$ 7,228,568	\$ 6,822,834

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

	1% Decrease	Health Care Trend Rate	1% Increase
Total OPEB liability	\$ 6,625,352	\$ 7,228,568	\$ 7,901,479

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2024, the Authority recognized OPEB expense of \$485,374. Deferred outflows and inflows of resources related to OPEB as of June 30, 2024 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 632,416	\$ 177,750
Changes in assumptions and other inputs	1,000,066	1,119,542
Contributions subsequent to the measurement date	144,745	-
Total OPEB-related deferred outflows/inflows of resources	\$ 1,777,227	\$ 1,297,292

Deferred outflows of resources resulting from \$144,745 of contributions subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2025	135,302
2026	195,959
2027	2,867
2028	1,062
Total	335,190

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; natural disasters and cyber-attacks. The largest risk that the Authority faces are natural disasters and cybersecurity threats. Because the Authority is located on the Atlantic Coast, hurricanes pose a substantial risk to the Authority infrastructure. The Authority carries wind and hail insurance in the amount of \$50 million for each occurrence. The Authority recognizes the risk of floods due to hurricanes and mitigates this risk through infrastructure design in addition to insurance. The Authority carries flood insurance in the amount of \$1 million for each occurrence and \$1 million aggregate for the policy period. Cybersecurity threats also pose a substantial risk. The Authority maintains strict internal cybersecurity controls. Other coverages include Auto (\$1 million each occurrence), General Liability (\$1 million each occurrence), Excess Liability (\$10 million each occurrence), Inland Marine (replacement cost), Public Officers and Management Liability Coverage (\$1 million each occurrence), and Directors and Officer Liability (\$5 million each occurrence).

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. In accordance with NCGS 159-29(a), the Authority's Chief Financial Officer is individually bonded and remaining employees that have access to funds are bonded under a blanket bond of \$1,000,000. Claims did not exceed coverage for any category for the fiscal years ended June 30, 2024, 2023, or 2022.

For the retained portion of the risk related to workers' compensation, 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, 2023 and June 30, 2024. Incurred claims during the year equaled worker's compensation claim payments of \$121,436.

Changes to the balance of claims liabilities during the past two years are as follows.

	<u>Workers' Compensation</u>
Liability - June 30, 2022	\$140,000
Claims incurred	185,438
Claims payments	(185,438)
Changes to prior year Estimates	-
Liability - June 30, 2023	<u>\$140,000</u>
Claims incurred	121,436
Claims payments	(121,436)
Changes to prior year Estimates	-
Liability - June 30, 2024	<u><u>\$140,000</u></u>

Note 8. Long-term Debt

G.S. 162A-8 gives the Authority the power to periodically issue revenue bonds in accordance with 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. 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. Some debt instruments could not be transferred to the Authority or refinanced due to the nature of the agreements. Accordingly, the City and the County retained and continued to service 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. All City obligations have been retired. Periodically, the Authority applies for low-interest loan funding under the Capitalization Grants for Clean Water State Revolving Funds and the Capitalization Grants for Drinking Water State Funds programs through the North Carolina Department of Environmental Quality.

Changes in the Authority's long-term debt during the fiscal year were as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Maturities
Revenue Bonds	\$ 224,405,000	\$ -	\$ 13,510,000	\$ 210,895,000	\$ 12,740,000
Installment Obligations:					
Locality compensation payment	4,780,000	-	970,000	3,810,000	960,000
Unamortized Premiums/(Discounts)	24,180,342	-	3,185,895	20,994,447	-
Total Bonds and Installment Obligations	\$ 253,365,342	\$ -	\$ 17,665,895	\$ 235,699,447	\$ 13,700,000
Other Installment Obligations:					
ARRA Revolving Loan	\$ 565,761	\$ -	\$ 56,576	\$ 509,185	\$ 56,576
DWSRF Revolving Loan	96,755	-	8,796	87,959	8,796
Clean Water State Revolving Loans	12,197,923	8,733,380	1,449,853	19,481,450	1,449,853
Total Other Installment Obligations	\$ 12,860,439	\$ 8,733,380	\$ 1,515,225	\$ 20,078,594	\$ 1,515,225
Total Bonds and Installment Obligations	\$ 266,225,781	\$ 8,733,380	\$ 19,181,120	\$ 255,778,041	\$ 15,215,225
Other Long-term Obligations					
Compensated Absences	\$ 1,817,965	\$ 1,376,939	\$ 1,290,766	\$ 1,904,138	\$ 1,290,766
Subscription Liability	562,986	27,866	339,771	251,081	136,551
Leases	9,005,481	-	345,961	8,659,520	373,200
Net pension liability	13,506,143	5,181,315	2,603,821	16,083,637	-
Total OPEB liability	6,954,708	595,757	321,897	7,228,568	356,145
	\$ 31,847,283	\$ 7,181,877	\$ 4,902,216	\$ 34,126,945	\$ 2,156,662
Total Long-Term Obligations	\$ 298,073,064	\$ 15,915,257	\$ 24,083,336	\$ 289,904,986	\$ 17,371,887

The Authority's revenue bonds issued under the General Trust Indenture are secured by a pledge of all "net revenues" as defined in the General Trust Indenture Section 1.1. Revenue bonds are issued to make improvements to the Authority's water and wastewater system. The total principal and interest remaining to be paid on the bonds is \$274,195,316 with the last payment due August 1, 2044. Principal and interest paid on the Authority's revenue bonds and net revenues pledged for repayment during the year were \$22,583,653 and \$48,638,698, respectively. In accordance with the General Trust Indenture, the Authority is subject to various covenants including the required debt service coverage to be no less than 120% or 1.20 times including 50% of surplus funds and to be no less than 100% or 1.00 times excluding surplus funds. Under the General Trust Indenture, the Authority's revenue bonds are subject to acceleration in the event of default. The Authority is compliant with the covenants of the General Trust Indenture. The debt service coverage ratio calculation for the fiscal year ended June 30, 2024 was 2.15 for parity indebtedness and 1.90 for all indebtedness.

At June 30, 2024 the Authority carried total 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 \$6,371,558. This amount will be amortized as a component of interest expense in future years.

The debt service requirements to maturity for the Authority's outstanding revenue bonds and other installment obligations are as follows:

Year Ending June 30	Revenue Bonds		Installment Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	12,740,000	8,458,731	2,475,225	460,197	15,215,225	8,918,928
2026	13,355,000	7,847,679	2,470,225	394,386	15,825,225	8,242,065
2027	13,985,000	7,211,683	2,465,225	326,425	16,450,225	7,538,108
2028	14,580,000	6,618,362	2,460,225	258,714	17,040,225	6,877,076
2029	15,250,000	5,955,260	1,515,225	214,752	16,765,225	6,170,012
2030-2034	86,885,000	19,106,883	7,519,549	768,720	94,404,549	19,875,603
2035-2039	35,445,000	5,892,666	5,567,388	327,591	41,012,388	6,220,257
2040-2044	15,460,000	2,145,152	2,329,462	61,731	17,789,462	2,206,883
2045	3,195,000	63,900	-	-	3,195,000	63,900
Total	\$210,895,000	\$63,300,316	\$26,802,523	\$2,812,515	\$237,697,523	\$66,112,831

Principal requirements to maturity for installment obligations differ from amounts carried on the Statement of Net Position by \$2,913,929. This amount represents the difference between approved loan principal and the loan proceeds received on the Authority's outstanding loan-funded projects. Because final amortization schedules will be issued upon project completion, these amounts are excluded from the principal requirements to maturity disclosed above.

Note 9. Construction and Other Significant Commitments

Encumbrance accounting is utilized to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. The Authority periodically enters into agreements with other parties i to provide construction, professional, maintenance, and support services. Funds are encumbered at the time of the agreement. At June 30, 2024 the amount of outstanding encumbrances were as follows:

Budgetary Fund	Remaining Commitment
Operating Fund	\$ 482,927
Capital Project Fund	76,266,508
	\$ 76,749,435

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

Note 10. Subsequent Events

On September 20, 2024, the Authority received \$3,447,000 from the Town of Wrightsville Beach. This payment was made pursuant to the Interlocal Agreement executed on June 21, 2024 providing for the transfer of the Town's water and wastewater operations to the Authority. The funds were placed in a capital reserve fund established in accordance with G.S. 159-18. The funds will be used to finance certain transitional activities to facilitate the transfer of operations including meter compatibility upfits, integration of SCADA assets, and generator purchases. The Authority will report the \$3,447,000 as an infrequent item in the Statement of Revenues, Expenses, & Changes in Net Position for the period ending June 30, 2025.

Cape Fear Public Utility Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System
2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Authority's proportion of the net pension liability (asset)	0.21330%	0.21900%	0.22610%	0.22147%	0.22176%	0.23280%	0.22850%	0.24180%	0.23941%	0.24284%
Authority's proportionate share of the net pension liability (asset)	\$ (1,258,105)	\$ 982,683	\$ 4,797,538	\$ 3,383,448	\$ 5,260,906	\$ 6,358,133	\$ 8,164,921	\$ 3,708,235	\$ 13,506,143	\$ 16,083,637
Authority's covered payroll	\$ 13,060,438	\$ 13,374,328	\$ 14,196,327	\$ 14,232,400	\$ 15,095,827	\$ 16,463,303	\$ 17,301,028	\$ 18,362,335	\$ 18,748,731	\$ 21,519,182
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-9.63%	7.35%	33.79%	23.77%	34.85%	38.62%	47.19%	20.19%	72.04%	74.74%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.64%	98.09%	91.47%	94.18%	91.63%	90.86%	88.61%	95.51%	84.14%	82.49%

* 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.

Cape Fear Public Utility Authority
Required Supplementary Information
Schedule of Authority Contributions
Local Government Employees' Retirement System
2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily required contribution	\$ 945,565	\$ 946,895	\$ 1,031,849	\$ 1,132,187	\$ 1,275,906	\$ 1,548,442	\$ 1,863,777	\$ 2,127,981	\$ 2,603,821	\$ 2,922,799
Contributions in relation to the statutorily required contribution	945,565	946,895	1,031,849	1,132,187	1,275,906	1,548,442	1,863,777	2,127,981	2,603,821	2,922,799
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 13,374,328	\$ 14,196,327	\$ 14,232,400	\$ 15,095,827	\$ 16,463,303	\$ 17,301,028	\$ 18,362,335	\$ 18,748,731	\$ 21,519,182	\$ 22,745,518
Contributions as a percentage of covered payroll	7.07%	6.67%	7.25%	7.50%	7.75%	8.95%	10.15%	11.35%	12.10%	12.85%

Cape Fear Public Utility Authority
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
2018-2024*

	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability							
Service cost	\$ 206,698	\$ 178,078	\$ 150,107	\$ 153,641	\$ -	\$ -	\$ 193,263
Interest	112,153	260,720	279,902	237,811	139,365	95,078	259,972
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	1,736,751	(143,522)	(621,802)	(673,623)	-	1,255,486	(47,030)
Changes in assumptions or other inputs	3,140,531	(443,556)	253,829	401,442	(2,718,890)	1,540,166	189,552
Benefit payments	(521,626)	(497,362)	(401,752)	(386,205)	(255,874)	(321,602)	(321,897)
Net change in total OPEB liability	4,674,507	(645,642)	(339,716)	(266,934)	(2,835,399)	2,569,128	273,860
Total OPEB liability - beginning	3,798,764	8,473,271	7,827,629	7,487,913	7,220,979	4,385,580	6,954,708
Total OPEB liability - ending	\$ 8,473,271	\$ 7,827,629	\$ 7,487,913	\$ 7,220,979	\$ 4,385,580	\$ 6,954,708	\$ 7,228,568
Covered-employee payroll	\$ 6,128,784	\$ 6,250,591	\$ 6,222,451	\$ 6,142,534	\$ 5,702,148	\$ 5,755,001	\$ 5,755,001
Total OPEB liability as a percentage of covered-employee payroll	138.25%	125.23%	120.34%	117.56%	76.91%	120.85%	125.60%

Notes to Required Supplementary Information

1) No assets have been accumulated in a qualifying trust to pay benefits of the Authority's OPEB plan.

Cape Fear Public Utility Authority
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) -
Operating Fund
For the Fiscal Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water/wastewater fixed charges	\$ 38,387,038	\$ 38,387,038	\$ 38,173,729	\$ (213,309)
Water/wastewater volumetric charges	57,295,338	57,295,338	56,293,007	(1,002,331)
System development charges	9,881,730	9,881,730	5,773,400	(4,108,330)
Investment earnings	1,200,000	1,200,000	3,712,286	2,512,286
Other charges for service	5,652,500	5,819,271	5,824,816	5,545
Total revenues	\$ 112,416,606	\$ 112,583,377	\$ 109,777,238	\$ (2,806,139)
Expenditures				
Authority Board				
Salaries & Benefits	\$ 38,986	\$ 38,986	\$ 38,431	\$ 555
Operating	18,520	18,520	13,144	5,376
Total Authority Board	\$ 57,506	\$ 57,506	\$ 51,575	\$ 5,931
Administration				
Salaries & Benefits	\$ 577,165	\$ 848,963	\$ 848,963	\$ -
Operating	1,524,606	4,662,053	4,357,932	304,121
Total Administration	\$ 2,101,771	\$ 5,511,016	\$ 5,206,895	\$ 304,121
Communications				
Salaries & Benefits	\$ 301,352	\$ 303,922	\$ 302,620	\$ 1,302
Operating	281,672	208,905	202,915	5,990
Total Communications	\$ 583,024	\$ 512,827	\$ 505,535	\$ 7,292
Finance				
Salaries & Benefits	\$ 1,683,987	\$ 1,638,727	\$ 1,634,819	\$ 3,908
Operating	146,507	351,699	324,202	27,497
Total Finance	\$ 1,830,494	\$ 1,990,426	\$ 1,959,021	\$ 31,405
Human Resources				
Salaries & Benefits	\$ 702,397	\$ 521,997	\$ 521,992	\$ 5
Operating	492,450	456,767	393,538	63,229
Total Human Resources	\$ 1,194,847	\$ 978,764	\$ 915,530	\$ 63,234
Information Technology				
Salaries & Benefits	\$ 1,628,796	\$ 1,421,286	\$ 1,399,254	\$ 22,032
Operating	2,489,757	2,608,722	2,553,685	55,037
Total Information Technology	\$ 4,118,553	\$ 4,030,008	\$ 3,952,939	\$ 77,069
Treatment & Engineering Services:				
Centralized Maintenance				
Salaries & Benefits	\$ 1,770,471	\$ 1,759,921	\$ 1,759,882	\$ 39
Operating	2,065,768	2,573,401	2,465,363	108,038
Capital Outlay	50,000	-	-	-
Total Centralized Maintenance	\$ 3,886,239	\$ 4,333,322	\$ 4,225,245	\$ 108,077
Water Treatment				
Salaries & Benefits	\$ 2,855,084	\$ 2,731,974	\$ 2,705,550	\$ 26,424
Operating	10,216,865	10,256,011	10,103,332	152,679
Total Water Treatment	\$ 13,071,949	\$ 12,987,985	\$ 12,808,882	\$ 179,103

Cape Fear Public Utility Authority
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) -
Operating Fund
For the Fiscal Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Wastewater Treatment				
Salaries & Benefits	\$ 3,089,944	\$ 2,928,146	\$ 2,912,776	\$ 15,370
Operating	2,884,772	3,047,614	2,919,199	128,415
Total Wastewater Treatment	\$ 5,974,716	\$ 5,975,760	\$ 5,831,975	\$ 143,785
Engineering				
Salaries & Benefits	\$ 2,750,051	\$ 2,757,141	\$ 2,711,621	\$ 45,520
Operating	103,708	126,767	119,935	6,832
Total Engineering	\$ 2,853,759	\$ 2,883,908	\$ 2,831,556	\$ 52,352
Linear Assets & Project Management				
Administration				
Salaries & Benefits	\$ 664,235	\$ -	\$ -	\$ -
Operating	10,032	-	-	-
Total Administration	\$ 674,267	\$ -	\$ -	\$ -
Project Management				
Salaries & Benefits	\$ 736,760	\$ 751,992	\$ 751,985	\$ 7
Operating	12,409	11,659	10,854	805
Total Project Management	\$ 749,169	\$ 763,651	\$ 762,839	\$ 812
Operations - Utility Services				
Salaries & Benefits	\$ 7,933,407	\$ 7,631,969	\$ 7,611,380	\$ 20,589
Operating	4,864,369	4,610,826	4,243,083	367,743
Total Operations - Utility Services	\$ 12,797,776	\$ 12,242,795	\$ 11,854,463	\$ 388,332
Environmental Management				
Salaries & Benefits	\$ 3,330,791	\$ 3,476,446	\$ 3,442,720	\$ 33,726
Operating	852,059	859,908	794,794	65,114
Total Environmental Management	\$ 4,182,850	\$ 4,336,354	\$ 4,237,514	\$ 98,840
Customer Service				
Salaries & Benefits	\$ 4,517,457	\$ 4,395,797	\$ 4,386,585	\$ 9,212
Operating	1,962,655	2,075,285	1,661,338	413,947
Total Customer Service	\$ 6,480,112	\$ 6,471,082	\$ 6,047,923	\$ 423,159
Nondepartmental				
Salaries & Benefits	\$ 500,000	\$ 500,000	\$ 337,155	\$ 162,845
Operating	3,242,565	3,310,065	3,276,001	34,064
Total Nondepartmental	\$ 3,742,565	\$ 3,810,065	\$ 3,613,156	\$ 196,909
Debt Service				
Principal	\$ 15,412,860	\$ 15,995,225	\$ 15,995,225	\$ -
Interest	9,474,149	9,608,266	9,608,266	-
Total Debt Service	\$ 24,887,009	\$ 25,603,491	\$ 25,603,491	\$ -
Contingency	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ 89,186,606	\$ 92,488,960	\$ 90,408,539	\$ 2,080,421

Cape Fear Public Utility Authority
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) -
Operating Fund
For the Fiscal Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)				
Sale of capital assets	\$ -	\$ -	\$ 70,411	\$ 70,411
Appropriated fund balance	500,000	1,278,234	-	(1,278,234)
Transfers out - Capital Projects Funds	(23,730,000)	(21,372,651)	(21,372,651)	-
Total financing (uses)	\$ (23,230,000)	\$ (20,094,417)	\$ (21,302,240)	\$ (1,207,823)
Revenues and other financing (uses) over expenditures	\$ -	\$ -	\$ (1,933,541)	\$ (1,933,541)

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing sources over expenditures -	
Capital Projects Funds - Water, Wastewater & Sytem-Wide	\$ (12,220,523)
Capital contributions - conveyed infrastructure	15,027,244
Capitalized expenditures	43,875,838
Depreciation and amortization on capital assets	(31,855,701)
Pension expense	(4,905,153)
Contributions to pension plans	2,922,798
OPEB expense	(485,374)
Contributions to OPEB plan	343,061
Interest expense:	
(Increase)/Decrease in accrued interest liability	220,954
Amortization of deferred amount on refunding	(1,099,655)
Amortization of premium	3,185,895
Changes in accrued revenue and allowance for uncollectible amounts	1,888,818
(Increase)/Decrease in compensated absences liability	(86,173)
Proceeds from long-term obligations	(8,733,380)
Principal on lease and subscription liabilities	690,479
Principal on long-term obligations	15,995,225
Change in net position	\$ 22,830,812

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, 2024

	Project Ordinance	Prior Years	Actual Current Year	Total to Date
Revenue				
Capital grants and contributions	\$ 81,982,208	\$ 48,421,409	\$ 11,069,244	\$ 59,490,652
Charges for services	26,156,586	26,156,586	-	26,156,586
Investment earnings	7,769,328	7,769,367	-	7,769,367
Total revenue	\$ 115,908,122	\$ 82,347,362	\$ 11,069,244	\$ 93,416,605
Expenditures				
System-wide projects	\$ 31,556,549	\$ 21,254,947	\$ 5,272,497	\$ 26,527,444
Water projects	378,699,302	309,357,760	7,809,210	317,166,971
Wastewater projects	444,275,769	292,856,333	38,913,701	331,770,034
Total expenditures	\$ 854,531,620	\$ 623,469,040	\$ 51,995,408	\$ 675,464,449
Other financing sources				
Long-term obligations issued	\$ 360,532,543	\$ 303,418,042	\$ 7,235,739	\$ 310,653,781
Insurance proceeds	1,282,398	1,185,147	97,251	1,282,398
Transfers in - Operating Fund	318,584,693	187,538,194	21,372,651	208,910,845
Appropriated fund balance	58,223,864	-	-	-
Total other financing sources	\$ 738,623,498	\$ 492,141,383	\$ 28,705,641	\$ 520,847,024
Revenue and other financing sources over expenditures	\$ -	\$ (48,980,295)	\$ (12,220,523)	\$ (61,200,820)

STATISTICAL SECTION

(Unaudited)

Cape Fear Public Utility Authority Statistical Section (Unaudited)

Financial Trends

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

Net Position by Component
Changes in Net Position

Revenue Capacity

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

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

Debt Capacity

These schedules represent the ratio of debt to revenue.

Pledged-Revenue Coverage
Ratios of Outstanding Debt by Type

Demographic and Economic Information

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

Demographic Statistics
Principal Employers
Full Time Equivalent Employees

Operating Information

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

Water Production and Wastewater Treatment
Operating Statistics

Sources

Unless otherwise noted, the information included in these schedules is derived from the Annual Comprehensive Financial Report (ACFR) 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 Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022 (1)	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018 (1)	Fiscal Year 2017 (1)	Fiscal Year 2016	Fiscal Year 2015
Net investment in capital assets	\$ 623,633,593	\$ 586,552,396	\$ 558,779,170	\$ 543,758,699	\$ 512,151,108	\$ 468,755,415	\$ 424,502,362	\$ 390,620,064	\$ 359,084,362	\$ 335,218,505
Restricted for:										
Debt service	9,234,916	10,061,434	9,516,394	9,192,472	8,488,245	7,642,752	11,092,065	10,966,309	2,916,717	-
Unrestricted	48,388,619	61,812,486	61,009,738	63,526,771	70,447,988	90,130,249	107,257,047	111,961,957	122,820,678	108,678,499
Total net position	\$ 681,257,128	\$ 658,426,316	\$ 629,305,302	\$ 616,477,942	\$ 591,087,341	\$ 566,528,416	\$ 542,851,474	\$ 513,548,330	\$ 484,821,757	\$ 443,897,004

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

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

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Operating revenues										
Charges for services	\$ 97,837,298	\$ 91,473,039	\$ 85,347,270	\$ 95,651,260	\$ 86,038,040	\$ 77,413,386	\$ 73,276,538	\$ 72,952,927	\$ 68,627,099	\$ 67,429,021
System development charges	5,773,400	8,143,955	6,374,040	8,047,468	6,570,775	5,222,171	6,014,920	6,277,464	6,068,284	4,740,567
Other operating revenues	2,845,432	2,846,201	2,568,179	2,671,923	3,269,113	3,334,896	3,448,795	4,223,916	3,873,167	3,835,966
Total operating revenues	106,456,130	102,463,195	94,289,489	106,370,651	95,877,928	85,970,453	82,740,253	83,454,307	78,568,550	76,005,554
Operating expenses										
Personnel and benefits	33,576,575	30,996,435	25,955,963	26,766,088	26,223,970	23,420,453	21,673,141	17,850,409	16,598,873	15,944,834
Operations and maintenance	40,495,706	30,259,430	30,870,293	37,599,291	31,388,356	27,505,928	22,789,586	23,650,622	16,393,895	14,633,728
Depreciation and amortization	31,855,701	29,630,931	27,657,676	24,711,921	23,985,127	22,863,858	22,024,805	20,880,300	20,076,373	18,776,391
Total operating expenses	105,927,982	90,886,796	84,483,932	89,077,300	81,597,453	73,790,239	66,487,532	62,381,331	53,069,141	49,354,953
Operating income (loss)	528,148	11,576,399	9,805,557	17,293,351	14,280,475	12,180,214	16,252,721	21,072,976	25,499,409	26,650,601
Other nonoperating revenues (expenses)										
Investment earnings	3,712,286	1,993,569	(296,219)	260,774	2,046,294	2,204,682	1,567,523	880,543	3,312,744	1,012,470
Interest expense	(7,673,772)	(7,999,695)	(8,562,307)	(9,016,759)	(8,990,462)	(8,660,674)	(8,660,925)	(9,321,091)	(8,274,675)	(8,332,023)
Bond issuance costs and other debt service fees	-	-	-	-	(617,332)	-	(142,708)	-	(717,165)	(683,650)
State and federal grants	10,164,061	3,620,524	1,235,273	2,644,234	8,157,813	5,433,834	2,786,821	220,254	-	-
Capital contributions	15,932,427	18,663,160	10,296,351	11,664,569	9,299,824	11,762,442	11,538,622	17,654,167	20,007,729	14,314,784
Settlement proceeds	-	-	-	2,201,617	-	-	-	-	-	-
Gain (Loss) on disposal of capital assets	70,411	44,338	248,329	(116,450)	131,623	132,953	152,213	88,899	53,691	77,599
Gain (Loss) on lease termination	-	954,949	-	-	-	-	-	-	-	-
Insurance proceeds	97,251	-	100,376	459,265	250,690	623,491	-	-	-	-
Gain (Loss) on extinguishment of debt	-	-	-	-	-	-	-	-	93,020	-
Contributions from the City of Wilmington and New Hanover County	-	-	-	-	-	-	304,000	627,000	950,000	1,254,000
Total other nonoperating revenues (expenses)	22,302,664	17,276,845	3,021,803	8,097,250	10,278,450	11,496,728	7,545,546	10,149,772	15,425,344	7,643,180
Increase/(Decrease) in net position	22,830,812	28,853,244	12,827,360	25,390,601	24,558,925	23,676,942	23,798,267	31,222,748	40,924,753	34,293,781
Net position										
Beginning of year	658,426,316	629,305,302	616,477,942	591,087,341	566,528,416	537,346,597	513,548,330	484,821,757	443,897,004	411,206,335
Cumulative effect of change in accounting principle	-	267,770	-	-	-	5,504,877	-	(2,496,175)	-	(1,603,112)
End of year, restated	\$ 681,257,128	\$ 658,426,316	\$ 629,305,302	\$ 616,477,942	\$ 591,087,341	\$ 566,528,416	\$ 537,346,597	\$ 513,548,330	\$ 484,821,757	\$ 443,897,004

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

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

	2024	2023	2022 ⁽²⁾	2021	2020	2019	2018	2017	2016	2015 ⁽¹⁾
Water Rates										
Water fixed rate	\$ 16.21	\$ 16.21	\$ 13.78	\$ 27.56	\$ 27.56	\$ 27.56	\$ 26.67	\$ 25.81	\$ 25.81	\$ 25.81
Water rate per 1,000 gallons (domestic & irrigation)	\$ 4.74	\$ 4.74	\$ 4.02	\$ 4.02	\$ 4.02	\$ 4.02	\$ 3.85	\$ 3.67	\$ 3.67	\$ 3.67
Average residential consumption per customer per bill (gallons)	4,100	4,100	4,100	8,200	8,200	8,100	8,400	8,400	8,600	8,600
Average residential bill	\$ 35.65	\$ 35.64	\$ 30.26	\$ 60.52	\$ 60.52	\$ 60.12	\$ 59.01	\$ 56.64	\$ 57.37	\$ 57.37
Wastewater Rates										
Wastewater fixed rate	\$ 16.86	\$ 14.55	\$ 14.55	\$ 29.10	\$ 29.10	\$ 29.10	\$ 29.10	\$ 29.10	\$ 29.10	\$ 29.10
Wastewater rate per 1,000 gallons ⁽³⁾	\$ 4.84	\$ 4.63	\$ 4.63	\$ 4.63	\$ 4.63	\$ 4.63	\$ 4.58	\$ 4.56	\$ 4.56	\$ 4.56
Wastewater residential flat rate ⁽⁴⁾	\$ 36.70	\$ 33.53	\$ 33.53	\$ 67.07	\$ 67.07	\$ 66.60	\$ 67.58	\$ 138.54	\$ 138.54	\$ 138.54
Average residential consumption per customer per bill (gallons)	4,100	4,100	4,100	8,200	8,200	8,100	8,400	8,400	8,600	8,600
Average residential bill	\$ 36.70	\$ 33.53	\$ 33.53	\$ 67.07	\$ 67.07	\$ 66.60	\$ 67.58	\$ 67.40	\$ 68.32	\$ 68.32

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

⁽²⁾ The Authority began billing on a monthly basis beginning in October 2021. Prior to this date, billing was on a bi-monthly basis.

⁽³⁾ Wastewater volume charges are capped at 30,000 gallons for residential customers.

⁽⁴⁾ Wastewater flat rate charged when metered domestic water reads are not available. Beginning in Fiscal Year 2018, residential customers were charged based on average

Cape Fear Public Utility Authority
Principal Water Customers
Current Fiscal Year and Nine Years Prior

2024					2015 (1)				
Ten Largest Users of the Water System Annual Consumption	Thousands of Gallons	% of System	Revenues (\$)	% of Revenues	Ten Largest Users of the Water System Annual Consumption	Thousands of Gallons	% of System	Revenues (\$)	% of Revenues
1 UNC Wilmington	147,937	2.27%	\$ 794,657	1.59%	1 UNC Wilmington	164,475	3.27%	\$ 631,628	1.98%
2 Town of Wrightsville Beach	147,451	2.26%	651,654	1.30%	2 New Hanover Regional Medical Center	59,458	1.18%	262,841	0.82%
3 Wilmington Housing Authority	69,355	1.06%	383,708	0.77%	3 New Hanover County Schools	43,871	0.87%	266,339	0.84%
4 Tribute Properties	68,432	1.05%	539,784	1.08%	4 Wilmington Housing Authority	42,430	0.84%	189,680	0.60%
5 Novant Health	67,339	1.03%	424,913	0.85%	5 New Hanover County	31,803	0.63%	193,623	0.61%
6 New Hanover County Schools	43,072	0.66%	345,539	0.69%	6 Mayfaire	27,269	0.54%	193,610	0.61%
7 New Hanover County	41,664	0.64%	300,067	0.60%	7 LSREF3 Bravo, LLC (Multi-family Complexes)	26,755	0.53%	141,945	0.45%
8 NC State Port	39,053	0.60%	250,613	0.50%	8 College Manor Apartments	23,852	0.47%	111,927	0.35%
9 City of Wilmington	26,128	0.40%	286,990	0.57%	9 Lake Forest Apartments	23,440	0.47%	100,816	0.32%
10 Lake Forest Apartments	23,946	0.37%	131,596	0.26%	10 Tribute	23,216	0.46%	208,782	0.66%
Total Net Consumption / Net Revenue	674,379	10.35%	\$ 4,109,522	8.22%	Total Net Consumption / Net Revenue	466,569	9.27%	\$ 2,301,191	7.22%
Total Annual System Net Consumption / Net Revenue	6,518,726		\$ 50,003,050		Total Annual System Net Consumption / Net Revenue	5,031,738		\$ 31,869,097	

(1) Source: CFPUA ACFR for the fiscal year ended June 30, 2015

**Cape Fear Public Utility Authority
Principal Wastewater Customers
Current Fiscal Year and Nine Years Prior**

2024					2015 (1)				
Ten Largest Users of the Wastewater System Annual Consumption	Thousands of Gallons	% of System	Revenues (\$)	% of Revenues	Ten Largest Users of the Wastewater System Annual Consumption	Thousands of Gallons	% of System	Revenues (\$)	% of Revenues
1 Town of Wrightsville Beach	227,431	3.99%		0.00%	1 Town of Wrightsville Beach	207,905	4.41%	\$ 641,061	1.77%
2 UNC Wilmington	112,231	1.97%	630,835	1.39%	2 UNC Wilmington	100,358	2.13%	451,364	1.25%
3 Wilmington Housing Authority	68,905	1.21%	387,608	0.85%	3 New Hanover Regional Medical Center	57,642	1.22%	313,166	0.87%
4 Tribute Properties	66,205	1.16%	532,687	1.17%	4 Wilmington Housing Authority	40,519	0.86%	222,010	0.61%
5 Novant Health	64,636	1.14%	408,604	0.90%	5 New Hanover County Schools	39,780	0.84%	298,634	0.83%
6 New Hanover County Schools	39,390	0.69%	323,306	0.71%	6 New Hanover County	28,549	0.61%	204,162	0.56%
7 New Hanover County	38,940	0.68%	284,455	0.62%	7 LSREF3 Bravo, LLC (Multi-family Complexes)	26,532	0.56%	166,317	0.46%
8 Lake Forest Apartments	23,918	0.42%	134,512	0.30%	8 Mayfaire Complex	25,899	0.55%	222,432	0.62%
9 Harbor Station	21,030	0.37%	111,859	0.25%	9 College Manor Apartments	23,852	0.51%	136,264	0.38%
10 City of Wilmington	19,152	0.34%	209,276	0.46%	10 Lake Forest Apartments	23,426	0.50%	123,496	0.34%
Total Net Consumption / Net Revenue	681,838	11.98%	\$ 3,023,143	6.64%	Total Net Consumption / Net Revenue	574,462	12.20%	\$ 2,778,906	7.69%
Total Annual System Net Consumption / Net Revenue	5,693,085		\$ 45,524,716		Total Annual System Net Consumption / Net Revenue	4,710,062		\$ 36,136,378	

(1)Source: CFPUA ACFR for the fiscal year ended June 30, 2015

Cape Fear Public Utility Authority
Consumption by Customer Group
Current Fiscal Year and Last Nine Fiscal Years

	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015	
	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	Thousand Gallons	% of Consumption
Water Customers																				
Residential	4,391,034	67.36%	4,388,084	67.84%	4,538,825	69.01%	4,155,305	70.87%	4,107,969	69.05%	3,718,024	67.27%	3,614,451	68.57%	3,651,875	69.45%	3,630,541	69.20%	3,461,812	68.80%
Commercial	1,471,111	22.57%	1,491,456	23.06%	1,469,151	22.34%	1,222,972	20.86%	1,284,322	21.59%	1,238,734	22.41%	1,175,036	22.29%	1,151,382	21.90%	1,128,569	21.51%	1,053,502	20.94%
Town of Wrightsville Beach ⁽¹⁾	147,451	2.26%	110,746	1.71%	58,587	0.89%	45,689	0.78%	47,968	0.81%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Industrial	51,503	0.79%	61,203	0.95%	76,570	1.16%	70,801	1.21%	69,941	1.18%	109,343	1.98%	90,719	1.72%	68,109	1.30%	74,645	1.42%	65,334	1.30%
Institutional and Government	457,626	7.02%	416,883	6.44%	434,346	6.60%	368,363	6.28%	439,476	7.39%	460,658	8.34%	391,058	7.42%	386,583	7.35%	413,036	7.87%	451,090	8.96%
Total	6,518,726	100.00%	6,468,372	100.00%	6,577,479	100.00%	5,863,130	100.00%	5,949,676	100.00%	5,526,758	100.00%	5,271,263	100.00%	5,257,949	100.00%	5,246,790	100.00%	5,031,738	100.00%
Wastewater Customers																				
Residential	3,685,347	64.73%	3,693,492	65.49%	3,817,961	66.11%	3,628,685	67.60%	3,524,127	66.88%	3,312,519	66.11%	3,259,728	66.14%	3,277,428	67.57%	3,287,280	67.36%	3,171,068	67.33%
Commercial	1,352,368	23.75%	1,348,764	23.91%	1,314,078	22.75%	1,099,639	20.48%	1,173,859	22.28%	1,143,289	22.82%	1,078,506	21.88%	1,048,627	21.62%	1,019,892	20.90%	956,150	20.30%
Town of Wrightsville Beach	227,431	3.99%	214,449	3.80%	212,429	3.68%	228,198	4.25%	234,896	4.46%	223,691	4.46%	254,728	5.17%	184,695	3.81%	227,370	4.66%	207,905	4.41%
Industrial	17,194	0.30%	17,174	0.30%	26,578	0.46%	24,304	0.45%	17,330	0.33%	16,613	0.33%	17,144	0.35%	15,470	0.32%	18,257	0.37%	21,027	0.45%
Institutional and Government	410,746	7.21%	366,270	6.49%	404,389	7.00%	387,238	7.21%	319,310	6.06%	314,869	6.28%	318,224	6.46%	324,198	6.68%	327,508	6.71%	353,911	7.51%
Total ⁽²⁾	5,693,085	100.00%	5,640,149	100.00%	5,775,435	100.00%	5,368,064	100.00%	5,269,523	100.00%	5,010,981	100.00%	4,928,329	100.00%	4,850,418	100.00%	4,880,306	100.00%	4,710,062	100.00%

(1) Beginning in Fiscal Year 2020, CFPUA entered into a bulk water sales contract with the Town of Wrightsville Beach.

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

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

Fiscal Year Ended June 30	Water			Wastewater		
	Locations with Actively Billed Services	Increase/ (Decrease)	% Increase/ (Decrease)	Locations with Actively Billed Services	Increase/ (Decrease)	% Increase/ (Decrease)
2024	76,101	728	0.97%	76,445	759	1.00%
2023	75,373	1,240	1.67%	75,686	1,233	1.66%
2022	74,133	1,720	2.38%	74,453	2,036	2.81%
2021	72,413	1,428	2.01%	72,417	1,311	1.84%
2020	70,985	421	0.60%	71,106	1,106	1.58%
2019	70,564	930	1.34%	70,000	865	1.25%
2018	69,634	1,022	1.49%	69,135	1,512	2.24%
2017	68,612	1,260	1.87%	67,623	1,239	1.87%
2016	67,352	1,216	1.84%	66,384	654	0.99%
2015	66,136	1,072	1.65%	65,730	731	1.12%

Source: CPFUA's Customer Information System

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

Fiscal Year Ended June 30	Gross Revenues (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Total Debt Service	Debt Coverage Ratio
2024							
Parity Debt Coverage Ratio	\$ 120,500,139	\$ 71,861,441	\$ 48,638,698	\$ 13,510,000	\$ 9,073,653	\$ 22,583,653	2.15
Total Debt Coverage Ratio				\$ 15,995,225	\$ 9,608,266	\$ 25,603,491	1.90
2023							
Parity Debt Coverage Ratio	\$ 108,121,626	\$ 59,619,493	\$ 48,502,133	\$ 12,850,000	\$ 9,723,908	\$ 22,573,908	2.15
Total Debt Coverage Ratio				\$ 14,762,860	\$ 10,179,993	\$ 24,942,852	1.94
2022							
Parity Debt Coverage Ratio	\$ 95,577,248	\$ 57,277,962	\$ 38,299,286	\$ 12,405,000	\$ 10,346,847	\$ 22,751,847	1.68
Total Debt Coverage Ratio				\$ 14,327,860	\$ 10,856,495	\$ 25,184,355	1.52
2021							
Parity Debt Coverage Ratio	\$ 111,820,092	\$ 62,645,961	\$ 49,174,131	\$ 11,330,000	\$ 11,720,500	\$ 23,050,500	2.13
Total Debt Coverage Ratio				\$ 13,262,860	\$ 12,322,339	\$ 25,585,198	1.92
2020							
Parity Debt Coverage Ratio	\$ 106,464,348	\$ 55,684,442	\$ 50,779,906	\$ 11,405,000	\$ 8,749,039	\$ 20,154,039	2.52
Total Debt Coverage Ratio				\$ 12,489,159	\$ 9,034,824	\$ 21,523,983	2.36
2019							
Parity Debt Coverage Ratio	\$ 93,741,922	\$ 49,528,402	\$ 44,213,520	\$ 11,124,000	\$ 9,899,165	\$ 21,023,165	2.10
Total Debt Coverage Ratio				\$ 12,707,047	\$ 10,471,871	\$ 23,178,918	1.91
2018							
Parity Debt Coverage Ratio	\$ 87,550,810	\$ 43,319,161	\$ 44,231,649	\$ 10,795,000	\$ 9,957,801	\$ 20,752,801	2.13
Total Debt Coverage Ratio				\$ 13,294,847	\$ 11,067,081	\$ 24,361,928	1.82
2017							
Parity Debt Coverage Ratio	\$ 85,271,003	\$ 40,961,133	\$ 44,309,870	\$ 12,825,000	\$ 8,617,881	\$ 21,442,881	2.07
Total Debt Coverage Ratio				\$ 15,300,761	\$ 9,328,777	\$ 24,629,538	1.80
2016							
Parity Debt Coverage Ratio	\$ 82,884,985	\$ 33,299,149	\$ 49,585,836	\$ 5,945,000	\$ 12,944,573	\$ 18,889,573	2.63
Total Debt Coverage Ratio				\$ 9,075,790	\$ 14,296,359	\$ 23,372,149	2.12
2015							
Parity Debt Coverage Ratio	\$ 78,349,623	\$ 31,053,037	\$ 47,296,586	\$ 6,850,000	\$ 13,056,801	\$ 19,906,801	2.38
Total Debt Coverage Ratio				\$ 12,747,145	\$ 14,633,342	\$ 27,380,487	1.73

(1) Gross revenues includes all revenues other than extraordinary items and capital contributions

(2) Operating expenses do not include depreciation and amortization expense, OPEB expense, pension expense, and the change in compensated absences. Operating expenses include pension and OPEB contributions.

Cape Fear Public Utility Authority
Ratios of Outstanding Debt by Type
Current Fiscal Year and Last Nine Fiscal Years

Fiscal Year	Revenue Bonds	Installment Obligations	ARRA Revolving Loan	DWSRF Revolving Loan	CWSRF Revolving Loans	Lease liabilities	SBITA liabilities	Total	Net Carrying Value of Capital Assets	Debt-to-Capitalization Ratio	Locations with Actively Billed Water Service	Total Outstanding Debt per Location
2024	\$ 231,889,447	\$ 3,810,000	\$ 509,185	\$ 87,959	\$ 19,481,450	\$ 8,659,520	\$ 251,081	\$ 264,688,642	\$ 881,950,679	30.01%	76,101	\$ 3,478
2023	\$ 248,585,342	\$ 4,780,000	\$ 565,762	\$ 96,755	\$ 12,197,923	\$ 9,005,481	\$ 562,986	\$ 275,794,249	\$ 854,875,432	32.26%	75,373	\$ 3,659
2022	\$ 264,873,714	\$ 5,760,000	\$ 622,338	\$ 105,551	\$ 13,065,411	\$ 6,748,903	\$ 548,415	\$ 291,724,332	\$ 825,042,513	35.36%	74,133	\$ 3,935
2021	\$ 280,969,614	\$ 6,750,000	\$ 678,914	\$ 114,347	\$ 13,932,898	\$ 5,832,353	\$ -	\$ 308,278,126	\$ 812,970,279	37.92%	72,413	\$ 4,257
2020	\$ 296,364,361	\$ 7,750,000	\$ 735,490	\$ 123,142	\$ 16,767,280	\$ 5,570,234	\$ -	\$ 327,310,507	\$ 776,654,240	42.14%	70,985	\$ 4,611
2019	\$ 250,034,259	\$ 8,765,000	\$ 792,065	\$ 131,937	\$ 13,582,207	\$ 6,039,138	\$ -	\$ 279,344,606	\$ 736,730,114	37.92%	70,564	\$ 3,959
2018	\$ 264,372,354	\$ 9,795,000	\$ 848,642	\$ 140,733	\$ 9,320,528	\$ 6,490,007	\$ -	\$ 290,967,264	\$ 697,182,242	41.73%	69,634	\$ 4,179
2017	\$ 278,443,921	\$ 11,741,800	\$ 905,219	\$ 149,529	\$ 8,139,178		\$ -	\$ 299,379,647	\$ 676,771,310	44.24%	68,612	\$ 4,363
2016	\$ 294,031,807	\$ 13,679,800	\$ 961,795	\$ 158,325	\$ 8,611,567		\$ -	\$ 317,443,294	\$ 658,491,656	48.21%	67,352	\$ 4,713
2015	\$ 291,532,167	\$ 29,044,491	\$ 1,018,371	\$ 167,121	\$ 8,696,154		\$ -	\$ 330,458,304	\$ 635,714,148	51.98%	66,136	\$ 4,997

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

Fiscal Year Ended June 30	City of Wilmington Population (1)	New Hanover County Population (1)	New Hanover County Median Age (1)	Local Unemployment Rate % (2)	New Hanover County Median Household Income (1)
2024	Not available	Not available	Not available	4.1%	Not available
2023	Not available	Not available	Not available	3.3%	Not available
2022	120,320	234,921	40.1	3.1%	70,485
2021	117,642	229,018	40.5	4.6%	66,097
2020	115,451	225,702	40.6	8.8%	56,689
2019	123,728	234,473	40.1	3.8%	56,382
2018	122,610	232,274	39.3	4.0%	52,239
2017	119,048	227,198	39.0	4.5%	52,674
2016	117,545	223,483	39.1	5.0%	50,028
2015	115,947	220,358	38.3	5.8%	52,685

(1) Statistics are based on U.S. Census Bureau 1-year American Community Survey data for non-decennial years and census data for decennial years

(2) Statistics are for New Hanover County from the North Carolina Department of Commerce

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

2024				2015			
Employers	Employees (1)	Rank	Percentage of Total County Employment	Employers	Employees (3)	Rank	Percentage of Total County Employment
Novant Health	8,553	1	6.60%	New Hanover Regional Medical Center	6,123	1	5.76%
New Hanover County Schools	3,700	2	2.86%	New Hanover County Schools	4,443	2	4.18%
GE Hitachi Nuclear Energy and GE Aerospace	3,300	3	2.55%	GE Wilmington	2,175	3	2.05%
University of North Carolina Wilmington	2,326	4	1.80%	University of North Carolina at Wilmington	1,860	4	1.75%
New Hanover County Government	2,124	5	1.64%	Wal-Mart Stores	1,755	5	1.65%
Thermo Fisher Scientific	1,700	6	1.31%	New Hanover County	1,611	6	1.52%
Cape Fear Community College	1,283	7	0.99%	PPD, Inc.	1,500	7	1.41%
City of Wilmington	1,191	8	0.92%	Verizon Wireless	1,411	8	1.33%
Wilmington Health	1,116	9	0.86%	City of Wilmington	998	9	0.94%
Corning	1,000	10	0.77%	Cape Fear Community College	600	10	0.56%
			20.30%				21.16%
Total # Employed at June 30 of the respective FY (2)			129,544	Total # Employed at June 30 of the respective FY (3)			106,218

(1) Source: 2024 Book on Business; www.wilmingtonbiz.com

(2) Source: www.nccommerce.com, Area Profile for New Hanover County

(3) Source: CFPUA ACFR for the fiscal year ended June 30, 2015

Cape Fear Public Utility Authority
Full Time Equivalent Employees
Current Fiscal Year and Last Nine Fiscal Years

Departments	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General - Administrative										
Administration	5	4	3	2	4	3	4	5	5	5
Communications	2	2	2	2	0	0	0	0	0	0
Finance	14	14	14	12	12	12	12	12	12	12
Human Resources	5	4	4	4	4	4	4	4	4	4
Public & Environmental Policy	0	0	0	3	3	3	-	-	-	-
Information Technology	12	11	9	9	9	9	9	6	6	6
Treatment & Engineering										
Administration	5	5	5	5	3	3	3	3	3	3
Engineering	17	17	17	17	19	19	19	19	19	17
Project Management	7	6	6	6	5	5	5	5	5	5
Centralized Maintenance	22	22	22	22	21	21	19	19	14	14
Water Treatment	30	30	30	28	28	27	26	25	25	24
Wastewater Treatment	33	33	33	32	32	29	31	30	30	30
Linear Assets & EMS										
Administration	0	4	4	4	3	3	3	3	3	3
Utility Services	93	94	94	94	93	90	90	85	90	87
Environmental Management & Sustainability	34	33	33	30	30	29	30	30	30	30
Customer Service	57	57	55	54	57	57	54	53	53	50
Total FTE's	335	335	330	324	323	314	309	299	299	290

Source: CFPUA's Human Resource Management System

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

Fiscal Year Ended June 30	Water Processed and Pumped to System	Wastewater Treated
2024	7,580,103	6,432,967
2023	7,442,482	6,174,504
2022	7,336,305	6,245,760
2021	7,066,400	6,639,350
2020	7,041,169	6,089,721
2019	6,917,279	7,151,000
2018	6,628,000	6,382,135
2017	6,488,231	6,266,178
2016	6,353,470	6,865,851
2015	6,038,539	6,379,565

Source: CFPUA's Supervisory Control and Data Acquisition (SCADA) System

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water System										
Locations with actively billed services	76,101	75,373	74,133	72,413	70,985	70,564	69,634	68,612	67,352	66,136
Number of treatment plants - surface water system	1	1	1	1	1	1	1	1	1	1
Treatment capacity (mgd) - surface water	44.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
Average production (mgd) - surface water	16.92	16.57	16.06	15.47	15.34	15.44	14.49	14.63	14.35	13.56
Number of groundwater systems	2	2	2	2	2	2	2	2	3	3
Number of treatment plants - groundwater system	1	1	1	1	1	1	1	1	1	1
Number of active wells - groundwater system	43	45	43	41	39	37	38	37	34	36
Treatment capacity (mgd) - groundwater plant	7.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00
Treatment capacity (mgd) - other groundwater systems	1.31	1.31	1.31	1.02	1.02	1.02	1.02	0.90	0.70	0.70
Average production (mgd) - groundwater	3.83	3.91	4.04	3.89	3.49	3.49	3.07	3.08	3.04	2.94
Miles of water mains	1,217	1,155	1,153	1,160	1,150	1,142	1,131	1,113	1,114	1,089
Wastewater System										
Locations with actively billed services	76,445	75,686	74,453	72,417	71,106	70,000	69,135	67,623	66,384	65,730
Number of treatment plants	2	2	2	2	2	2	2	2	3	3
WPC plant permit (mgd)	28.00	28.00	28.00	28.00	28.00	28.00	28.10	28.10	28.10	28.10
Average annual daily flow (mgd)	17.58	16.917	17.11	18.19	16.85	19.59	17.49	17.16	18.76	17.48
Number of lift stations	159	158	154	151	150	147	148	146	142	143
Miles of wastewater gravity mains	940	935	927	917	907	912	892	877	848	844
Miles of wastewater force mains	163	163	160	155	154	144	143	142	131	131
Number of manholes	23,602	23,425	23,067	22,729	22,395	22,134	22,097	22,017	21,221	21,049

Sources: CFPUA's Supervisory Control and Data Acquisition (SCADA) System; Customer Information System; and Asset Management System

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board 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 financial statements of the **Cape Fear Public Utility Authority** (the "Authority") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 26, 2024.

Report on 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) as a basis for designing 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid.

Raleigh, North Carolina
September 26, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the **Cape Fear Public Utility Authority's** (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our ethical and other responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, LLC

Raleigh, North Carolina
September 26, 2024

CAPE FEAR PUBLIC UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported
In accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal program:

Assistance Listing Number

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal
Recovery Funds

Dollar threshold used to distinguish between Type A and
Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

State Awards

An audit of major programs for State of North Carolina awards was not performed as the Authority's total expenditures of state funds did not exceed the \$500,000 threshold.

CAPE FEAR PUBLIC UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CAPE FEAR PUBLIC UTILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

None reported.

Cape Fear Public Utility Authority
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing or Other <u>Identifying Number</u>	State/ Pass-through Grantor's <u>Number</u>	Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>
Federal Awards:				
<u>Department of the Treasury</u>				
Passed-through the North Carolina Department of Environmental Quality:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SRP-W-ARP-0062	\$ 9,920,787	\$ -
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	MRF-D-ARP-0006	73,698	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	MRF-D-ARP-0007	73,698	-
Total Department of the Treasury			<u>\$ 10,068,183</u>	<u>\$ -</u>
<u>U.S. Environmental Protection Agency</u>				
Passed-through the N.C. Dept. of Environmental Quality:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370923-12	\$ 2,331,743	\$ -
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370923-13	496,808	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	SRF-D-LSL-0012	149,380	-
Total U.S. Environmental Protection Agency			<u>\$ 2,977,931</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 13,046,114</u>	<u>\$ -</u>
State Awards:				
<u>North Carolina Department of Environmental Quality</u>				
Volkswagen Mitigation Settlement		2000047611	\$ -	\$ 12,000
Total North Carolina Department of Environmental Quality			-	12,000
Total State Awards			<u>\$ -</u>	<u>\$ 12,000</u>
Total Assistance			<u>\$ 13,046,114</u>	<u>\$ 12,000</u>

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

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Cape Fear Public Utility Authority under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only the expenditures of federal and state awards, it is not intended to and does not present the Authority's financial position, changes in net position, or cash flows.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.