

2008 ANNUAL REPORT OF THE CITY/COUNTY UTILITY COMMISSION

Winston-Salem • Forsyth County
City/County Utilities
Water • Sewer • Solid Waste Disposal



Prepared By:
The Utilities Division
Of The Public Works
Department

January 2009

THE NEW BIOSOLIDS DRIER AT THE ARCHIE ELLEDGE WASTEWATER
TREATMENT PLANT HELPS THE ENVIRONMENT AND SAVES MONEY.

COMMISSION MEMBERS

Paschal “Pat” W. Swann, Chairman

Toy T. Beaty

Harold R. Holmes

James E. Lowe

Paul S. McGill

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Al H. Seymour

Stephen M. Shelton

J. Hill Stockton

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interoffice
MEMORANDUM

To: Lee D. Garrity, City Manager
From: Gregory M. Turner, P.E., Assistant City Manager
Subject: City/County Utility Commission Annual Report to the City Council
Date: January 21, 2009

The Public Works Department is pleased to present the sixth annual City/County Utility Commission Annual Report. The goal of this report is to highlight our financial status, cost of service, service quality levels, and the status of our water, sewer, and solid waste programs.

As in the past, this report addresses the regulations on water, sewer, and solid waste operations as well as the challenges provided by more private sector competition on the solid waste programs and our strategy for meeting those challenges.

The Utilities Division will continue to maintain and upgrade our community's facilities, water distribution and wastewater collection systems, wastewater treatment processes, and solid waste programs to assure the public health of the community is preserved.

The City/County Utility Commission and the Utilities Division staff strive to deliver safe and reliable low cost but high quality services to our customers.

Gregory M. Turner, P. E.
Assistant City Manager

Introduction

The City/County Utility Commission is a self-financing enterprise with over 350 experienced professionals who are diligent in working to provide reliable services to our customers. The Commission endeavors to make sound financial decisions and exercise good business practices as evidenced by having some of the lowest water and sewer rates in the State of North Carolina. Staff has maintained over 2,068 miles of water main lines and more than 1,560 miles of collector/interceptor sewer lines during FY2007-08. This year approximately 14.8 billion gallons of water has been treated and pumped and approximately 23,789 tons of pollutants were removed from our system by regulated treatment processes. The Utility Commission and the staff of the Utilities Division work to provide water, sewer, and solid waste services for more than 117,000 customers within the city of Winston-Salem, Forsyth County, and the towns of Clemmons, Kernersville, Rural Hall, Walkertown, and Lewisville.

The Solid Waste Management program continues to support and provide recycling services to over 74 school campuses in the Winston-Forsyth County school system including maintenance and administration facilities. The Solid Waste fund also supports the City of Winston-Salem's Curbside Collection Program and the County's Drop-Off Program for residential recycling.

As in previous years, public education efforts were aimed at keeping our customers informed about Utility Division policies, programs, and projects. Information campaigns this year have focused on cross-connection control, sewer back-flows, and proper grease disposal to eliminate overflows. Materials were printed in both English and Spanish and were distributed to the community through ads in local newspapers and the City of Winston-Salem's cable channel, TV-13.

The division takes seriously the responsibility to maintain the training certification and skills of its employees. The staff works very hard to improve their operating knowledge and professional expertise in the areas of water, wastewater, and landfill operations.

Description and Purpose

Appointed Board: Utility Commission (City/County)

Date of Inception: Authority for establishing the Utility Commission is N.C.G.S. 160A-460 et.seq. The Utility Commission was created by an interlocal agreement between the City of Winston-Salem and Forsyth County on April 20, 1976.

Current Structure: 11 member Commission: Five members appointed by City Council upon recommendation of the Mayor; five members appointed by Forsyth County Board of Commissioners; the Chairperson of the Utility Commission appointed jointly by the Mayor and the Chairperson of the Forsyth County Board of Commissioners.

Chairperson serves two-year term; five-term limit. Remaining 10 members serve staggered five-year terms; two-term limit.

Purpose: Set policy for all publicly owned water, wastewater, and solid waste disposal facilities;

Be responsible for the long range planning, funding, operation and maintenance of the above facilities;

Fix rates, charge assessments, and provide improvements and extensions to utilities facilities;

Review utility extension policies and rate structures;

Receive comments and suggestions from the public and hold public hearings concerning matters under the authority of the Commission.

Description of Utilities Division Responsibilities:

The Utilities Division of the City of Winston-Salem performs all responsibilities for water treatment and distribution, sewage collection and treatment, and solid waste disposal in accordance with policies established by the Utility Commission. The Utilities Division provides day to day technical and administrative assistance to the Commission. The division is also responsible for capital improvements under the direction of the Commission. Management of the Utilities division offers information to the Commission regarding policy changes that will benefit citizens and future growth, maintenance and operation of the system.

History

The Utility Commission was created on April 20, 1976 through a joint consolidation agreement between the City and the County. Under the terms of the agreement, the Utility Commission would operate all water and sewer facilities throughout the City and the County under policies established by the Commission and subject to the provisions and guidelines of the agreement. At the beginning of fiscal year 1976-77, when the agreement went into effect, the County conveyed all real property, equipment, supplies and materials constituting a part of the County's water and sewerage facilities, including existing water and sewer lines, to the City of Winston-Salem. The City of Winston-Salem agreed to pay to the County, from utility revenues, the amount needed by the County to meet its water and sewer debt service obligations, which were all satisfied in FY1999-2000.

On February 19, 1990, the City and the County approved an amendment to the original consolidation agreement authorizing the Commission to provide solid waste disposal services as well as create a source reduction and recycling program. The responsibilities given to the Commission under this amendment includes composting, land filling and all other measures necessary to comply with North Carolina General Statute 130A, as amended, and all other applicable state and federal laws and regulations.

In October 1996, the consolidation agreement was amended once again. The second amendment authorized the Commission to charge customers outside of Forsyth County a premium rate for water and sewer treatment services and to set aside one half of the rate in excess of the Forsyth County rate in an Economic Development Fund. Additionally, the second amendment allowed customers that were members of the Region I Council of Government who were outside of Forsyth County to have separate contracts with the Commission.

A third amendment to the consolidation agreement was approved on January 6, 2003 which allowed the Commission to use monies in the utilities fund for the purchase of land. The amendment stipulated that any such purchase made by the Commission must be consistent with the Legacy Planning Guide.

Ownership

The Utility Commission operates all water and sewerage facilities of the consolidated system as originally agreed upon. It was the intent of the original agreement and subsequent amendments that the Commission maintains, operate, and improve all of the system assets. All decisions regarding the management of these assets are delegated to the Commission by the City and County except for decisions about the disposal of these assets. Ownership and the responsibility for the disposal of these assets is the City's, pursuant to the original 1976 consolidation agreement. The Utility Commission has no authority to issue bonds or incur debts without prior approval from the City Council.

Governance

The Commission has three standing committees: The Operations Committee which considers items relating to the long-term operation of both the water/wastewater and solid waste disposal programs; the Finance Committee which considers items related to the finances of both the water/wastewater and solid waste disposal programs; and the Planning and Policy Committee which considers changes to policies and procedures for the operation of the water/wastewater and solid waste disposal programs. Committee membership is as follows: four members shall belong to the Finance Committee, three members on the Operations Committee and three members shall sit on the Planning and Policy Committee. The Chair of the Commission appoints the members of each committee and designates one person as Committee Chairperson and another as Vice-Chairperson.

Finances of the Commission

Funding to operate, maintain and extend City/County water and sewer services comes from four sources: water/sewer user fees, assessments, interest earned on the Utility Commission's reserve funds, and from revenue bonds issued against the Commission's revenue stream. Funds to operate and expand the solid waste disposal programs come from two sources, tipping fees and special obligation bonds approved by the City Council.

Utility Commission policies provide that Capital Improvement Program projects like plant expansions, major facility upgrades, transmission mains, outfalls, and pump stations are funded through user fees charged bi-monthly to customers for water and sewer services. These facilities benefit all customers and therefore, all customers are expected to help fund them. Each year the Utility Commission determines if new projects in these categories should be paid for with generated balances from fund user fee funds or financed with new debt.

These decisions are made based on the cost of financing and financial advisement from the City's Chief Financial Officer. The Commission receives no financial support from property or sales taxes paid by citizens of Winston-Salem or Forsyth County.

The local collection and distribution systems, known as street mains, are funded by the properties that they serve. When new properties are developed, system lines are required to be installed by the developer and subsequently dedicated to the Utility Commission for ownership and operation. When owners of existing properties request service extensions, the extension requests are provided for under the Utility Commission's assessment programs.

The Utility Commission's policies for setting assessment rates follow the guidance established in the North Carolina General Statutes. Each year the Commission reviews construction costs from the previous year and sets a new assessment rate designed to recover the cost of a typical installation. New customers benefit from this process in that the rates they are assessed are from previous years' construction costs and are not adjusted upward for annual inflationary factors. In many cases, customers are not actually assessed for two to three years after the cost of the extension is established, allowing them a considerable discount against the actual cost of installation.

Operations of the Commission

The Utilities Commission and its staff adhere to the same general processes and procedures regarding the operation of its systems as all other City Departments. Day to day operations of the City/County Utility Division Systems is administered in the Utilities Division under the management of the Assistant City Manager or the City Manager. The financial assets are managed by the Finance Department and the City's Budget Office assists with the preparation of the Commission's budget. Negotiations for property acquisitions are conducted by the Real Estate Office while the Purchasing Office manages all other system asset acquisitions. The Engineering Division provides the Utilities Division with design and project management services for main line extension projects. Additionally, due to the specialized nature of the work of division operations and facilities, outside consultants may be enlisted to provide assistance in scopes of service outside of staff expertise. The City Attorney's Office provides legal assistance to the Commission and its staff when necessary. Major maintenance and repairs of the division's building facilities are handled through the Property Management Division.

Water and Wastewater Overview

Review of FY2007-08 Operational and Financial Data

During FY2007-08, approximately 14.8 billion gallons of water was treated and pumped, over 11.4 billion gallons of wastewater was treated and 23,789 tons of pollutants were removed from the waste stream. More than ninety nine percent (99.999%) of the wastewater generated by the system's customers was collected and delivered to the Commission's treatment facilities.

For FY2007-08, total operating revenues were \$57,877,380. This was \$733,430 more than budgeted. The revenue for FY2007-08 was \$4,558,673 more than FY2006-08. The increase in revenue is attributed to the 7% rate increase that went into affect October 1, 2007, and in part due to increased consumption by the users.

Operating expenditures totaled \$39,734,274, which was \$2,217,066 less than the budgeted expenses of \$41,951,340. The bulk of the operational savings were in the areas of operational supplies, parts and tools, and in electrical savings, due primary to starting the operation of the biosolids drying facility later in the year than the budget anticipated. The net change in the assets for the water and sewer fund after debt service, investment income, and all other non-operating cost was \$9,472,940.

The Winston-Salem/Forsyth County Utility System's revenue bonds have the following credit ratings: AAA from Standard and Poor's Rating Agency (one of 53 ratings nationwide); Aa2 from Moody's Investor Service and AA from Fitch. High credit ratings result in debt being issued at lower interest costs when financing capital improvements. Given the projections of capital needs for the next five years, a lower cost of capital will enable the Commission to meet those needs with greater savings.

Status of Water and Wastewater Projects

Water Distribution

The City/County Utility Commission (CCUC) oversees the operation of the water distribution system. During this fiscal year over 32 miles of new main lines have been added to the system that provides treated water to a large portion of Winston-Salem and Forsyth County.

Maintenance and repair of the existing systems assure our customers that all components of the infrastructure are in proper functioning condition.

Water Treatment

The Utilities Division continues their commitment to improve the efficiency and operation of its facilities. During FY2007-08, the commission awarded a \$55.2 million to build a new plant which will replace the 83 year old R A Thomas Water Treatment Plant. The Thomas plant is the oldest of the three water treatment plants in Forsyth County. The plans include replacing the treatment facilities, the finished water storage facilities and the finished water pumping facilities with new construction and modern technology.

Wastewater Collection

During the past year, over \$6.4 million was invested in sewer main rehabilitation projects. These projects replace older less reliable infrastructure with newer sewer lines, resulting in fewer leaks and service interruptions. These improvements correct problems such as cracked pipes, misaligned joints, sagging lines, and root intrusion.

The majority of the rehabilitation projects included replacing approximately 33,764 feet of gravity sewer mains, 216 manholes, and 638 service laterals. The sewer mains rehabilitated primarily ranged in size from 6” to 18” and took place in the areas of Ardmore Branch Outfall, the West Salem area, and the West End and adjoining areas. Additional projects are scheduled in FY2008-09 for the Ardmore area sewer, Polo Road outfall, Muddy Creek Basin study. These improvements total \$8.1 million.

Wastewater Treatment

The Muddy Creek Wastewater Plant is one of two wastewater treatment facilities that process wastewater generated by a variety of customers. Construction of an effluent pump station to handle high flows during storm events was recently completed at the plant. The new pump station and emergency generators that were added last year are needed to protect the treatment process during flood events. Bids on the pump station were received in August 2006 and an award was authorized in September 2006. The total contract award approved was \$2.4 million. Construction was completed in September 2007 for a total cost of \$2,438,100.00.

At the Archie Elledge Wastewater Treatment Plant, construction of the Class A Biosolids Drying Facility was completed in March 2008. This facility utilizes excess methane from the existing treatment process to dry dewatered biosolids into a pellet much like granular fertilizer. A contract for the construction of this facility was awarded in the amount of \$23.0 million. The drying facility is a part of the Commission's Biosolids Management CIP. Included with the drying facility were improvements to the digester mixing systems, additional dewatering capability, and a biosolids transfer pipeline from the Muddy Creek plant. The total cost of the Class A Biosolids Drying Facility was \$29.9 million. Upon completion of the drying facility, a contract with Pinegro, Inc. was awarded for disposal of the Class A product produced. The contract with Pinegro will provide the commission with a new revenue stream of three dollars per ton over the next three years on all product disposed of.

The Elledge Plant has been in operation since 1959 and many parts of the plant are showing signs of deterioration. As a result of the existing conditions, an assessment of the oldest portions of the plant was made. The most serious conditions exist in the oldest portions of the plant such as the intermediate pumping station inside the main control building, the electrical distribution system and the underground pipe associated with the primary clarifiers. One underground 60-inch pipe has already collapsed due to corrosion effects. The most significant structural issue identified to date is the concrete floor over the intermediate pumping station. It has deteriorated to the point that it is now unsafe to walk on it. A recent engineering analysis of this facility concluded that there are only a few more years remaining in its useful life. The improvements necessary to mitigate any deficiencies identified with the pump station and other older portions of the plant will be constructed as a part of the Commission's Primary and Preliminary Treatment Upgrade project. Bids on the project were received in September 2008 and an award was authorized in November 2008. Construction is expected to be complete in September 2010. The total contract award approved was \$51.9 million.

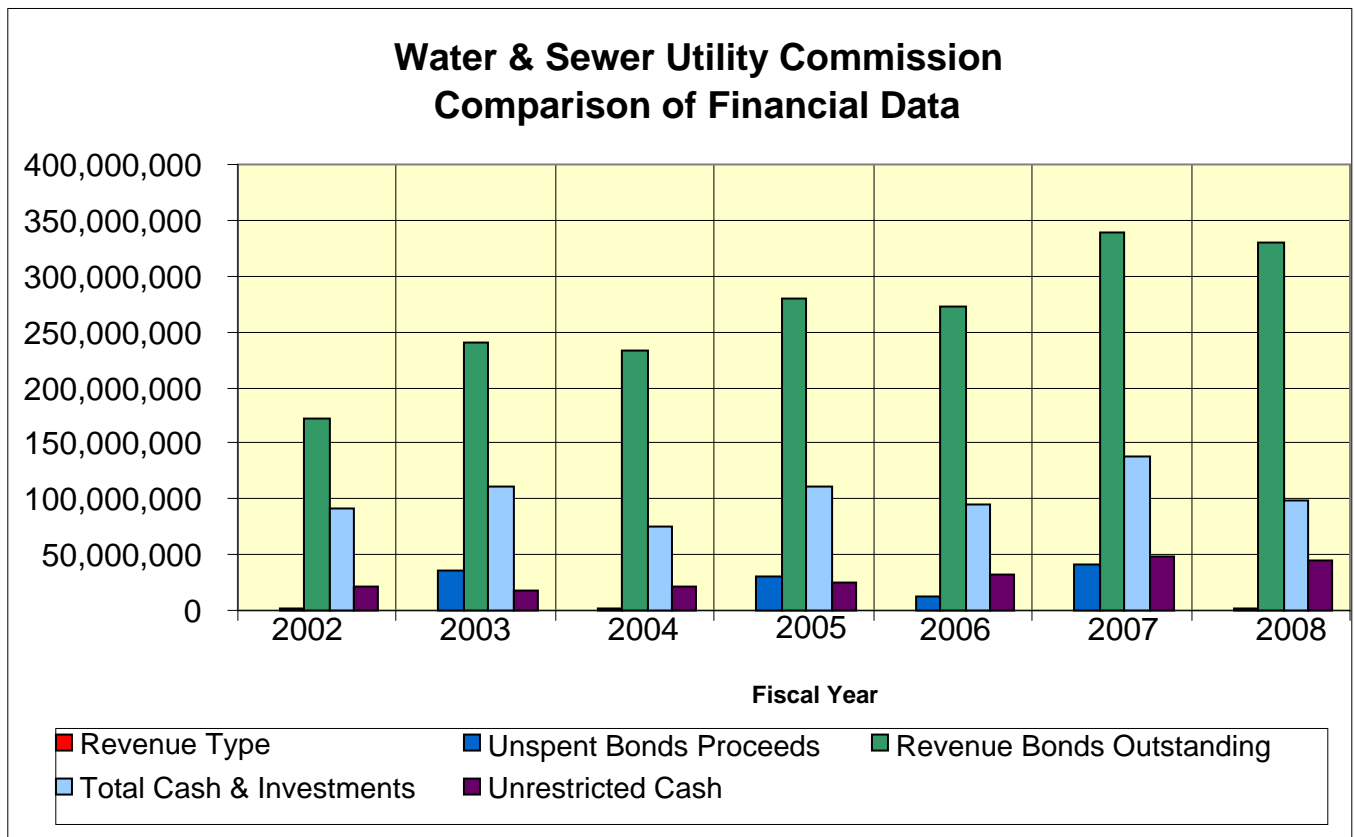
KEY DATA COMPARISONS

THEN AND NOW

Water	1976*	2008
Total Water Customers	54,985	117,484
Miles of Water Lines	1,046	2,068
Water Treated Per Day	29MGD	40.6 MGD
Number of Employees	126	172
Sewer	1976	2008
Total Wastewater Customers	31,385	88,516
Miles of Sewer Lines	690	1,560
WW Treated Per Day	21.5MGD	31.3 MGD
Number of Employees	134	155

(Figure A)

- The City of Winston-Salem City Council and the Forsyth County Commissioners created the joint City/County Utility Commission.



(Figure B)

WATER & SEWER CHARGES FOR FIVE MAJOR MUNICIPALITIES
(Based on 800 cf monthly) ¹

City	No. of Customers	Monthly Charge	Median Household Income	*Cost of Service As % of Median Household Income
Durham	81,582	\$51.87	\$45,888	1.36%
Charlotte	250,000	\$45.60	\$52,690	1.04%
Greensboro	95,313	\$43.20	\$40,211	1.29%
Raleigh	184,050	\$30.24	\$51,071	0.71%
Winston-Salem	117,484	\$28.70	\$39,589	0.74%

(Figure C)

¹ According to EPA data, costs of water and sewer are considered affordable if the total cost of service is less than 2.5% of the Median Household Income.

Future Challenges and Opportunities

Wastewater Treatment

In 2004, a wastewater treatment master plan was developed that considered wastewater flow projections and future, more restrictive effluent limits. While flow projections predicted growth in sewer flows, new treatment capacity is not expected to be needed within the next ten years. However, more restrictive effluent limits on our treatment permits are anticipated. New permits will be issued in 2009 and again in 2014 which are both within the current CIP window. Staff anticipates that the 2014 permits will contain nutrient limits (for nitrogen and/or phosphorus) which will require a major capital expenditure to construct nutrient removal processes at both wastewater treatment plants.

The need for nutrient removal stems from High Rock Lake being listed as impaired by the North Carolina Division of Water Quality (DWQ). The water quality in High Rock Lake has been deemed impaired for chlorophyll and turbidity. Chlorophyll is formed by microbiological growth when the proper amounts of nutrients (nitrogen and phosphorus) are present in the water. The sources of these nutrients vary but are mostly due to non-point source runoff and point source discharges. Turbidity is the result of erosion due to runoff and impairs the waters by preventing sunlight to penetrate or increasing sediment deposition. Once a waterbody is listed as impaired, DWQ is under a mandate by the US Environmental Protection Agency to issue a Total Maximum Daily Load limit. A TMDL will quantify how much contaminant load the waterbody can naturally assimilate.

The TMDL for High Rock Lake must be issued by 2012. Staff anticipates that due to the TMDL, specific limits for nitrogen and/or phosphorus will be included in the issuance of the 2014 permits for both wastewater plants.

To plan for this, staff has been working with various consultants to determine the potential nutrient removal processes that could be considered for both the Archie Elledge and Muddy Creek Wastewater Treatment plants. Significant plant modifications will be required to construct nutrient removal processes to meet these anticipated tighter limits. A capital improvement project will be proposed to plan for this upcoming regulatory requirement so that our facilities can continue their excellent compliance record, once specific limits have been determined.

Wastewater Collection System Permit Compliance Process

The Utilities Division has been operating under Wastewater Collection System Permit issued by the NC Division of Water Quality (DWQ) since August 2005. This permit sets requirements on system performance, operations, maintenance, record keeping, monitoring and reporting, and inspection expectations that have immediate impact to the commission's operation. The permit also requires that system owners and operators demonstrate that a proactive and preventative maintenance program is in place to eliminate overflows.

The Utilities Division has spent significant effort refining preventive maintenance programs. In 2008, three different preventive sewer line maintenance contracts were put in place: chemical root control, hydraulic and mechanical cleaning of sewer lines and Right-of-Way maintenance. Each maintenance contract has the ability to be renewed each year. These contracts will help supplement our staff resources and help achieve the goals required in the Permit.

Also, a new crew dedicated to cleaning large diameter mains was approved in the FY2009 budget. Once this crew is hired and trained, it will focus on cleaning sewer mains 18" and above. This is a specific need because large sewer mains are the arteries of the system. These mains carry large volumes of flow and over time have a tendency to accumulate sediment and other deposits that reduce their carrying capacity. This crew will utilize existing hydraulic equipment to remove the sedimentation and thus recapture capacity while cleaning the line. This will be another positive step towards proactive preventative maintenance and reducing the potential for sanitary sewer overflows.

During 2008, DWQ began issuing Notice of Violations (NOV) for every Sanitary Sewer Overflow (SSO) that is reported. Civil Penalties were also levied as a result of any overflows over 1,000 gallons deemed preventable by DWQ. In 2008, our system received 83 NOVs and was issued fines of \$1,432 for five of these SSOs. An SSO reduction team of staff continues to identify causes of SSOs and actively plans projects in an effort to reduce SSOs and infiltration and inflow into the sewer system.

DWQ also implemented a new flow tracking certification process for new sewer extensions to the system in January 2008. With the assistance of a consulting engineer, the staff has implemented a Capacity Assurance Program which looks at each new request for sewer service and evaluates the

systems ability to convey the new flow from the point of connection to the treatment plan. Any bottlenecks or capacity concerns are identified in the process and decisions are then made on what improvements can be made to allow the new flow or the application is rejected.

In addition, staff developed a database application that streamlined the flow tracking process known as “Flowcap”. During the plan review process, data is entered into the Flowcap application which then tracks the flow throughout the development process. As development occurs, new flow that has been permitted (theoretical flow) becomes actual flow into the system. DWQ requires that systems keep track of how much “theoretical flow” they have promised to the development community and compare it along with actual flows at the treatment plant to their permitted capacity in order to not over allocate. Due to the staff’s innovative approach with the Flowcap application, we have a model that satisfies the state requirements and protects our ability to self permit.

Meeting the requirements for our Collection System Permit is our highest priority. It has required the implementation of new programs and additional personnel to cover the operational requirements like annual inspections, preventive maintenance programs, system monitoring, recordkeeping, and rapid response to overflow events. Also, coordination of various internal and external resources to meet this obligation has been required. Even with budget cuts, staff is meeting state requirements with the use of existing staff, and contracted services.

Wastewater Collection/System Performance

The Commission oversees the third largest collection system in North Carolina and although the Utilities Division has more than 70 employees dedicated to operating and maintaining the system, sanitary sewer overflows will unfortunately continue to occur. Sanitary sewer overflows occur when sewer lines are obstructed or have reduced capacity due to inflow or infiltration of ground or surface water. Sewer overflows must be reported whenever more than 1,000 gallons is spilled or any amount of untreated sewer reaches a surface water body.

During FY 2007-08, the Utilities Division experienced 35 overflows greater than 1,000 gallons; just under half, 42%, of all line blockages were attributed to the accumulation of fats, oils, and greases in the collection system. This is a reduction in the amount sanitary sewer overflows attributed to fats, oils, and grease, down to 55 events from the 79 reported last year. This reduction is indicative of the continued effectiveness of the Commission's Grease Interceptor Ordinance (enacted 2003) and public education efforts. In addition, the reduction of grease related events is attributable to maintenance personnel's proactive approach to cleaning the publicly maintained portion of sewer connections and keeping sewer main lines clean and free of grease as well as tree roots and debris, which are the other major contributors to line blockages. This year we have also spent \$775,000 on contracted mainline cleaning as well as chemical root treatment which allowed us to clean approximately 702,785 linear feet of sewer.

In summary, the sanitary sewer system has new requirements for improving operational performance. Although effort is currently being placed on operational performance and major system improvement projects, much more effort will be required. As a result, more staff, equipment, information technology, and funding must be available and in place to ensure success.

Budgetary Savings Efforts and Opportunities

With the downturn in the economy and its subsequent impact on the community, Utilities has looked for opportunities to reduce operating and capital costs for the remainder of FY2009. Operational cost savings opportunities were found in reducing housekeeping and mowing expenses, reducing pump station inspections, reduced replacement of stock supplies, parts and tools, reducing some contracted services, and eliminating remaining operating expenses at the Thomas Plant. In addition, all replacement capital equipment not purchased by October 2008 will be deferred. These operational cost savings opportunities total approximately \$1.0 million and are currently being pursued.

Also, staff reviewed the current list of capital projects to determine if any could be eliminated or deferred until a later year. Staff identified approximately \$1.9 million in existing capital projects that could be either deferred. Combined with the operational cost savings, the total water and sewer cost savings opportunities for the remainder of FY2009 will be approximately \$2.9 million.

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-4

Water and Sewer Utility Fund - Statement of Net Assets
June 30, 2008 and 2007

Assets	2008	2007
Current Assets		
Cash and cash equivalents	\$ 45,574,471	\$ 49,090,453
Receivables, net of allowance for uncollectibles		
Accounts	8,691,851	8,338,862
Assessments	1,013,801	1,194,325
Total receivables	<u>9,705,652</u>	<u>9,533,187</u>
Due from other governments	192,000	-
Inventories	<u>2,509,015</u>	<u>2,398,364</u>
Total current assets	<u>57,981,138</u>	<u>61,022,004</u>
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents		
Equipment and replacement fund		
Reserved	51,098,691	48,417,217
Unreserved	-	-
Construction		
Trustee construction fund	2,297,087	40,951,008
Capital fund	-	-
Total restricted assets	<u>53,395,778</u>	<u>89,368,225</u>
Property and Equipment		
Land	13,468,824	12,750,280
Buildings	167,961,871	149,698,613
Improvements other than buildings	552,231,399	503,975,726
Machinery and equipment	16,758,749	16,411,264
Construction in progress	79,103,230	93,613,881
Total property and equipment	<u>829,524,073</u>	<u>776,449,764</u>
Less accumulated depreciation	<u>254,066,565</u>	<u>235,780,261</u>
Property and equipment, net	575,457,508	540,669,503
Other		
Unamortized financing costs	2,602,042	2,717,490
Total noncurrent assets	<u>631,455,328</u>	<u>632,755,218</u>
Total assets	<u>689,436,466</u>	<u>693,777,222</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 5,905,747	\$ 4,474,540
Accrued payroll	219,125	566,134
Accrued interest payable	644,452	906,070
Prepaid assessments	255,697	329,744
Current maturities		
Contracts payable	595,814	378,965
Bonds payable	10,735,000	9,590,000
Total current liabilities	<u>18,355,835</u>	<u>16,245,453</u>
Noncurrent liabilities		
Contracts payable from restricted assets	2,514,423	7,981,847
Accrued vacation	664,526	658,698
Contracts payable	996,722	1,204,732
Bonds payable	317,073,641	327,328,113
Total long-term liabilities	<u>321,249,312</u>	<u>337,173,390</u>
Total liabilities	<u>339,605,147</u>	<u>353,418,843</u>
Net Assets		
Invested in capital assets, net of related debt	245,751,376	240,919,855
Restricted	<u>104,079,943</u>	<u>99,438,524</u>
Total net assets	<u>\$ 349,831,319</u>	<u>\$ 340,358,379</u>

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-5

Water and Sewer Utility Fund - Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Sales		
Water	\$ 32,113,941	\$ 28,723,810
Sewer	23,747,756	22,215,852
Industrial waste surcharge	1,975,683	2,339,045
Total sales	<u>57,837,380</u>	<u>53,278,707</u>
Charges for services		
New connections	1,984,898	1,699,695
Special area and privilege charges	262,437	525,625
Main line capital cost revenue	199,010	251,088
Total charges for services	<u>2,446,345</u>	<u>2,476,408</u>
omitting	<u>2,277,287</u>	<u>2,253,633</u>
Total operating revenues	<u>62,561,012</u>	<u>58,008,748</u>
Operating Expenses		
Personal services	16,326,697	15,480,574
Maintenance and operations	23,567,449	21,653,499
Total operating expenses before depreciation	<u>39,894,146</u>	<u>37,134,073</u>
Depreciation	18,773,171	16,975,362
Total operating expenses	<u>58,667,317</u>	<u>54,109,435</u>
Operating income	<u>3,893,695</u>	<u>3,899,313</u>
Nonoperating Revenues (Expenses)		
Investment income	1,374,755	9,380,183
Gain on disposal of assets	83,397	60,287
Damage settlements	-	2,890
Interest and fiscal expense	(10,185,083)	(9,420,837)
Amortization of financing costs	(654,973)	(629,253)
Total nonoperating expenses, net	<u>(9,381,904)</u>	<u>(606,730)</u>
Income (loss) before capital contributions and operating transfers	<u>(5,488,209)</u>	<u>3,292,583</u>
Capital Contributions		
Conveyances	14,573,575	4,731,558
Intergovernmental revenue	192,000	797,408
Other	203,866	347,325
Total capital contributions	<u>14,969,441</u>	<u>5,876,291</u>
Operating Transfers Out		
General fund	<u>(8,292)</u>	<u>(18,678)</u>
Change in net assets	9,472,940	9,150,196
Total net assets - beginning	<u>340,358,379</u>	<u>331,208,183</u>
Total net assets - ending	<u>\$ 349,831,319</u>	<u>\$ 340,358,379</u>

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-6

Water and Sewer Utility Fund - Statement of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Cash received from sales	\$ 62,314,500	\$ 57,407,843
Cash payments to suppliers for goods and services	(22,246,893)	(21,025,814)
Cash payments to employees for services	(16,667,878)	(15,007,149)
Net cash provided by operating activities	<u>23,399,729</u>	<u>21,374,880</u>
Cash Flows from Noncapital Financing Activities		
Operating transfers out	(8,292)	(18,678)
Net cash used by noncapital financing activities	<u>(8,292)</u>	<u>(18,678)</u>
Cash Flows from Capital Financing Activities		
Proceeds from issuance of bonds	-	98,846,061
Intergovernmental revenue	-	797,408
Capital contributions	1,540	347,325
Acquisition of property and equipment	(39,550,164)	(43,515,107)
Retirement of bonds	(9,590,000)	(8,040,000)
Retirement of refunded bonds	-	(22,255,000)
Retirement of contracts payable	(704,073)	(611,953)
Interest and fiscal expense paid on bonds	(14,515,100)	(12,002,678)
Interest paid on contracts payable	(123,762)	(117,874)
Debt issuance costs	(58,997)	(877,783)
Proceeds from sale of assets	83,582	60,300
Damage settlements	202,326	2,890
Net cash provided (used) by capital financing activities	<u>(64,254,648)</u>	<u>12,633,589</u>
Cash Flows from Investing Activities		
Investment income	1,374,782	9,481,369
Net increase (decrease) in cash	<u>(39,488,429)</u>	<u>43,471,160</u>
Cash and Cash Equivalents July 1	<u>138,458,678</u>	<u>94,987,518</u>
Cash and Cash Equivalents June 30	\$ 98,970,249	\$ 138,458,678
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents - current	\$ 45,574,471	\$ 49,090,453
Cash and cash equivalents - restricted	53,395,778	89,368,225
Cash and Cash Equivalents June 30	\$ 98,970,249	\$ 138,458,678
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 3,893,695	\$ 3,899,313
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	18,773,171	16,975,362
Change in assets and liabilities		
Increase in receivables	(172,465)	(705,795)
Increase in inventories	(110,651)	(134,763)
Increase in accounts payable	1,431,207	762,448
Increase (decrease) in accrued payroll	(347,009)	460,495
Increase (decrease) in prepaid assessments	(74,047)	104,890
Increase in accrued vacation	5,828	12,930
Total adjustments	<u>19,506,034</u>	<u>17,475,567</u>
Net cash provided by operating activities	\$ 23,399,729	\$ 21,374,880

City of Winston-Salem, North Carolina

Enterprise Funds

Schedule E-7

Water and Sewer Utility Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues			
Sales			
Water	\$ 31,036,390	\$ 32,113,941	\$ 1,077,551
Sewer	23,702,410	23,747,756	45,346
Industrial waste surcharge	2,365,150	1,975,683	(389,467)
Total sales	<u>57,103,950</u>	<u>57,837,380</u>	733,430
Charges for services			
New connections	2,212,000	1,984,898	(227,102)
Special area and privilege charges	-	262,437	262,437
Main line capital cost revenue	400,000	199,010	(200,990)
Total charges for services	<u>2,612,000</u>	<u>2,446,345</u>	(165,655)
Other	1,890,000	2,277,287	387,287
Total operating revenues	<u>61,605,950</u>	<u>62,561,012</u>	955,062
Operating Expenditures			
Personal services	17,440,770	16,326,697	1,114,073
Maintenance and operations	24,480,780	23,407,577	1,073,203
Capital outlay	29,790	-	29,790
Total operating expenditures	<u>41,951,340</u>	<u>39,734,274</u>	2,217,066
Operating income	19,654,610	22,826,738	3,172,128
Nonoperating Revenues (Expenditures)			
Investment income	1,700,000	1,374,782	(325,218)
Proceeds from sale of assets	-	83,582	83,582
Interest and fiscal charges	(11,279,810)	(11,097,785)	182,025
Principal retirement	(10,401,754)	(10,294,073)	107,681
Total nonoperating expenditures, net	<u>(19,981,564)</u>	<u>(19,933,494)</u>	48,070
Income before capital contributions and transfers	(326,954)	2,893,244	3,220,198
Capital Contributions		14,969,441	14,969,441
Transfers Out			
General fund	(24,400)	(8,292)	16,108
Change in net assets - modified accrual basis	<u>\$ (351,354)</u>	<u>\$ 17,854,393</u>	<u>\$ 18,205,747</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Assets - Modified Accrual Basis		\$ 17,854,393	
Depreciation		(18,773,171)	
Unamortized financing costs		(654,973)	
Principal retirement		10,294,073	
Book value of disposed assets		(160,057)	
Interest expense, net of investment income, capitalized on construction projects		<u>912,675</u>	
Change in Net Assets - Full Accrual Basis		<u>\$ 9,472,940</u>	

Solid Waste Management and Disposal

Review of FY2007-08 Solid Waste Operations and Financial Data

The Solid Waste Management program operates the Hanes Mill Road Landfill, the Old Salisbury Road Construction and Demolition Landfill, and the Overdale Road Yard Waste facility. This program is also responsible for leaf composting, scrap tire and white goods management, and household hazardous waste management. All programs are operated to meet applicable regulatory standards, and appropriate environmental protection criteria. This means strategically planning for future land and equipment needs, managing closed solid waste landfills and keeping up with current solid waste management regulations. Historically, this department has also provided funding for the city's curbside recycling program, Forsyth County's drop-off recycling program, and the City/County Schools recycling program.

Operating revenues for the solid waste fund for FY2007-08 were \$12,073,446. This was \$1,084,154 less than the budgeted revenues of \$13,157,600, and \$484,525 less than the actual revenues for FY2006-07 at \$12,557,971. The decrease in revenue is directly attributed to the decrease in tonnages of waste being disposed of at Utility Commission owned facilities.

Operating expenditures totaled \$8,320,229, or \$2,299,203 less than the budget amount of \$10,619,432. The savings came primarily in decreased usage of supplies and materials, and a reduction in the accrual for closure/post closure care for the facilities (in proportion with the reduction in tonnage disposed).

After adjusting for the non-operating costs and transfers to the general fund to pay for the city's curbside recycling programs, and the counties drop of recycling programs, the net change in assets for the fund was a negative \$359,071. The transfer out to the general fund to pay for recycling programs was \$2,625,767 in FY2007-08.

The goal of the Solid Waste Management program is to provide, as an enterprise, environmentally and economically acceptable means of solid waste disposal for current and future wastes generated in Winston-Salem and Forsyth County. The Utility Commission is involved in an ongoing evaluation of ways to make the total solid waste disposal system more efficient while continuing to provide high

quality solid waste programs in the future. Changes to the way the existing collection and disposal programs are operated and funded are all parts of the solutions being considered.

The Solid Waste program managed over 359,000 tons of municipal solid waste, construction and demolition debris, and yard waste during FY2007-08. Recycled goods also consisted of 5,937 tons of scrap tires and 809 tons of appliances. The facilities serviced an average of 576 vehicles per day for a total of over 176,896 vehicles during the year, which is slightly reduced from the previous year.

The trend of increased amounts of waste being hauled out of Forsyth County (and disposed in privately operated landfills) is continuing. The discounted tip fee for customers who bring larger amounts of waste that was implemented in FY2004-05 helped slow this trend of declining waste. This is illustrated in the following table by higher tonnages in FY2004-05. In FY2005-06 tonnages at Hanes Landfill dropped below the previous year's levels, but were still higher than the lowest year; FY2003-04. In FY2006-07, tonnage increased slightly over the previous year, however, tonnages in FY2007-08 declined.

We believe this is at least in part due to economic factors. The following table illustrates the fluctuations in the waste stream in recent years.

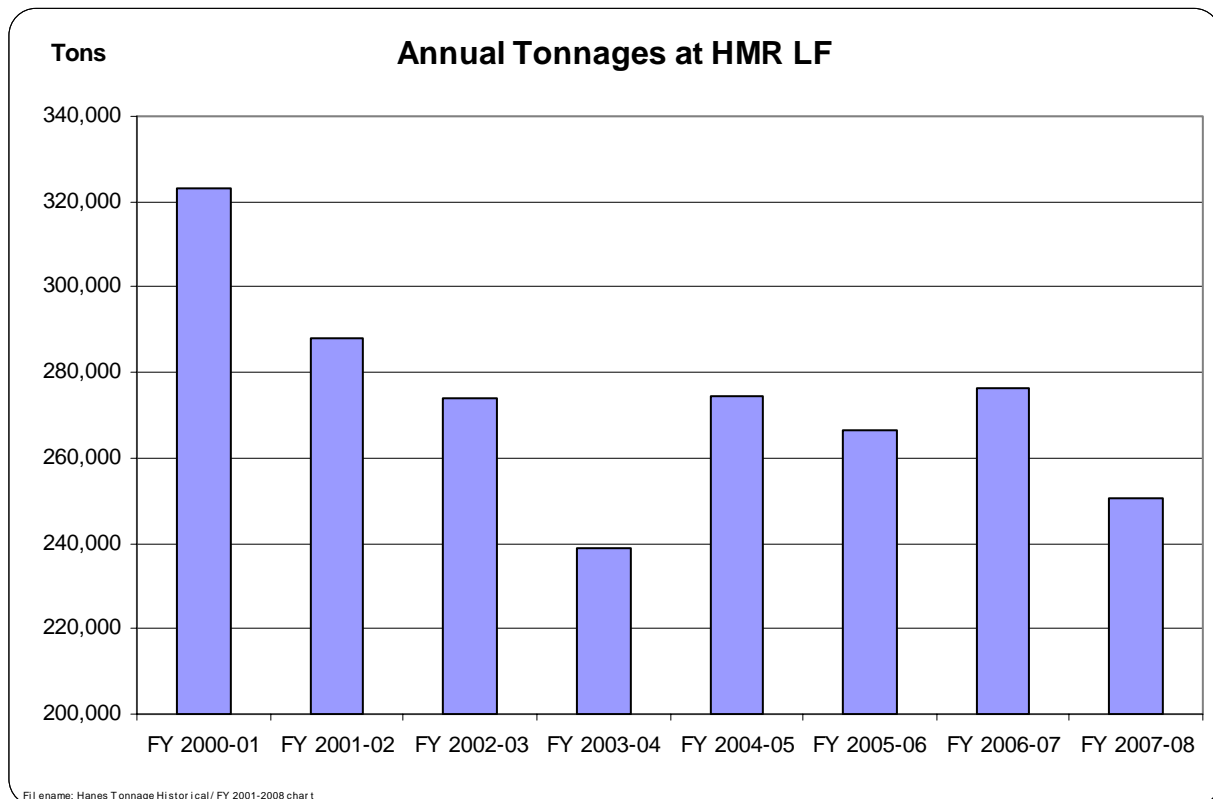


Table No. 1

While the current solid waste funding structure relies almost entirely on tipping fee revenue to fund its programs, these fluctuations in waste stream are problematic. Revenue to fund all programs must be generated almost entirely by gate receipts at the Hanes Mill Road Landfill and Old Salisbury Road Landfill, which creates pressure to keep the waste stream from declining. This resulted in the need for the tiered rate structure described above. Under the tiered structure, more tons of waste must be accepted to produce the same amount of revenue, thus consuming landfill space at a faster rate. Alternative funding systems would allow the landfill to set rates that are more competitive, yet reflect the true cost of providing the service, resulting in a more sustainable system in the long term. Examples of alternative funding systems include: implementation of a user fee for recycling services; implementing a recycling availability fee; or funding recycling through the city's general fund.

Status of Solid Waste Projects

Hanes Mill Road Landfill

The first 22-acre cell of the landfill expansion, located across the railroad tracks to the west of the original landfill, was placed into use in May 2005. The second 14-acre lined cell (located immediately adjacent to the initial 22 acre cell) was completed in late 2006, and it began receiving waste in April 2007. Permitting and design for the next phase of the landfill is underway, and construction is scheduled for 2010.

In conjunction with cell 2 construction, closure of about 40 acres of inactive landfill was completed. This closure involved construction of a final cover system consisting of compacted clay and a synthetic polyethylene cover to keep rainwater from coming in contact with waste. The area was planted with grass upon completion, and will now enter its post-closure maintenance phase.

Landfill Gas System

Hanes Landfill has a landfill gas extraction system that collects gas generated by the decomposing waste. The gas is then delivered to the existing generation facility where it is converted into electrical power and sold back to the power grid. An expansion to the landfill gas extraction system was completed in 2006. In May 2007 an amendment to the landfill gas contract was executed, and the contractor that operates the gas to energy facility is now paying the City/County Utilities Commission for the gas harvested from the new expansion area. Over time, these payments will serve to offset the capital cost of installing the system. The next component of the gas system to be constructed includes a pipeline to carry the gas from the expansion area, which is just beginning to generate gas, to the power plant. Preparation of design plans is currently underway, and the pipeline will be built in 2009.

Forum 52 Yardwaste Facility

On October 1, 2007, a new yardwaste/leaf composting facility was opened. This facility is located within the Forum 52 Industrial subdivision, off Highway 65 in Rural Hall. Leaves, brush and other green waste is received and processed at this site. Its northern location is intended to improve the efficiency of the city's waste pickup program that occurs on the north side of the city.

Woodcliff Drive Homes

In 2002, the City Council adopted a resolution directing the City/County Utilities Commission to offer to purchase all the homes on Woodcliff Drive as a concession to the Grassy Creek Neighborhood Association. Seventeen of the 18 houses on Woodcliff Drive were purchased by the commission, and 14 of those have been resold. The remaining three are being maintained and are offered for sale. To date, the net cost to the solid waste fund of purchasing and maintaining these homes is just over \$855,000.

Construction and Demolition Recycling Facility and Landfill

The Utilities Division is taking the necessary steps to replace the Old Salisbury Road Landfill, which is projected to be full around the year 2017. Approximately 435 acres have been purchased on the Forsyth/Stokes County line off US Highway 311 for the purpose of developing a recycling and disposal facility for construction and demolition (C&D) debris. The property was rezoned in June 2006, based on a plan that showed the entrance in Stokes County. Work is underway to design a relocated entrance in Forsyth County, off of US Hwy 311. The new entrance design received conceptual approval from Norfolk Southern Railroad, and the plans are presently being revised to show this new entrance and obtain appropriate regulatory approvals.

Disposal Rate Comparison

As shown in Table 2 - *Solid Waste Disposal Rate Comparisons*, Winston-Salem has the second lowest tipping fee per ton at \$34.00/ton. Even so, as mentioned previously, tonnage volumes had been declining over the past several years.

SOLID WASTE DISPOSAL RATE COMPARISONS

City	Municipal Solid Waste Tipping Fee (per ton)	Construction & Demolition Disposal Fee (per ton)
Durham	\$39.50 ¹	\$39.50
High Point	\$36.00	NA
Greensboro	\$41.00	\$31.00/\$41.00 ⁴
Raleigh (Wake County)	\$30.00/36.00 ²	\$30.00/36.00 ²
Winston-Salem	\$34.00/\$30.00³	\$28.00

Data taken from government websites. Not verified by staff.

(Table 2- reflects rates for fiscal year 2008-2009)

¹ This rate represents the tipping fee for their transfer station.

² Residents may dispose of waste at the landfill for \$30.00 per ton or at the county transfer facility for \$36.00 per ton. This applies to loads containing less than 10% C&D debris or cardboard. Loads greater than 10% C&D or cardboard are charged at \$60.00/ton.

³ Hanes Landfill currently offers a rate of \$30.00 to any hauler delivering a minimum of 700 tons/month.

⁴ Residents may dispose of C&D waste at the White Street Landfill at \$31.00 per ton. They may also dispose of their waste at the transfer station at \$41.00 per ton.

Solid Waste Management and Disposal

Future Challenges and Opportunities

The Solid Waste Management program continues to face challenges related to the method used to fund its disposal and waste reduction programs. Most of the funding for waste reduction programs in the city and county are generated via the tipping fee at Hanes Mill Road Landfill. This type of funding model is unique among North Carolina counties and municipalities similar to ours. Challenges for this program primarily come in the form of competition for the waste that has historically gone to the Hanes Mill Road Landfill. Large privately owned waste companies have the ability to offer disposal services at lower costs because they do not provide funding for waste reduction programs, and their exercising of this ability has resulted in less waste being disposed at Hanes Landfill. Economic considerations also have an influence on the waste stream, and have contributed to reduced tonnages at both landfills in FY2007-08. Reduced amounts of waste at the landfill result in reduced revenue, which puts further demands on the solid waste fund balance in order to continue funding waste reduction programs like the City of Winston-Salem curbside recycling program, the Household Hazardous Waste Management Facility, Forsyth County's drop-off facilities for recycling, and the Winston-Salem / Forsyth County School System recycling program.

As shown previously in Table 1, tonnages received at Hanes Landfill decreased in FY2007-08 relative to the prior year. The following financial statements indicate that while revenues were below budgeted levels, operating expenditures at the solid waste facilities were also below budgeted levels. However, unlike recent years, investment income on the solid waste fund balance was nonexistent; in fact, there was a negative return in FY2007-08. These factors combined for a resulting negative change in net assets of \$785,459 (modified accrual basis).

Because tonnage has further reduced in the current fiscal year (2008-09), staff has reviewed various cost savings and revenue enhancing measures, and has implemented several. For example, hours at the landfills will likely be reduced; and flat rates will be increased. Utilities and budget office staff are continuing to monitor the waste stream and market conditions in an effort to predict future economic conditions and be prepared to react accordingly.

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-8

Solid Waste Disposal Fund - Statement of Net Assets
June 30, 2008 and 2007

Assets	2008	2007
Current Assets		
Cash and cash equivalents	\$ 14,052,211	\$ 16,218,569
Accounts receivables, net of allowance for uncollectibles	430,878	335,279
Due from other governments	-	1,451
Total current assets	14,483,089	16,555,299
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents		
Landfill closure and postclosure costs	10,645,903	9,172,673
Total cash and cash equivalents	10,645,903	9,172,673
Property and Equipment		
Land	10,760,086	10,760,086
Buildings	3,561,020	3,561,020
Improvements other than buildings	29,837,316	29,837,316
Machinery and equipment	4,338,334	3,635,486
Construction in progress	12,530,868	12,107,916
Total property and equipment	61,027,624	59,901,824
Less accumulated depreciation	17,115,969	15,960,799
Property and equipment, net	43,911,655	43,941,025
Other		
Unamortized financing costs	200,052	221,926
Total noncurrent assets	54,757,610	53,335,624
Total assets	69,240,699	69,890,923
Liabilities and Fund Equity		
Liabilities		
Current liabilities		
Accounts payable	279,037	1,121,112
Accrued payroll	15,874	60,304
Accrued interest payable	119,814	127,224
Current maturities		
Contracts payable	443,510	313,756
Bonds payable	1,245,000	1,200,000
Total current liabilities	2,103,235	2,822,396
Noncurrent liabilities		
Accrued vacation	64,448	64,537
Landfill closure and postclosure costs	10,645,903	9,172,673
Contracts payable	793,538	608,785
Bonds payable	12,439,435	13,669,321
Total noncurrent liabilities	23,943,324	23,515,316
Total liabilities	26,046,559	26,337,712
Net Assets		
Investment in capital assets, net of related debt	28,790,120	28,149,163
Unrestricted	14,404,020	15,404,048
Total net assets	\$ 43,194,140	\$ 43,553,211

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-9

Solid Waste Disposal Fund - Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Charges for services	\$ 12,073,446	\$ 12,557,971
Operating Expenses		
Personal services	1,734,884	1,634,222
Maintenance and operations	6,585,345	7,002,505
Total operating expenses before depreciation	8,320,229	8,636,727
Depreciation	1,239,070	1,245,326
Total operating expenses	9,559,299	9,882,053
Operating income	2,514,147	2,675,918
Nonoperating Revenues (Expenses)		
Intergovernmental revenue	485,246	474,303
Investment income (loss)	(52,229)	3,034,065
Gain on disposal of assets	18,620	16,092
Damage settlements	-	34,468
Interest and fiscal expense	(662,099)	(670,780)
Amortization of financing costs	(36,989)	(36,989)
Total nonoperating revenues (expenses), net	(247,451)	2,851,159
Income before transfers	2,266,696	5,527,077
Transfers Out		
General fund	(2,625,767)	(2,274,684)
Change in net assets	(359,071)	3,252,393
Total net assets - beginning	43,553,211	40,300,818
Total net assets - ending	\$ 43,194,140	\$ 43,553,211

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-10

Solid Waste Disposal Fund - Statement of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Cash received from sales	\$ 11,977,847	\$ 12,601,152
Cash payments to suppliers for goods and services	(5,291,789)	(8,499,118)
Cash payments to employees for services	(1,779,403)	(1,582,148)
Net cash provided by operating activities	<u>4,906,655</u>	<u>2,519,886</u>
Cash Flows from Noncapital Financing Activities		
Intergovernmental revenue	486,897	472,852
Transfers out	(2,625,767)	(2,274,684)
Net cash used by noncapital financing activities	<u>(2,139,070)</u>	<u>(1,801,832)</u>
Cash Flows from Capital Financing Activities		
Acquisition of property and equipment	(1,055,148)	(8,015,119)
Retirement of bonds	(1,200,000)	(1,165,000)
Retirement of contracts payable	(470,822)	(326,227)
Interest and fiscal expense paid on bonds	(607,201)	(642,424)
Interest and fiscal expense paid on contracts payable	(93,933)	(68,682)
Proceeds from sale of assets	18,620	713,592
Damage settlements	-	34,468
Net cash used by capital financing activities	<u>(3,408,484)</u>	<u>(9,469,392)</u>
Cash Flows from Investing Activities		
Investment income (loss)	(52,229)	3,034,065
Net decrease in cash	<u>(693,128)</u>	<u>(5,717,273)</u>
Cash and Cash Equivalents July 1	<u>25,391,242</u>	<u>31,108,515</u>
Cash and Cash Equivalents June 30	<u>\$ 24,698,114</u>	<u>\$ 25,391,242</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents - current	\$ 14,052,211	\$ 16,218,569
Cash and cash equivalents - restricted	10,645,903	9,172,673
Cash and Cash Equivalents June 30	<u>\$ 24,698,114</u>	<u>\$ 25,391,242</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,514,147	\$ 2,675,918
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	1,239,070	1,245,326
Change in assets and liabilities		
(Increase) decrease in receivables	(95,599)	43,181
Increase (decrease) in accounts payable	(179,674)	178,800
Increase (decrease) in accrued payroll	(44,430)	50,434
Increase (decrease) in accrued vacation	(89)	1,640
Increase (decrease) in landfill closure and postclosure costs	1,473,230	(1,675,413)
Total adjustments	<u>2,392,508</u>	<u>(156,032)</u>
Net cash provided by operating activities	<u>\$ 4,906,655</u>	<u>\$ 2,519,886</u>

City of Winston-Salem, North Carolina

Enterprise Funds

Schedule E-11

Solid Waste Disposal Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for services	\$ 13,157,600	\$ 12,073,446	\$ (1,084,154)
Operating Expenditures			
Personal services	1,863,160	1,734,884	128,276
Maintenance and operations	8,756,272	6,585,345	2,170,927
Total operating expenditures	<u>10,619,432</u>	<u>8,320,229</u>	<u>2,299,203</u>
Operating income	2,538,168	3,753,217	1,215,049
Nonoperating Revenues (Expenditures)			
Intergovernmental revenue	467,760	485,246	17,486
Investment loss	700,000	(52,229)	(752,229)
Proceeds from sale of assets	-	18,620	18,620
Interest and fiscal charges	(704,210)	(693,724)	10,486
Principal retirement	(1,712,500)	(1,670,822)	41,678
Total nonoperating expenditures, net	<u>(1,248,950)</u>	<u>(1,912,909)</u>	<u>(663,959)</u>
Income before transfers	1,289,218	1,840,308	551,090
Transfers Out			
General fund	<u>(2,621,860)</u>	<u>(2,625,767)</u>	<u>(3,907)</u>
Change in net assets - modified accrual basis	<u>\$ (1,332,642)</u>	<u>\$ (785,459)</u>	<u>\$ 547,183</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Assets - Modified Accrual Basis		\$ (785,459)	
Depreciation		(1,239,070)	
Amortization of financing costs		(36,989)	
Principal retirement		1,670,822	
Interest expense, net of investment income, capitalized on construction projects		<u>31,625</u>	
Change in Net Assets - Full Accrual Basis		<u>\$ (359,071)</u>	

CITY/COUNTY UTILITY COMMISSION COMMITTEES

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Raymond D. Thomas – Chairman
J. Hill Stockton – Vice Chairman
Paul S. McGill
Al H. Seymour

OPERATIONS

David Neill – Chairman
Stephen M. Shelton – Vice Chairman

PLANNING & POLICY

Toy T. Beaty – Chairman
James E. Lowe – Vice Chairman
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James E. Lowe – Overall Vice Chairman