



REGULAR BOARD MEETING

JANUARY 28, 2025 AT 9:00 AM

BRWA BUSINESS OFFICE – 112 N MAIN STREET

AGENDA

112 North Main Street, Rutherfordton, NC 28139

PHONE: 828.286.0604 | FAX: 877.375.1630

A. WELCOME/ROLL CALL

B. CALL TO ORDER

C. APPROVAL OF MINUTES

- [1.](#) Regular Meeting Minutes of December 17, 2024

D. SPECIAL PRESENTATIONS

- [1.](#) Presentation of FY 2024 Audit by Dan Mullinix, Gould Killian CPA

E. PUBLIC PRESENTATIONS

- [1.](#) Proclamation of Appreciation for Mickey Bland
- [2.](#) Swearing In of Board Member: Scott Webber, Town of Spindale
- [3.](#) Election of Chairman for Remaining FY 2025
- [4.](#) Public Hearing: Articles of Incorporation of Polk County Regional Water Authority

F. APPROVAL OF AGENDA

G. NEW BUSINESS

- [1.](#) Resolution 01-25: Articles of Incorporation of the Polk County Regional Water Authority
- [2.](#) Board Appointment to Polk County Regional Water Authority

H. REPORTS

- [1.](#) Director's Report
- [2.](#) Financial Reports for Dec 2024

I. BOARD MEMBER REMARKS

J. ADJOURNMENT

Broad River Water Authority Meeting Minutes**December 17, 2024****New Business**

Resolution 10-24 “Award of Raw Water Line Project” was discussed. This project includes the construction of a new 930’ 24” DIP water line to be installed adjacent to the existing raw water line to provide redundancy. The project was bid on November 6. The Resolution issues a notice of award to Carolina Specialties Construction for \$775,524.12. Danny Searcy made a motion to approve Resolution 10-24. Brandon Harrill made a second to the motion and the Resolution was approved unanimously.

We require a public hearing for the purpose of reviewing a proposed resolution to be adopted by the Board signifying its determination to organize the Polk County Regional Water Authority. The resolution will authorize the execution of the Articles of Incorporation of the Polk County Regional Water Authority. The Public Hearing will be set for the next regular meeting scheduled for January 28, 2025. A motion was made by Brandon Harrill, seconded by Jenny Piper, and unanimously approved.

Resolution 11-24 “Funding Application for Lead Service Line Inventory” was discussed. The Authority plans to submit an application for updating the lead service line inventories, including locating and mapping lead service lines, and identifying and inventorying the material of “unknown material” service lines. Resolution 11-24 is required to be submitted with the funding application. A motion was made by Brandon Harrill, seconded by Jenny Piper, and unanimously approved.

Reports

An overview of the monthly Leadership Team presentation was provided highlighting the Projects, People and Priorities for the month. Highlights included the completion of the distribution warehouse expansion and an update on the Loves/ Hwy 221 project. The financial reports for September and October (pre-audit) were provided at the meeting.

Board Member Remarks

None.

With a motion by Brandon Harrill, a second from Jenny Piper, and unanimous approval, the meeting was adjourned at 2:35 pm.

The next meeting is scheduled for January 28, 2025 at 9:00 am in the business office.

Respectfully submitted,

Maria S. Hunnicutt, Secretary



Rutherfordton, North Carolina

AUDIT WRAP UP

December 17, 2024

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Trustees and Audit Committee) and, if appropriate, management of the Authority and is not intended and should not be used by anyone other than these specified parties.





December 17, 2024

Board of Trustees
Broad River Water Authority
Rutherfordton, North Carolina

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On May 25, 2024, we presented in the engagement letter an overview of our plan for the audit of the financial statements of Broad River Water Authority (the Authority) as of and for the year ended June 30, 2024, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Authority's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Authority and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Gould Killian CPA Group, P.A.

Asheville, North Carolina

Discussion Outline

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Other Required Communications 4

Significant Accounting and Reporting Matters.....separate document (1-3 pages)

Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of our work was substantially the same as that described to you in our engagement letter.
- We have issued an unmodified opinion on the financial statements and released our report dated December 17, 2024.
- Our responsibility for other information in documents containing the Authority's audited financial statements (e.g. management's discussion and analysis and schedules of pension amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Authority and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by GK were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Broad River Water Authority personnel throughout the course of our work.

Independence Communication

Our engagement letter to you dated May 25, 2024 describes our responsibilities in accordance with professional standards with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Authority with respect to independence as agreed to by the Authority. Please refer to that letter for further information.

Results of Our Audit

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

The following summarizes the more significant required communications related to our audit concerning the Authority's accounting practices, policies, and estimates:

The Authority's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- A summary of recently issued accounting pronouncements is included in the Significant Accounting and Reporting Matters section of this report.
- We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus.
- All significant transactions have been recognized in the financial statements in the proper period.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Authority's most significant accounting estimates were:

Significant accounting estimates include:

Depreciation methods as described in the Notes to the financial statements,

Allowances for uncollectible receivables, which are based upon management's judgments and the aging of receivables that may be uncollectible, and

The net pension liability (asset), which is based on actuarial assumptions and methods, as well as the allocation of the overall plan data between the plan participants.

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in FY 2024.

The financial statement disclosures are neutral, consistent, and clear.

CORRECTED AND UNCORRECTED MISSTATEMENTS

We have proposed several adjustments which have been made by management. Most of these are normal closing entries which arise during our audit based on information provided to us by management. We assist management with these adjustments, but do not consider them to be material because by nature, they are closing entries that management would have prepared and posted. A list of all audit adjustments is available upon request.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Broad River Water Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Authority's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in 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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit, we noted the following:

- No material weaknesses were identified.
- During our audit we routinely provide management with advice and recommendations for best practices or improvements of accounting and finance-related processes and procedures. We consider these to be an integral part of providing valuable audit services, and we do not consider them to be reportable findings.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Authority:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Authority’s financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Authority’s financial statements or to our auditor’s report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
If applicable, other matters significant to the oversight of the Authority’s financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Authority’s financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter obtained from management.

Significant Accounting & Reporting Matters

The Governmental Accounting Standards Board (GASB) has recently issued several new pronouncements. We do not expect these new standards to have a significant effect on the Authority's future financial reporting.

Recently issued statements are as follows:

- GASB No. 101 “Compensated Absences” -- This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2024.

- GASB No. 102 “Certain Risk Disclosures” -- This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:
 - The concentration or constraint
 - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
 - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

- GASB No. 103 “Financial Reporting Model Improvements” -- The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

Management’s Discussion and Analysis

This Statement continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that “boilerplate” discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Unusual or Infrequent Items

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses 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. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund’s current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund’s current or future pricing policies, and (3) all other transfers.

Major Component Unit Information

This Statement requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- GASB No. 104 “Disclosure of Certain Capital Assets” -- This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.



BROAD RIVER WATER AUTHORITY

2024 Annual Financial Report

Audit Summary

- Thank you for allowing us to serve as your auditors. It was a pleasure working with the Authority and its management.
- Audit documentation was ready and organized on day 1 of audit fieldwork.
- We issued an unmodified (clean) opinion.
- We reported no material weaknesses in internal control.
- Special thanks to Maria and the staff dealing with accounting for their work and cooperation in completing the audit.

Audit Status

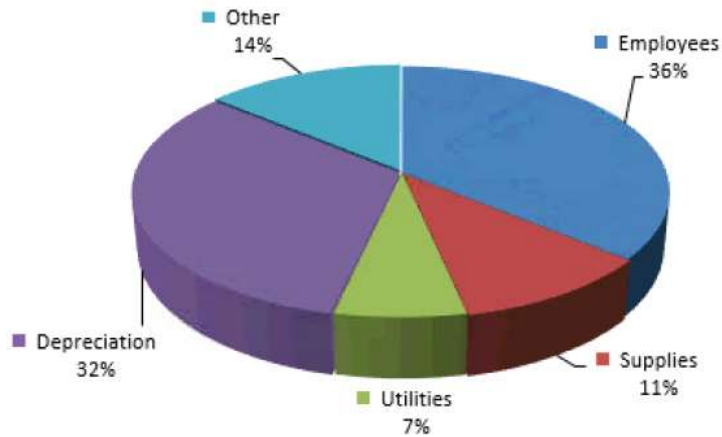
- Approval of financial statements by the LGC
- We have also issued our required auditor communication

Key Statistics for FY24

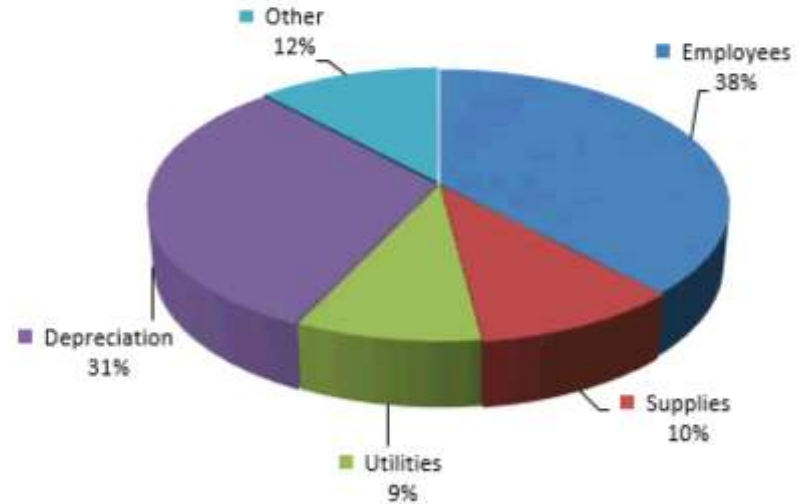
- Net Position for FY24 is \$34.5 million, an increase of \$1.7 million or 5% (same increase as was in FY23).
- Of that position, \$7.2 million is unrestricted (decrease of \$0.6 million), the remaining increase was attributable to investment in capital assets of \$2.2M versus 2.4M in FY22.
- Operating revenues were similar to FY23 at \$8.3 million.
- Operations expenses were \$4.6 M in FY24 and FY23. Details of operating expenditures are on page 33 within 92% of the annual budget. Capital outlay was \$2 million. Graph on page 6 provides breakdown by general categories. See pic on next slide.

Key Statistics for FY24

Operating Expenses FY23



Operating Expenses FY24



Key Statistics for FY24 (cont.)

- Cash Flows: net decrease of \$0.45 million as a result of \$4 million added from operations, \$4.7 million (up \$200k) used for capital and debt service, and \$204,000 added from investing activities. Similar level of acquisition/construction capital asset activities in FY23 and FY24.
- Capital Activity: several ongoing projects totaling \$2 million in new capital assets during the year. FY23 was \$1.8 million spent on capital projects.
 1. \$455,000 on electric upgrades/SCADA equipment,
 2. \$435,000 on access road,
 3. \$235,000 on heavy equipment / vehicle replacement,
 4. \$222,000 on water lines/rehabilitation,
 5. \$125,000 on meter replacement and \$180,000 various other.

Key Statistics for FY24 (cont.)

- Debt Activity: There is no new debt this year and the scheduled principal payments were made resulting in a decrease in debt of \$2.4 million. (total debt down by 54%) Total debt was paid down 27% in FY23. Will be paid in full in FY26.

The future payments of the bonds for the years ending June 30th are as follows:

Year	Principal	Interest	Total
2025	\$ 2,291,742	\$ 194,382	\$ 2,486,124
2026	1,895,000	94,750	1,989,750
	<u>\$ 4,186,742</u>	<u>\$ 289,132</u>	<u>\$ 4,475,874</u>

- GASB 68 (pensions) resulted in a net liability in 2019 of \$355k, 2020 of \$430k, 2021 of \$557k, 2022 of \$226k, 2023 of \$989k and 2024 of \$1.15 million.

Key Comparisons Summary

	FY 22	FY 23	FY 24
Working capital	\$ 6,441,352	\$ 5,837,344	\$ 5,385,108
Unrestricted Cash / Operating Expenses-Budget (\$402k per month)	26.4 months	21.1 months	18.7 months
Unrestricted net position	\$ 8,556,428	\$ 7,782,018	\$ 7,294,255
Operating income	\$ 2,222,564	\$ 1,555,537	\$ 1,691,300
Change in net position	\$ 2,251,004	\$ 1,571,481	\$ 1,728,957
Cash flows from operating activities	\$ 4,242,860	\$ 3,853,751	\$ 4,064,240
Net increase (decrease) in cash	\$ 288,944	\$ (374,362)	\$ (450,064)
Employee Count	29	26	20

Key Take-Aways

- The Authority's financial results are very consistent year by year (on purpose).
- The operating income achieved is consistent given the annual rate increases offset by the increasing depreciation. Also, inflation has impact overall results.
- The capital activity and debt payments is paid from cash generated by operating activities. It has obviously been planned.
- Build upon the Authority's successes. Follow the Authority's roadmap to protect its assets to ensure its future viability.

Key Take-Aways

- The Authority's current financial condition and continued consistent planning and its implementation will help the Authority achieve its focus areas and their associated goals within infrastructure management, organization management, and financial management.
- One Risk – Employee Retention and Turnover (50% of employees have less than 2 year of experience). Over 3 years → lost 13 due to retirements, term., etc.
- Another Risk - What other risks do you see?

**Broad River Water Authority
Rutherfordton, North Carolina**

Financial Statements

June 30, 2024





Broad River Water Authority

As of June 30, 2024:

Board of Trustees

Mickey Bland, Chair
Danny Searcy, Vice Chair
Josh Krigbaum, Treasurer
Maria Hunnicutt, Secretary

David Guy
Brandon Harrill
Stan Clements
Steve Garrison
Josh Krigbaum
Jamie Guillermo



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Independent Auditors' Report

Board of Trustees
Broad River Water Authority
Rutherfordton, North Carolina

Opinion

We have audited the accompanying financial statements of Broad River Water Authority which comprise the statements of net position as of June 30, 2024 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, which collectively comprise the Authority's basic financial statements in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Broad River Water Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Broad River Water Authority's ability to continue as a going concern for the 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 generally accepted 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 generally accepted 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 Broad River Water 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 Broad River Water 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Broad River Water Authority. The budgetary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
December 17, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Broad River Water Authority, we offer readers of the Authority’s financial statements this narrative overview and analysis of its financial activities of the Authority for the fiscal year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority’s financial statements, which follow this narrative.

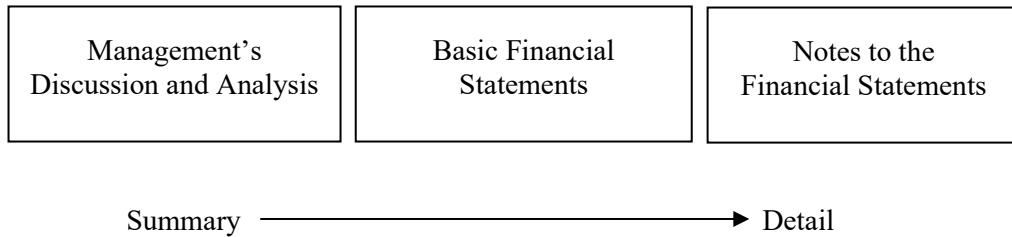
Financial Highlights

- The 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 \$34,532,145 (*net position*). Of this amount \$7,315,511 may be used to meet the Authority’s ongoing obligations to creditors and to pay for system improvements.
- The Authority’s total net position increased by \$1,728,957 primarily due to positive operating results used for the reduction of long-term liabilities (bond principal).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements consist of two components: 1) basic financial statements and 2) notes to the financial statements (see Figure 1). In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the Authority.

Figure 1 – Required Components of Annual Financial Report



Basic Financial Statements

Broad River Water Authority operates as a singular enterprise fund. All activities of the Authority are considered business-type activities. Business-type activities are those that the Authority charges customers to provide water services.

Broad River Water Authority’s basic financial statements consist of three statements prepared using the full accrual basis of accounting. The Statement of Net Position presents the assets and liabilities, which are classified between current and long-term. This statement provides a summary of the Authority’s investments in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The Statement of Revenues, Expenses, and Changes in Net Position is used in evaluating whether the Authority has recovered all of its costs through revenues. Its information is used in determining credit worthiness.

The Statement of Cash Flows reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, and the change in cash.

The next section of the basic financial statements is the notes, which explain in detail some of the data contained in those statements and should be read in conjunction with the statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

AUTHORITY'S NET POSITION
Table 1

	<u>FY 2024</u>	<u>FY 2023</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current and other assets	\$ 8,778,746	\$ 9,423,865	\$ (645,119)	-7%
Capital assets, net	<u>31,918,223</u>	<u>32,006,169</u>	<u>(87,946)</u>	0%
Total assets	<u>40,696,969</u>	<u>41,430,034</u>	<u>(733,065)</u>	-2%
DEFERRED OUTFLOWS OF RESOURCES				
	<u>784,650</u>	<u>784,083</u>	<u>567</u>	0%
LIABILITIES				
Current liabilities	3,393,638	3,586,521	(192,883)	-5%
Long-term liabilities outstanding	<u>3,175,088</u>	<u>5,412,277</u>	<u>(2,237,189)</u>	-41%
Total liabilities	<u>6,568,726</u>	<u>8,998,798</u>	<u>(2,430,072)</u>	-27%
DEFERRED INFLOWS OF RESOURCES				
	<u>380,748</u>	<u>412,131</u>	<u>(31,383)</u>	-8%
NET POSITION				
Net investment in capital assets	27,237,890	25,021,170	2,216,720	9%
Unrestricted	<u>7,294,255</u>	<u>7,782,018</u>	<u>(487,763)</u>	-6%
Total net position	<u>\$ 34,532,145</u>	<u>\$ 32,803,188</u>	<u>\$ 1,728,957</u>	5%

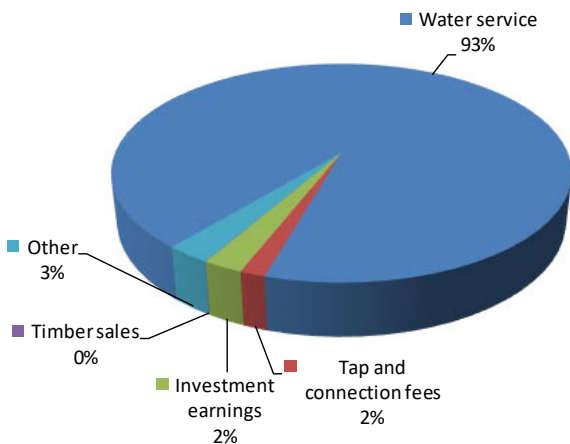
As noted earlier, net position may serve over time as one useful indicator of an entity's financial condition. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$34,532,145 at June 30, 2024. The Authority's net position increased by \$1,728,957 for the fiscal year ended June 30, 2024. However, the largest portion (approximately 78%) reflects the Authority's net investment in capital assets (e.g. land, buildings, treatment facility, water and sewer lines, equipment, etc.). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of \$7,315,511 is unrestricted. The principal retirement of debt totaled \$2.2 million. Operating revenues from water service increased 3% from FY 2023.

AUTHORITY’S CHANGES IN NET POSITION
Table 2

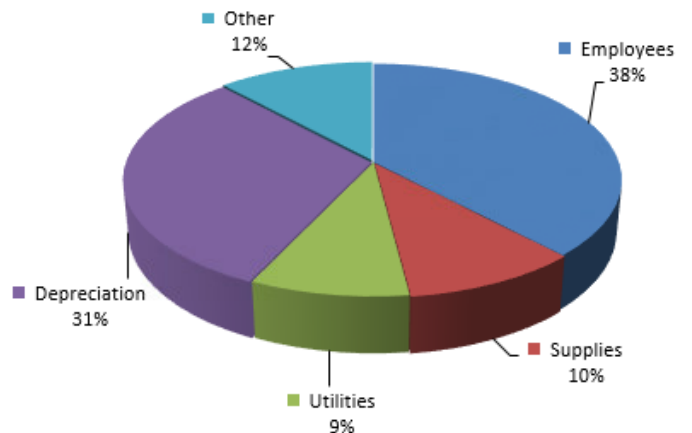
	<u>FY 2024</u>	<u>FY 2023</u>	<u>\$ Change</u>	<u>% Change</u>
OPERATING REVENUES				
Charges for services, net	\$ 8,000,199	\$ 7,743,133	\$ 257,066	3%
Other operating revenues	<u>322,360</u>	<u>568,365</u>	<u>(246,005)</u>	-43%
Total operating revenues	<u>8,322,559</u>	<u>8,311,498</u>	<u>11,061</u>	0%
OPERATING EXPENSES				
Operations	4,565,306	4,557,777	7,529	0%
Depreciation	<u>2,065,953</u>	<u>2,198,184</u>	<u>(132,231)</u>	-6%
Total operating expenses	<u>6,631,259</u>	<u>6,755,961</u>	<u>(124,702)</u>	-2%
Operating income	<u>1,691,300</u>	<u>1,555,537</u>	<u>135,763</u>	9%
NON-OPERATING REVENUES (EXPENSES)				
	<u>37,657</u>	<u>15,944</u>	<u>21,713</u>	136%
Change in net position	1,728,957	1,571,481	157,476	10%
Total net position, beginning of year	<u>32,803,188</u>	<u>31,231,707</u>	<u>1,571,481</u>	5%
Total net position, end of year	<u>\$ 34,532,145</u>	<u>\$ 32,803,188</u>	<u>\$ 1,728,957</u>	5%

The daily operations of the Authority are funded through the collection of water revenues. The customer base includes a mixture of single and multi-family residential, commercial, institutional, and industrial.

Operating Revenues



Operating Expenses



SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

	<u>FY 2024</u>	<u>FY 2023</u>	<u>\$ Change</u>
Cash provided (used) by:			
Operating activities	\$ 4,064,240	\$ 3,853,751	\$ 210,489
Non-capital and related financing activities	30,946	32,340	(1,394)
Capital and related financing activities	(4,749,355)	(4,504,618)	(244,737)
Investing activities	<u>204,105</u>	<u>246,165</u>	<u>(42,060)</u>
Net increase (decrease) in cash and cash equivalents	(450,064)	(372,362)	(77,702)
Total cash and cash equivalents, beginning of year	<u>8,131,399</u>	<u>8,503,761</u>	<u>(372,362)</u>
Total cash and cash equivalents, end of year	<u>\$ 7,681,335</u>	<u>\$ 8,131,399</u>	<u>\$ (450,064)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2024, totals \$31,514,283 (net of accumulated depreciation). During fiscal year 2024, the Authority expended approximately \$2.0 million on capital activities. This included approximately \$455,000 on electrical upgrades and SCADA equipment at the WTP, \$435,000 on construction of an access road for land application at the WTP, \$235,000 on heavy equipment and vehicle replacement, \$222,000 on waterlines extensions and rehabilitation, \$214,000 on engineering design of future WTP improvements and waterline extensions, \$125,000 on meter replacements, and \$180,000 on various equipment replacement/ upgrades including software.

Acquisitions for the current year were funded from operating revenue and available capital reserves.

Additional information on the Authority's capital assets can be found in Note 2 of the Basic Financial Statements.

	<u>FY 2024</u>	<u>FY 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 502,110	\$ 502,110	-	0%
Construction in progress	1,187,112	220,077	967,035	439%
Building and improvements	7,626,275	8,169,629	(543,354)	-7%
System lines	19,163,881	19,380,771	(216,890)	-1%
Vehicles	336,098	420,291	(84,193)	-20%
Equipment	<u>2,698,807</u>	<u>2,891,082</u>	<u>(192,275)</u>	<u>-7%</u>
Capital assets, net	<u>\$ 31,514,283</u>	<u>\$ 31,583,960</u>	<u>\$ (69,677)</u>	<u>0%</u>

Long-term Debt

As of June 30, 2024, the Authority had total debt outstanding of \$4,306,863.

	<u>FY 2024</u>	<u>FY 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Water system revenue bonds	\$ 4,186,742	\$ 6,386,211	\$ (2,199,469)	-34%
Add: unamortized premium	<u>120,121</u>	<u>236,593</u>	<u>(116,472)</u>	-49%
	4,306,863	6,622,804	(2,315,941)	-35%
Less: current portion	<u>(2,291,742)</u>	<u>(2,199,469)</u>	<u>(92,273)</u>	4%
Long-term debt, net	<u>\$ 2,015,121</u>	<u>\$ 4,423,335</u>	<u>\$ (2,408,214)</u>	-54%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

In order to understand the position of Broad River Water Authority today, one should consider the factors which have impacted our business and consider the strategies implemented over the years to adapt to a dynamic environment.

Industrial Loss:

Since the Authority’s inception in December 2000, its major challenge has been to manage the impact of a transition to the customer base. For the 2001 calendar year, the “top ten” customers were all industrial based, with a heavy emphasis in the textile industry. These “top ten” customers accounted for over 50% of water consumption and nearly 40% of water sales revenue. However, due to national industrial trends and changes in trade laws, the water usage by the Authority’s industrial customers dropped 90% in a 10-year period. This led to reduced revenue, decreased water production, and a shift in capital spending.

Waterline Expansion:

To help mitigate the trend of industrial loss, the Authority initiated an aggressive program to expand waterlines to County residents and businesses in need of public water. Partnerships with the North Carolina Rural Economic Development Center, Rutherford County, and the Town of Ruth generated over \$4.5 million in direct grants for waterline expansion from 2006 to 2011. These funds, along with over \$2.5 million of the Authority’s funds, allowed for the construction of more than 75 miles of waterline, and the growth of our customer base by nearly 1,000 accounts (19% growth). However, during this 5-year period, the increased revenue from new customers was not evident immediately, and the addition of residential customers had little impact on the overall total water production requirements.

Rate Setting:

The most effective and immediate means to increase revenue when consumption has decreased is the use of the rate structure and imposing rate increases. The Authority chose a rate-setting philosophy with a high minimum charge and reasonable declining block volume rates. This strategy seeks to provide a minimum revenue stream that is less subject to sudden volume changes resulting from an industry closing or weather patterns. Significant rate increases were implemented in July 2006 (15%), July 2007 (10%), and July 2008 (5%). Steady rate increases of 2-3% were implemented annually up to 2018. A ‘cost of service’ study was performed and changes to the rate structures were made effective January 1, 2019. The changes were revenue neutral with the purpose of providing rate structures for residential customers versus non-residential, and to incrementally lessen the gaps in the current declining block structures. A rate increase of 2.75% was implemented for FY 2024 on July 1, 2023. The average residential water bill (5,000 gallons) is currently \$52.60.

In addition, future rate increases can be determined and justified through a financial model that is updated yearly. The model accounts for changes in revenues and expenses, capital improvement needs, reserve funds, and the ability to meet bond covenants.

Resale Partnership:

In 2000, the first year of operations under the Authority, the average production of the water treatment plant was 5 million gallons per day (MGD). With the loss of industry and the impact of drought conditions in 2002 and 2007, annual production dipped to an average of 2.74 MGD in 2008. Having excess capacity presented an opportunity for the Authority to partner with a major bulk resale customer. An agreement was reached in July 2008 for the Authority to sell bulk finished water to Inman-Campobello Water District (ICWD) through Polk County. ICWD is based in Spartanburg County, SC, with a primarily residential customer base of over 16,000 connections. Polk County, which neighbors Rutherford County, had no water customers at the time of the agreement, but planned to slowly build a system. The agreement allowed the Authority to sell a minimum of 2.0 MGD and a maximum of 4.0 MGD to Polk County/ ICWD for a period of 10 years. Water sales began December 31, 2008.

The agreement has been amended over the years to extend the terms, to increase the amount of water available for purchase to 6.1 MGD, to increase the rates that BRWA is paid for water sold, and to modify the terms of maintenance of Polk’s system by ICWD. The most recent amendment to the agreement in February 2022 served to create a regional Commission to oversee administration of the Agreement, to provide a framework where the entities could jointly secure access to future water supplies, and to extend the agreement for the life of the regional water supply assets that the entities agree to share. Since water sales began December 31, 2008, Polk County/ ICWD has purchased an average of 3.29 MGD, and generated total revenue of \$27.09 million. At fiscal year-end, there were approximately 285 active customer accounts in Polk County, and approximately 16,000 active accounts for ICWD.

During the year ended June 30, 2024, the agreement generated approximately \$2,336,800 for the Authority, which constituted approximately 29% of the Authority’s water service revenues. The average volume of water sold during this time was 4.28 MGD.

Historical Comparison of Consumption, Revenue and Production:

The success of the Authority’s growth, strategies, and partnerships are evident in the data below. The customer base has expanded, consumption/ production have rebounded and revenues have diversified and greatly increased. (Note that 2002 is the first calendar year where a full 12 months of data was available).

	Annual Water Consumption (MG)					
	2002		FY 2007		FY 2024	
Residential	282	18%	290	35%	293	12%
Commercial	114	7%	134	16%	93	4%
Industrial	871	56%	139	17%	72	3%
Bulk	283 ¹	18%	257	31%	1905	81%
TOTAL	1550		820		2363	

	Annual Revenue (\$ 000)					
	2002		FY 2007		FY 2024	
Residential	\$1,677	42%	\$2,235	59%	\$3,703	46%
Commercial	\$518	13%	\$743	20%	\$843	11%

Industrial	\$1,433	36%	\$447	12%	\$428	5%
Bulk	\$407	10%	\$380	10%	\$3,024	38%
TOTAL	\$4,035		\$3,805		\$7,998	

	Annual Water Production		
	2002	FY 2007	FY 2024
Total MG	1619.38	1029.75	2417.80
Ave Day (MGD)	4.44	2.82	6.62

⁽¹⁾ Grassy Pond Water Company represents 3,950 accounts, all residential/commercial. ⁽²⁾ Includes the addition of Polk/ ICWD which represents 16,000 accounts, 95% residential/commercial.

Where We Are Today:

The vision statement of the Authority is to “improve the quality of life in our community by being a dedicated team of neighbors setting the standard for utility excellence”. Our mission is to “provide valuable drinking water services that are essential to our community’s health, environment, and economy through the stewardship of infrastructure and natural resources”. The overall strategic themes stated in the Authority’s Strategic Plan include:

- Work Human: Build relationships and deliver results while ensuring the safety, health, and well-being of employees, customers, and community.
- Act Responsibly: Take ownership of our actions and work. Do the right thing with competence and kindness.
- Deliver Exceptional Service: Provide superior drinking water and services that meet community needs and expectations in a reliable and sustainable way.

Our operational goals support “system viability which is achieved through infrastructure management, financial stability and organizational excellence”. These goals are explained and detailed below.

Operational Goals:

- **Infrastructure Management:** by taking proactive approaches to enable the right investments to be made in the right project at the right time, taking into consideration life-cycle costs and risk management.

Prior to 2011 during the emphasis of waterline expansion, limited capital funds were allocated to rehabilitation or replacement of aging infrastructure. With stable revenues and higher production requirements, the Authority has been able to increase its focus towards modernizing and replacing aging infrastructure.

Several capital projects in FY 2024 addressed the strategic objectives. The Authority expended approximately \$2.0 million on capital activities. This included approximately \$455,000 on electrical upgrades and SCADA equipment at the WTP, \$435,000 on construction of an access road for land application at the WTP, \$235,000 on heavy equipment and vehicle replacement, \$222,000 on waterlines extensions and rehabilitation, \$214,000 on engineering design of future WTP improvements and waterline extensions, \$125,000 on meter replacements, and \$180,000 on various equipment replacement/ upgrades including software.

The Authority is continuing to implement and update its Asset Management Plan that was completed in FY 2021. This Plan is the Authority’s roadmap to protect its assets with

investment in the water system and to ensure viability of the utility. Implementing the program effectively will improve reliability, reduce risk, optimize operations and maintenance (O&M) efforts, and increase data tracking accuracy.

The Authority’s asset management program is guided by the following principles:

- Maintain a safe and reliable level of water services to the community.
 - Protect human health, the community, and environment.
 - Maximize the life of the facilities, equipment, and assets for which the Authority is responsible.
 - Ensure that the Authority’s revenues are wisely invested at the right time, on the right assets.
- **Financial Stability:** through sufficient revenue generation to fund infrastructure construction, maintenance, operations, renewal/replacement, and reserves for unexpected events without long-term reliance on grant funds.

The Authority continues to focus on key financial indicators to ensure that sufficient revenue is generated to fund improvements, operations, rehab, debt, and reserves. The Authority also recognizes the need to balance financial viability with affordability. Key indicators such as average monthly bill (5,000 gal), debt service coverage, days cash on hand, and net revenue are evaluated. Below is a historical view of these indicators:

Key Indicator	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023	FY2024
Ave Monthly Bill (5000 gal)	\$49.58	\$49.58	\$48.34	\$49.40	\$49.40	\$51.20	\$51.20	\$52.60
Debt Service Coverage	1.77x	1.80x	1.72x	1.73x	1.71x	1.74x	1.63x	1.67x
Days Cash on Hand	1052	1288	934	917	930	850	623	614
Net Revenue (\$000s)	\$4,281	\$4,392	\$4,211	\$4,290	\$4,320	\$4,408	\$3,966	\$3,794

The Authority continues to see the capital reserves as a measure of success and security. This fund is currently \$7.68 million. Due to the Authority’s limited desire to incur additional debt, all expenditures for capital improvements will be funded through operating revenues and/or the reserves for at least the next 3 years. It should also be noted that the long-term debt balance of \$4.5 million will be paid in full in June 2026.

Organizational Excellence: through governing boards (elected officials, appointed officials, and owners) understanding the long-term nature of water/ wastewater systems and prioritizing the financing and completion of the most critical infrastructure projects; and building an internal team of employees who are engaged, valued, and encouraged to grow in their professional and personal development.

Over the past 3 years, the Authority has faced similar challenges seen industry-wide with employee retention and recruitment. Retirements, voluntary resignations and terminations created operational challenges due to the loss of institutional knowledge, declining morale, and inefficiency. We also added 6 new positions over this 3-year period bringing the total number of employees to 26. In shifting our focus to becoming “an employer of choice”, we had the opportunity to address key areas that impact morale and longevity. Given that 16 out of 26 employees have less than 3 years of tenure with the Authority, we have prioritized training, team building, community connection and competitive pay. We are dedicated to maintaining an environment where employees are safe and fulfilled.

We focused heavily on the Strategic objective of “Work Human” aimed at retention and employee engagement.

- **Organizational Development:** provided monthly communication/ training meetings for upper management and larger leadership teams, conducted monthly employee meetings with training and recognition, provided unlimited training opportunities through Pryor Training, focused on values-based performance evaluation system (Trakstar Perform), upgraded facilities to accommodate training and individual work space, continued mentoring program for all new employees with weekly check-ins and one-on-one attention.
- **Quality of Life:** instituted competitive compensation plan and followed progression for employees to move through the range of wage as experience builds, reviewed benefits to ensure value and understanding, and provided risk management oversight for safety and overall well-being.
- **Community Connection:** organizational participation in various community events and outreach activities (local downtown events, career fairs and festivals), and conducted several off-site gatherings for employees and their families.
- **Culture of Trust:** improved company-wide communication by implementing Microsoft Teams, and solicited input for improvement and to evaluate satisfaction through employee surveys.

REQUESTS FOR 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 directed to the Executive Director, Broad River Water Authority, PO Box 1269, Rutherfordton, NC 28139.

BROAD RIVER WATER AUTHORITY

STATEMENT OF NET POSITION
June 30, 2024

Assets

Current Assets:

Cash and cash equivalents	\$ 7,506,899
Water accounts receivable, net	961,144
Due from other governments	124,160
Restricted cash and cash equivalents	174,436
Prepaid expenses	12,107
Total current assets	<u>8,778,746</u>

Noncurrent Assets:

Lease receivable	403,940
Capital assets:	
Land and construction in progress	1,689,224
Other capital assets, net of depreciation	29,825,059
Capital assets, net	<u>31,514,283</u>
Total noncurrent assets	<u>31,918,223</u>

Total assets	<u>40,696,969</u>
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Deferred Outflows of Resources

Pension deferrals	754,180
Deferred charge on refunding	30,470
Total deferred outflows of resources	<u>784,650</u>

Liabilities

Current Liabilities:

Accounts payable	521,781
Construction contracts payable	187,334
Accrued interest	37,715
Accrued salaries and related payables	89,928
Accrued vacation payable	90,702
Current portion of long-term debt	2,291,742
Payable from restricted assets:	
Customer deposits	174,436
Total current liabilities	<u>3,393,638</u>

Noncurrent Liabilities:

Net pension liability	1,159,967
Long-term debt, net of current portion	2,015,121
Total long-term liabilities	<u>3,175,088</u>

Total liabilities	<u>6,568,726</u>
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Deferred Inflows of Resources

Lease	375,972
Pension deferrals	4,776
Total deferred inflows of resources	<u>380,748</u>

Net Position

Net investment in capital assets	27,237,890
Unrestricted	7,294,255
Total net position	<u>\$ 34,532,145</u>

The accompanying notes are an integral part of these financial statements.

BROAD RIVER WATER AUTHORITY

Section D, Item 1.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2024

Operating revenues:	
Water service, net	\$ 8,000,199
Tap and connection fees	129,180
Water testing fees	10,360
Late fees	117,393
Other operating revenues	65,427
Total operating revenues	<u>8,322,559</u>
Operating expenses:	
Salaries and employee benefits	2,518,229
Professional services	147,550
Departmental supplies and expenses	665,205
Telephone	28,911
Travel and training	35,477
Repairs and maintenance	106,885
Vehicle maintenance	67,595
Licenses and franchise fees	4,930
Utilities	597,495
Contracted services	195,885
Depreciation	2,065,953
Insurance	87,169
Other operating	109,975
Total operating expenses	<u>6,631,259</u>
Operating income	<u>1,691,300</u>
Non-operating revenues (expenses):	
Investment earnings	204,105
Tower lease interest income	12,416
Tower lease revenue	24,405
Timber sales	2,711
Interest expense	(205,980)
Total non-operating revenues (expenses)	<u>37,657</u>
Change in net position	1,728,957
Total net position, beginning of year	<u>32,803,188</u>
Total net position, end of year	<u>\$ 34,532,145</u>

The accompanying notes are an integral part of these financial statements.

BROAD RIVER WATER AUTHORITY**STATEMENT OF CASH FLOWS**
For the year ended June 30, 2024**Cash Flows from Operating Activities:**

Cash received from customers	\$ 8,223,663
Cash paid to employees for services	(2,377,194)
Cash paid for goods and services	<u>(1,782,229)</u>
Net cash provided by operating activities	<u>4,064,240</u>

Cash Flows from Non-Capital and related Financing Activities:

Proceeds from sale of timber	2,711
Tower lease interest and revenue	<u>28,235</u>
Net cash provided by non-capital related financing activities	<u>30,946</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(2,256,981)
Interest payments on debt maturities	(292,905)
Principal payments on debt maturities	<u>(2,199,469)</u>
Net cash used by capital and related financing activities	<u>(4,749,355)</u>

Cash Flows from Investing Activities:

Interest income	<u>204,105</u>
Net decrease in cash and cash equivalents	(450,064)
Cash and cash equivalents, beginning of year	<u>8,131,399</u>
Cash and cash equivalents, end of year	<u>\$ 7,681,335</u>

Summary of Cash & Cash Equivalents, end of year:

Cash & cash equivalents	\$ 7,506,899
Restricted cash & cash equivalents	<u>174,436</u>
	<u>\$ 7,681,335</u>

The accompanying notes are an integral part of these financial statements.

BROAD RIVER WATER AUTHORITY

Section D, Item 1.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2024

Reconciliation of Operating Income to Net Cash**Provided by Operating Activities:**

Operating income	\$	1,691,300
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,065,953
Changes in operating assets and liabilities:		
Decrease in accounts receivable		191,663
Decrease in prepaid expenses		3,392
Increase in deferred outflows of resources - pensions		(30,111)
Increase in accounts payable		28,102
Decrease in accrued salaries and related payables		(4,299)
Decrease in customer deposits		(57,205)
Increase in accrued vacation payable		8,948
Increase in net pension liability		171,025
Decrease in deferred inflows of resources - pensions		<u>(4,528)</u>
Net cash provided by operating activities	\$	<u>4,064,240</u>

Supplemental Schedule of Noncash**Investing and Financing Activities:**

Net change in construction contracts payable	\$	<u>(264,417)</u>
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The accompanying notes are an integral part of these financial statements.

BROAD RIVER WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Broad River Water Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Broad River Water Authority (Authority) is a public body and a body politic and corporate created under the authority of Chapter 162A-1 of the General Statutes of North Carolina. The Certificate of Incorporation for the Authority was issued by the Secretary of State on August 3, 1999, under the name of Spindale-Rutherfordton Water Authority. On April 20, 2000, a Certificate of Name Change was issued by the Secretary of State changing the name of the Authority to Broad River Water Authority.

The Authority was formed by resolution of the political subdivisions of the Town of Spindale and the Town of Rutherfordton. Subsequently, the County of Rutherford and the Town of Ruth joined the Authority pursuant to Certificates of Joinder issued by the Secretary of State on December 30, 1999, and March 10, 2000, respectively. The business and affairs of the corporation are managed by the members of the Authority who determine the policies and activities of the corporation within the confines of the stated purposes of the corporation as allowed and provided by Chapter 162A, Article I, of the North Carolina Statutes. The Authority consists of eight (8) members. The Town of Spindale, the Town of Rutherfordton, the Town of Ruth, and the County of Rutherford each appoint two (2) members of the Authority.

B. Purpose

The Authority was organized to acquire and operate water systems serving Rutherford County from Duke Energy Corporation.

C. Basis of Presentation

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Authority accounts for its operations as an enterprise fund. An enterprise fund is used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus. These statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include capital contributions. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Use of Estimates

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

F. Budget

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. However, for financial statement presentation, recorded revenues and expenditures are adjusted to the accrual basis. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The budget and any amendments made during the year are submitted for approval to the governing board.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North 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). The Authority's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Authority before any services are supplied are restricted to the service for which the deposit was collected. Restricted cash at June 30, 2024 was \$174,436.

4. Accounts Receivable

Accounts receivable are carried at original billing amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. With board approval, accounts are written off when deemed uncollectible. Revenue from charges for services are reported net of such write-offs. Recoveries of trade receivables previously written off are recorded as revenue when received.

5. Lease Receivable

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

6. Capital Assets

The Authority's capital assets are recorded at original cost at the time of acquisition and depreciated over the useful lives on a straight line basis. Minimum capitalization cost is \$3,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 69 years
System lines	25 - 99 years
Vehicles and equipment	5 - 10 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has two items that meet this criterion – pension deferrals and deferred cost on debt refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has two items that meets this criterion – pension deferrals and leases.

8. Compensated Absences

The Authority allows its full-time employees to accumulate up to thirty days earned vacation and such leave is fully vested when earned. An expense and a liability for compensated absences and salary-related payments are recorded as the leave is earned. The Authority has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability.

Employees can accumulate an unlimited amount of 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

10. Defined Benefit Cost-Sharing Plan

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

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

All of the Authority's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. 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 standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Authority has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2024, the Authority's deposits had a carrying amount of \$7,297,547 and a bank balance of \$7,331,509. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2024, the Authority's petty cash fund totaled \$2,935.

2. Investments

At June 30, 2024, the Authority had \$380,853 invested with North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2024. The Authority has no policy regarding interest rate or credit risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Reconciliation of Cash and Cash Equivalents

A reconciliation of cash and cash equivalents is as follows:

Reported value of deposits	\$ 7,297,547
Petty cash	2,935
Fair value of investments	380,853
	<u>\$ 7,681,335</u>
Reported on the Statement of Net Position as:	
Cash and cash equivalents	\$ 7,506,899
Cash and cash equivalents, restricted	174,436
	<u>\$ 7,681,335</u>

4. Accounts Receivable

Accounts receivable at June 30, 2024, consisted of the following:

Customers billed	\$ 904,323
Unbilled revenues	168,762
Less: allowance for doubtful accounts	(111,941)
Accounts receivable, net	<u>\$ 961,144</u>
Other governmental agencies	<u>\$ 124,160</u>

5. Lease Receivable

In 2008, the Authority entered into a lease with a national telecommunications company for the purpose to use Authority tower space. Initial term was five years with the option to renew for five additional and successive five year terms. The lease with all lease option renewals will end in FY 2038. The payment terms were approximately \$3,600 per month in FY2024 with an annual adjustment increase of 102%.

The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.25%, which management has determined to be the incremental borrowing rate of the Authority.

In fiscal year 2024, the Authority recognized \$24,405 of lease revenue and \$12,416 of interest revenue under the lease. The lease receivable balance was \$403,940 as of June 30, 2024.

6. Capital Assets

Capital asset activity of the Authority for the year ended June 30, 2024 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	\$ 220,077	\$ 1,114,590	\$ 147,555	\$ 1,187,112
Land	502,110	-	-	502,110
Total capital assets not being depreciated	<u>722,187</u>	<u>1,114,590</u>	<u>147,555</u>	<u>1,689,222</u>
Capital assets being depreciated:				
Land improvements	325,518	-	-	325,518
Building and improvements	23,311,451	17,044	-	23,328,495
System lines	24,819,757	90,796	-	24,910,553
Vehicles	941,365	51,430	-	992,795
Equipment	9,694,140	869,971	-	10,564,111
Total capital assets being depreciated	<u>59,092,231</u>	<u>1,029,241</u>	<u>-</u>	<u>60,121,472</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Land improvements	149,091	17,988	-	167,079
Building and improvements	15,318,249	542,410	-	15,860,659
System lines	5,438,986	307,686	-	5,746,672
Vehicles	521,074	135,623	-	656,697
Equipment	6,803,058	1,062,246	-	7,865,304
Total accumulated depreciation	<u>28,230,458</u>	<u>2,065,953</u>	<u>-</u>	<u>30,296,411</u>
Total capital assets being depreciated, net	<u>30,861,773</u>			<u>29,825,061</u>
Total capital assets, net	<u>\$ 31,583,960</u>			<u>\$ 31,514,283</u>

The Authority has active construction and other ongoing projects as of June 30, 2024. At year-end, the Authority’s commitments with contractors and engineers are as follows:

Project	Contract Amount	Spent to date	Remaining Commitment
WTP Access Road Construction (Thompson Contractors)	\$415,150	\$405,150	\$ 10,000
WTP Residual Field Prep (Blue Ridge Excavating)	90,000	15,000	75,000
WTP SCADA Upgrade (Piedmont Automation)	350,000	200,000	150,000
WTP Recycle Pump Design and Permit (Kimley Horn)	29,800	21,000	8,800
WTP Garver Prelim Engineering Report WTP and Poors Ford (Garver)	180,000	164,300	15,700
Distribution Warehouse Expansion (ES Walker)	175,000	16,652	158,348
Waterline Extension Gillespie (Odom Engineering)	3,000	2,000	1,000
Waterline Extension Mountain Creek/ Green Hill Fire Dept (Odom Engineering)	6,500	1,875	4,625
Waterline Extension High Shoals Ch (Odom Engineering)	3,000	2,750	250
Waterline Extension E Court St (Odom Engineering)	4,000	1,125	2,875
Waterline Extension Cowan Miller & Foster St (Odom Engineering)	5,500	2,500	3,000
Waterline Extension Love's Hwy 221/74 (Odom Engineering)	55,000	49,733	5,268

Net Investment in Capital Assets

Net position in capital assets as reported on the statement of net position is as follows:

Capital assets, net	\$ 31,514,283
Revenue bonds	(4,306,863)
Deferred charge on refunding	<u>9,214</u>
Net investment in capital assets	<u><u>\$ 27,216,634</u></u>

B. Liabilities

1. Pension Plan Obligation

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 for the State of North Carolina. The State’s Annual Comprehensive Financial Report includes financial statements and required

supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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 13.63%, 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 \$218,212 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 liability of \$1,159,967 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, 2024, the Authority's proportion was 0.01751%, which was an decrease of 0.00002% from its proportion reported as of June 30, 2023.

For the year ended June 30, 2024, the Authority recognized pension expense of \$136,386. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,255	\$ 2,783
Changes of assumptions	49,292	-
Net difference between projected and actual earnings on pension plan investments	310,458	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	46,963	1,993
Authority contributions subsequent to the measurement date	<u>218,212</u>	<u>-</u>
 Total	 <u>\$ 754,180</u>	 <u>\$ 4,776</u>

\$218,212 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ 196,507
2026	110,181
2027	211,376
2028	13,128
Thereafter	<u>-</u>
	 <u>\$ 531,192</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study as of 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	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.25%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (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)	\$ 2,009,598	\$ 1,159,967	\$ 460,472

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 for the State of North Carolina.

2. Supplemental Retirement Income Plan

Plan description. On July 1, 2001, the Authority elected to participate in the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Employee contributions to the plan are voluntary. The Authority contributes amounts equal to 5% of each employee's gross annual salary. Contributions are remitted bi-weekly. Such contributions vest immediately.

The Authority made contributions to the plan totaling \$218,212 for the reporting year. No amounts were forfeited.

3. Long-Term Obligations

Water System Revenue Bonds

On October 21, 2008, the Authority issued the 2008 direct placement series bonds. The proceeds of these bonds were used in the construction of the waterline expansion to the Inman-Campobello Water District. The principal amount of this issue was \$2,000,000. These bonds were paid in full during the year ended June 30, 2023.

On January 11, 2010, the Authority issued the 2010 direct placement series bonds. The proceeds of these bonds are being used for the water plant expansion. The principal amount of this issue was \$6,000,000.

On June 22, 2015, the Authority issued \$16,665,000 Water System Refunding Revenue Bonds Series 2015. The proceeds of these bonds were used to redeem the 2005 series bonds in a current refunding. The 2005 series bonds are considered defeased and are not included in the Authority's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$522,328, which was reported as a deferred outflow of resources and amortized over the life of the new debt. Amortization of the deferred outflow in the current year was \$116,472 resulting in a net deferred outflow of \$9,214 at June 30, 2024.

The future payments of the bonds for the years ending June 30th are as follows:

Year	Principal	Interest	Total
2025	\$ 2,291,742	\$ 194,382	\$ 2,486,124
2026	<u>1,895,000</u>	<u>94,750</u>	<u>1,989,750</u>
	<u>\$ 4,186,742</u>	<u>\$ 289,132</u>	<u>\$ 4,475,874</u>

The Authority is in compliance with covenants as to rates, fees, rentals and charges of the Bond Order, authorizing the issuance of the Water Revenue Bonds, Series 2015, 2010, and 2008. The 2015 Bond Order requires the debt service coverage ratio to be no less than 120%, while the direct placement 2008 and 2010 Bond Orders require the ratio to be no less than 125%. In the event that the Authority does not meet the rate covenants, they are required to request a consultant to make recommendations, file those recommendations with the Local Government Commission, and to consider any revisions that will result in compliance with the rate covenants.

The debt service coverage ratio calculation for the year ended June 30, 2024, is as follows:

Operating revenues	\$ 8,359,380
Operating expenses*	<u>4,416,260</u>
Operating income	3,943,120
Non-operating revenues (expenses)**	<u>206,816</u>
Income available for debt service	4,149,936
Debt service, principal and interest paid (Revenue bonds only)	2,492,374
Debt service coverage ratio	167%

* Per rate covenants, operating revenues and expenses are calculated on a budgetary basis. Accordingly, operating expenses do not include depreciation expense of \$2,065,954.

** Per rate covenants, non-operating expenses do not include \$292,905 of revenue bond interest paid.

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$4,186,742 in water system revenue bonds. The bonds are payable solely from water customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of net revenues. In the event of default, the Authority agrees to pay to purchasers, on demand, interest on any and all amounts due and owing by the Authority under these agreements. The total principal and interest remaining to be paid on the bonds is \$4,475,874. Principal and interest paid for the current year and total customer net revenues were \$2,492,374 and \$3,943,120, respectively.

Long-Term Obligation Activity

The following is a summary of changes in the Authority's long-term obligations for the year ended June 30, 2024.

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
Water System Revenue Bonds					
Direct placement bonds 2010	\$ 961,211	\$ -	\$ 474,469	\$ 486,742	\$ 486,742
Revenue bonds 2015	5,425,000	-	1,725,000	3,700,000	1,805,000
Unamortized bond premium	236,593	-	116,472	120,121	-
Net pension liability (LGERS)	988,942	171,025	-	1,159,967	-
Accrued vacation	81,754	8,948	-	90,702	90,702
	<u>\$ 7,693,500</u>	<u>\$ 179,973</u>	<u>\$ 2,315,941</u>	<u>\$ 5,557,532</u>	<u>\$ 2,382,444</u>

Note 3 – Sale of Finished Water Agreement

On July 7, 2008, the Authority entered into an agreement with Polk County (Polk) and the Inman-Campobello Water District (ICWD) to furnish water to both systems. As part of this agreement, the Authority constructed a new water line which allows for the Polk system to connect to the Authority's system. The ICWD system obtains its water through connections to the Polk system. The cost of the new waterline was \$3,123,970 and was funded through the issuance of the 2008 series Revenue Bonds and capital contributions from both ICWD and Rutherford County. Under the terms of the agreement, the Authority agreed to furnish to Polk/ICWD a maximum of 4 million gallons per day (MGD). On September 8, 2008, the agreement was amended to extend the initial term from ten years to fifteen years, and to allow for Polk and ICWD the right to purchase additional water supply up to 4.1 MGD. On February 6, 2012, the agreement was amended to provide that ICWD would operate and maintain the Polk County Line and distribution system for an additional 8 years for a total period of thirteen years from the initial date of operations. On December 7, 2020 a second amendment to the agreement extended the terms to twenty years or until December 31, 2028, increase the rates paid to BRWA for water, and increased the amount of water that could be purchased to 6.1 MGD. The operation and maintenance of the Polk system by ICWD was modified and extended to December 31, 2029.

On February 23, 2022, the third amendment was approved which served to create a regional Commission to oversee administration of the Agreement, to provide a framework where the entities could jointly secure access to future water supplies, to extend the agreement for the life of the regional water supply assets that the entities agree to share, and finally to provide uniformity in rates and terms and conditions of service between ICWD and Polk County for as long as ICWD provides the operation and maintenance on Polk's system.

During the year ended June 30, 2024, the agreement generated approximately \$2,300,000 in revenues for the Authority, which constitutes approximately 29% of the Authority's water service revenues.

Note 4 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is insured through a commercial insurance carrier. The Authority has general liability of \$1 million per occurrence with \$3 million in aggregate limit, commercial excess liability of \$2 million per occurrence and in aggregate limit, public officials and management liability of \$1 million per wrongful act and \$3 million in aggregate limit, auto liability coverage of \$1 million combined single limit, property coverage up to the total insurance values of the property, and workers' compensation coverage up to statutory limits. Employee health insurance is provided through Blue Cross/Blue Shield of North Carolina with a high-deductible Health Savings Account plan.

The Authority carries flood insurance coverage in amounts of \$1 million per occurrence with a \$25,000 deductible.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past fiscal years.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$1 million. The remaining employees that have access to funds are bonded under a blanket bond of \$50,000.

The Authority has cyber liability and privacy crisis management coverage. Cyber liability is covered for \$1 million for each electronic information security event. Privacy Crisis Management is covered for \$50,000 for each event and Cyber Extortion is covered for \$20,000 each extortion threat, which an aggregate limit of \$50,000.

REQUIRED SUPPLEMENTARY INFORMATION

BROAD RIVER WATER AUTHORITY

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS ***

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportionate share of the net pension liability (asset) (%)	0.01751%	0.01753%	0.01476%	0.01560%	0.01573%	0.01496%	0.01581%	0.01683%	0.01726%	0.01838%
Authority's proportion of the net pension liability (asset) (\$)	\$ 1,159,967	\$ 988,942	\$ 226,359	\$ 557,454	\$ 429,574	\$ 354,902	\$ 241,533	\$ 357,189	\$ 77,462	\$ (108,395)
Authority's covered payroll	1,654,506	1,420,386	1,196,011	1,157,817	1,086,169	942,124	966,546	1,010,470	961,439	940,354
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.11%	69.62%	18.93%	48.15%	39.55%	37.67%	24.99%	35.35%	8.06%	(11.53%)
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

BROAD RIVER WATER AUTHORITY
 SCHEDULE OF CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST TEN FISCAL YEARS

Local Government Employees' Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 218,212	\$ 200,857	\$ 161,924	\$ 121,993	\$ 106,172	\$ 86,568	\$ 72,826	\$ 72,394	\$ 69,722	\$ 70,185
Contribution in relation to the contractually required contribution	<u>218,212</u>	<u>200,857</u>	<u>161,924</u>	<u>121,993</u>	<u>106,172</u>	<u>86,568</u>	<u>72,826</u>	<u>72,394</u>	<u>69,722</u>	<u>70,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,692,879	\$ 1,654,506	\$ 1,420,386	\$ 1,196,011	\$ 1,157,817	\$ 1,086,169	\$ 942,124	\$ 966,546	\$ 1,010,470	\$ 961,439
Contributions as a percentage of covered payroll	12.89%	12.14%	11.40%	10.20%	9.17%	7.97%	7.73%	7.49%	6.90%	7.30%

SUPPLEMENTAL FINANCIAL DATA

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water service, net	\$ 8,056,000	\$ 8,000,199	\$ (55,801)
Tap and connection fees	99,000	129,180	30,180
Water testing fees	11,000	10,360	(640)
Late fees	124,000	117,393	(6,607)
Other operating revenues	<u>86,600</u>	<u>102,248</u>	<u>15,648</u>
Total operating revenues	<u>8,376,600</u>	<u>8,359,380</u>	<u>(17,220)</u>
Non-operating revenues:			
Timber sales	1,000	2,711	1,711
Interest income	<u>215,000</u>	<u>204,105</u>	<u>(10,895)</u>
Total non-operating revenues	<u>216,000</u>	<u>206,816</u>	<u>(9,184)</u>
Total revenues	<u>8,592,600</u>	<u>8,566,196</u>	<u>(26,404)</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	2,527,730	2,372,895	154,835
Professional services	170,200	147,550	22,650
Departmental supplies and expenses	718,700	665,205	53,495
Communications	33,500	28,911	4,589
Travel and training	40,000	35,477	4,523
Repairs and maintenance	114,000	106,885	7,115
Vehicle maintenance	75,500	67,595	7,905
Licenses and franchise fees	6,500	4,930	1,570
Utilities	656,500	597,495	59,005
Contracted services	261,260	195,885	65,375
Insurance	95,000	87,169	7,831
Other operating	<u>127,200</u>	<u>109,975</u>	<u>17,225</u>
Total operating expenditures	<u>4,826,090</u>	<u>4,419,972</u>	<u>406,118</u>
Capital outlay	<u>2,394,000</u>	<u>1,996,276</u>	<u>397,724</u>

BROAD RIVER WATER AUTHORITY

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		2,199,469	
Interest		<u>292,905</u>	
Total debt service	<u>2,500,000</u>	<u>2,492,374</u>	<u>7,626</u>
 Total expenditures	 <u>9,720,090</u>	 <u>8,908,622</u>	 <u>811,468</u>
Other Financing Sources (Uses):			
Fund balance appropriated	<u>1,127,490</u>	<u>-</u>	<u>(1,127,490)</u>
	<u>\$ -</u>	<u>(342,426)</u>	<u>\$ (342,426)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Reconciling items:			
Capital outlay - items capitalized		1,996,276	
Depreciation		(2,065,953)	
Increase in deferred outflows of resources - pensions		30,111	
Amortization of premium and deferred charges		86,928	
Increase in accrued interest		(3)	
Increase in accrued vacation pay		(8,948)	
Increase in net pension liability		(171,025)	
Principal retirement of debt		2,199,469	
Decrease in deferred inflows of resources - pensions		<u>4,528</u>	
Total reconciling items		<u>2,071,383</u>	
 Change in net position		 <u>\$ 1,728,957</u>	

PROCLAMATION

Meeting of January 28, 2025

WHEREAS, Mickey Bland has dedicated over twenty-two years of loyal service through his position as Board Member of the Broad River Water Authority since July 1, 2002; and

WHEREAS, Mickey Bland has served as the Board’s Chairman for over eight years further demonstrating his reliability and commitment to the organization; and

WHEREAS, Mickey Bland has given so unselfishly of his time, energy, and resources in providing leadership to the Board towards accomplishing the mission of improving the quality of life in our community by being a dedicated team of neighbors setting the standard for utility excellence; and

WHEREAS, Mickey Bland has earned the respect and admiration of his fellow citizens by demonstrating the virtues of honor, integrity, outstanding leadership, and moral character in both his professional and personal life.

NOW, THEREFORE, BE IT PROCLAIMED by the BROAD RIVER WATER AUTHORITY that we honor Mickey Bland for his years of faithful and dedicated service to the Authority and extend to him and his family our deepest appreciation and gratitude.

This the 28th day of January, 2025.

ATTEST:

BROAD RIVER WATER AUTHORITY

Maria Hunnicutt, Secretary

, Chairman

(Corporate Seal)

Item E-1: Swearing In of Board Member

Mickey Bland resigned from the Board with a letter dated December 20, 2024. The Town of Spindale has appointed Scott Webber to fulfill the remainder of this term through June 30, 2026.

At this point in the agenda, Mr. Webber is to sworn in for the indicated term.

**OATH OF OFFICE
FOR
BOARD MEMBER
BROAD RIVER WATER AUTHORITY**

NAME: Scott Webber

REPRESENTING: Town of Spindale

TERM OF OFFICE: January 28, 2025 thru June 30, 2026

OATH:

I, Scott Webber, do solemnly swear that I will support and maintain the Constitution and laws of the United States, and the Constitution and laws of North Carolina not inconsistent therewith, and that I will faithfully discharge the duties of my office as a Member of the Broad River Water Authority, so help me God.

Scott Webber

Sworn to and subscribed before me this 28th day of January, 2025.



PO Box 186 • 125 Reveley Street • Spindale, NC 28160
Phone: (828) 286-3466 • Fax: (828) 286-3305

January 27, 2025

Ms. Maria S. Hunnicutt
Secretary to the Board
Broad River Water Authority
112 N Main St
Rutherfordton, NC 28139

Dear Maria:

The Spindale Board of Commissioners has nominated and approved for G. Scott Webber to fulfill the unexpired term ending June 30, 2026 for R. Mickey Bland. This was voted and approved at the Board's regularly scheduled meeting on January 21, 2025.

If you have any questions or need further clarification, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Cathy Swafford'.

Cathy Swafford
Town Clerk

cc: Scott Webber

Item E-2: Election of Officers : Chairman

With the recent resignation of Board Chairman, Mickey Bland, the office of Chairman shall be nominated and elected for the term through June 30, 2025.

Current officers are:

- Vice-Chairman Danny Searcy
- Treasurer Jamie Guillermo
- Secretary Maria Hunnicutt

**NOTICE OF PUBLIC HEARING
ON THE RESOLUTION TO ESTABLISH
THE POLK COUNTY REGIONAL WATER AUTHORITY**

Notice is hereby given that, pursuant to the North Carolina Water and Sewer Authorities Act (Article 1 of Chapter 162A of the General Statutes of North Carolina, as amended by Session Law 2023-126), a public hearing will be held at 9:00 am, on January 28, at the Broad River Water Authority Administration Building, located at 112 N. Main Street, Rutherfordton, North Carolina, on a proposed resolution to be adopted by the Board of Directors of Broad River Water Authority of North Carolina signifying its determination to organize the Polk County Regional Water Authority under Section 3(a)(1) of said Act, which resolution will authorize the execution of the Articles of Incorporation of the Polk County Regional Water Authority substantially in the form set forth below.

The proposed Articles of Incorporation of the Polk County Regional Water Authority are as follows:

**ARTICLES OF INCORPORATION
OF THE
POLK COUNTY REGIONAL WATER AUTHORITY**

In compliance with the North Carolina Water and Sewer Authorities Act, being Article 1 of Chapter 162A of the General Statutes of North Carolina, as amended by Session Law 2023-126, the Board of Commissioners for Polk County, North Carolina, the Board of the Directors for the Broad River Water Authority of North Carolina, and the Inman-Campobello Water District Commission of South Carolina, each pursuant to a resolution signifying its determination to organize an Authority under Article 1 of the Act, hereby certify the following:

1. Name. This Authority The name of such Authority shall be the Polk County Regional Water Authority (the “Authority”).

2. Authority. The Authority is organized pursuant to Section 162A-3(a)(1) of the North Carolina Water and Sewer Authorities Act, as amended. The Authority shall be a public body and a body politic and corporate of the State of North Carolina and shall have all powers, rights, and responsibilities granted by Article 1 of Chapter 162A of the General Statutes of North Carolina.

3. Organizing Political Subdivisions. The names of the organizing political subdivisions of the Authority are:
 - a. Polk County, North Carolina,
 - b. The Broad River Water Authority of North Carolina, and
 - c. The Inman-Campobello Water District of South Carolina.

4. Members. The Board of Directors of the Authority initially shall be
- a. Tommy Melton
Polk County Board of Commissioners
PO Box 308
Columbus, North Carolina 28722
 - b. Marche Pittman
Polk County Board of Commissioners
PO Box 308
Columbus, North Carolina 28722
 - c. Mickey Bland
Broad River Water Authority
112 N. Main Street
Rutherfordton, North Carolina 28139
 - d. Maria Hunnicutt
Broad River Water Authority
112 N. Main Street
Rutherfordton, North Carolina 28139
 - e. Craig Sims
Inman-Campobello Water District
5 Prospect Street
Inman, South Carolina 29349
 - f. Jeff Walker
Inman-Campobello Water District
5 Prospect Street
Inman, South Carolina 29349
 - g. David Odom
Odom Engineering
169 Oak Street
Forest City, North Carolina 28043

Membership, including terms and subsequent appointments, shall be governed by Article 1, Chapter 162A of the North Carolina General Statutes as supplemented by the bylaws of the Authority.

5. Terms. The members of the Authority shall be limited to two members to be appointed from time to time by the political subdivisions and an additional independent member

appointed by the political subdivisions as provided in the bylaws. The members shall serve three-year terms staggered as provided in the bylaws.

6. Principal Office. The Principal Office of the Authority shall be the Polk County Administration Building, located at 40 Courthouse Street, Columbus, North Carolina 28722 and with mailing address PO Box 308, Columbus, North Carolina 28722.

7. Effective date. The Authority shall be effective upon the adoption of a resolution by each organizing political subdivision signifying their determination to organize such Authority.

IN WITNESS WHEREOF, Polk County, North Carolina has caused these Articles of Incorporation to be executed by the Chairman of its Board of Commissioners and its corporate seal to be affixed hereto and attested by the Clerk of said Board; the Broad River Water Authority has caused these Articles of Incorporation to be executed by the Chairman of its Board of Directors and its corporate seal to be affixed hereto and attested by the Clerk of said Board; and the Inman-Campobello Water District has caused these Articles of Incorporation to be executed by the Chairman of its Board of Commissioners and its corporate seal to be affixed hereto and attested by the Clerk of said Board, all as of this the [__] day of [_____], 2025.

[name], Chairman of the Board
POLK COUNTY, NORTH CAROLINA

ATTEST:

[name], Clerk of the Board
Polk County, North Carolina

[name, title]
BROAD RIVER WATER AUTHORITY OF
NORTH CAROLINA

ATTEST:

[name], Secretary of the Board
Broad River Water Authority

[name], Chairman of the Board
INMAN-CAMPOBELLO WATER DISTRICT OF
SOUTH CAROLINA

ATTEST:

[name], Secretary of the Board
Inman-Campobello Water District

[[NOTARY BLOCK TO BE ADDED]]

Item G-1:

Resolution 01-25: Articles of Incorporation of the Polk County Regional Water Authority

With the completion of the Public Hearing, the Board will consider Resolution 01-25 to execute the Articles of Incorporation for the Polk County Regional Water Authority.

RESOLUTION NO. 01-25

Meeting of January 28, 2025

**RESOLUTION TO APPROVE THE CREATION OF THE
POLK COUNTY REGIONAL WATER AUTHORITY**

WHEREAS, the Board of Directors (the “Board”) of the Broad River Water Authority, (“BRWA”) has considered the benefits of the creation of the Polk County Regional Water Authority (the “Authority”) pursuant to the terms of the North Carolina Water and Sewer Authorities Act, being Article 1 of Chapter 162A of the General Statutes of North Carolina, as amended by Session Law 2023-126.

WHEREAS, the Board has found that the creation of the Authority is in the interest of the residents and customers of BRWA and will further the efficiency, cost-effectiveness and reliability of service to them.

WHEREAS, after due notice published in newspapers in general circulation of BRWA, the Board has held a public hearing on the proposed creation of the Authority.

Now, therefore, the Board of Directors of BRWA hereby affirms the findings set forth above and resolves and determines:

- A. To affirm and accept the Articles of Incorporations of the Polk County Regional Water Authority as attached hereto as *Exhibit A* pursuant to the terms of the North Carolina Water and Sewer Authorities Act, being Article 1 of Chapter 162A of the General Statutes of North Carolina, as amended by Session Law 2023-126 (the “Statute”).
- B. Makes all other findings required by the Statute.
- C. Authorizes its agents and employees to take all steps reasonably necessary or convenient to accomplish the formation of the Authority.

Resolved this 28th day of January, 2025 by vote of (for____)(against____).

Broad River Water Authority

Attest: _____

By: _____

Maria S. Hunnicutt, Secretary

Chairman

(Corporate Seal)

Exhibit A:

**ARTICLES OF INCORPORATION
OF THE
POLK COUNTY WATER AUTHORITY**

In compliance with the North Carolina Water and Sewer Authorities Act, being Article 1 of Chapter 162A of the General Statutes of North Carolina, as amended by Session Law 2023-126, the Board of Commissioners for Polk County, North Carolina, the Board of the Directors for the Broad River Water Authority of North Carolina, and the Board of Commissioners for the Inman-Campobello Water District of South Carolina, each pursuant to a resolution signifying its determination to organize an Authority under Article 1 of the Act, hereby certify the following:

1. Name. This Authority The name of such Authority shall be the Polk County Water Authority (the “Authority”).

2. Authority. The Authority is organized pursuant to Section 162A-3(a)(1) of the North Carolina Water and Sewer Authorities Act, as amended. The Authority shall be a public body and a body politic and corporate of the State of North Carolina and shall have all powers, rights, and responsibilities granted by Article 1 of Chapter 162A of the General Statutes of North Carolina.

3. Organizing Political Subdivisions. The names of the organizing political subdivisions of the Authority are:

- a. Polk County, North Carolina,
- b. The Broad River Water Authority of North Carolina, and
- c. The Inman-Campobello Water District of South Carolina.

4. Members. The Board of Directors of the Authority initially shall be

- a. Tommy Melton
Polk County Board of Commissioners
PO Box 308
Columbus, North Carolina 28722
- b. Marche Pittman
Polk County Board of Commissioners
PO Box 308
Columbus, North Carolina 28722

- c. Mickey Bland
Broad River Water Authority
112 N. Main Street
Rutherfordton, North Carolina 28139
- d. Maria Hunnicutt
Broad River Water Authority
112 N. Main Street
Rutherfordton, North Carolina 28139
- e. Craig Sims
Inman-Campobello Water District
5 Prospect Street
Inman, South Carolina 29349
- f. Jeff Walker
Inman-Campobello Water District
5 Prospect Street
Inman, South Carolina 29349
- g. David Odom
Odom Engineering
169 Oak Street
Forest City, North Carolina 28043

Membership, including terms and subsequent appointments, shall be governed by Article 1, Chapter 162A of the North Carolina General Statutes as supplemented by the bylaws of the Authority.

5. Terms. The members of the Authority shall be limited to two members to be appointed from time to time by the political subdivisions and an additional independent member appointed by the political subdivisions as provided in the bylaws. The members shall serve three-year terms staggered as provided in the bylaws.

6. Principal Office. The Principal Office of the Authority shall be the Polk County Administration Building, located at 40 Courthouse Street, Columbus, North Carolina 28722 and with mailing address PO Box 308, Columbus, North Carolina 28722.

7. Effective date. The Authority shall be effective upon the adoption of a resolution by each organizing political subdivision signifying their determination to organize such Authority.

IN WITNESS WHEREOF, Polk County, North Carolina has caused these Articles of Incorporation to be executed by the Chairman of its Board of Commissioners and its corporate seal to be affixed hereto and attested by the Clerk of said Board; the Broad River Water Authority has caused these Articles of Incorporation to be executed by the Chairman of its Board of Directors

and its corporate seal to be affixed hereto and attested by the Clerk of said Board; and the Inman-Campobello Water District has caused these Articles of Incorporation to be executed by the Chairman of its Board of Commissioners and its corporate seal to be affixed hereto and attested by the Clerk of said Board, all as of this the [] day of [], 2024.

[name], Chairman of the Board
POLK COUNTY, NORTH CAROLINA

ATTEST:

[name], Clerk of the Board
Polk County, North Carolina

[name, title]
BROAD RIVER WATER AUTHORITY OF
NORTH CAROLINA

ATTEST:

[name], Secretary of the Board
Broad River Water Authority

[name], Chairman of the Board
INMAN-CAMPOBELLO WATER DISTRICT OF
SOUTH CAROLINA

ATTEST:

[name], Clerk of the Board
Inman-Campobello Water District

[[NOTARY BLOCK TO BE ADDED]]

Item G-2: Board Appointment to Polk County Regional Water Authority

With the recent resignation of Mickey Bland, it is necessary to replace his appointment to the Polk County Regional Water Authority (PCRWA). The PCRWA currently meets quarterly with the next meeting in April 2025.

The Third Amendment to the agreement for Construction of Water Transmission Line and Sale of Finished Water between BRWA, Polk County and Inman Campobello Water District states:

16.3. Members of the Commission.

16.3.1. Unless otherwise provided for in this Agreement, the Commission shall consist of seven (7) Commissioners:

- a. The General Manager of BRWA;
- b. The Polk County Manager;
- c. The General Manager of ICWD;
- d. One (1) member appointed by the governing body of Polk County;
- e. One (1) member appointed by the governing body of BRWA;
- f. One (1) member appointed by the governing body of ICWD;
- g. The seventh Commissioner shall be appointed by a majority vote of the six (6) Commissioners provided in subsection (a) through (f).

16.3.2. The Commissioners appointed by the governing bodies of the Parties, along with the seventh member, shall be appointed for a four (4) year term or until a successor has been duly appointed. There is no limit on the number of terms an individual may serve.

16.3.3. A Commissioner may resign at any time by communicating such resignation in writing to the Commission.

16.3.4. Any vacancy on the Commission may only be filled in the manner in which the Commissioner whose seat is vacant was appointed.

DIRECTOR'S REPORT:

LEADERSHIP TEAM Dec 2024



PROJECTS

- WTP
 - Raw Water Line and Recycle Pump project: preconstruction meeting with Carolina Specialties Construction scheduled for mid-February
 - Garver project update meeting held Jan 21 for WTP and PF future projects. Approaching 60% design.
 - WTP maintaining AWOP standards despite river conditions and cold weather has been difficult.



PROJECTS

- Distribution
 - Warehouse expansion complete!
 - Completed waterline extensions on Long St
 - Mountain Creek (Green Hill Fire Dept) waterline extension underway
 - Pending permits for waterline extensions on Whitesides, Middle St, and Sweetwater Lane
 - Pending permits for rehab work on N. Cleghorn, E Court, Cowan and Foster.
 - Waterline relocation next week E Main Spindale for Skate Park
 - Working on meter register change outs
 - Cold weather has increased leaks. Expect more when it warms up.



PROJECTS

- Admin/ Organizational
 - FY 2024 Audit submitted
 - Lead and Copper funding application submitted to DEQ
 - Polk County Regional Water Authority meeting held Jan 15
- Town of Spindale was awarded CDBG for Habitat community \$2.16 million (Wilson Estates)
- Upcoming Emerald Villas - 48 unit apartment complex on Hamilton Rd, Spindale (developer funded)



4

LOVE'S / Hwy 221 Update from Odom

Timeline and Current Status:

1. Initial Submission: Plans were first submitted to NCDOT in early June 2024, and Odom has addressed their comments along the way.
2. Revised Bore Location: Submitted three weeks ago to avoid the Hamrick property who demanded \$16,000.
3. Communication Efforts:
 - o Regular contact has been maintained via emails and phone calls.
 - o NCDOT indicated early Jan that we should expect feedback but has not provided additional updates since.
 - o Scott has escalated the matter by contacting supervisors, who stated today (1/23/25) they would follow up next week.
4. Potential Issue: A hang-up appears to involve the Hwy 221 widening project's potential fill area. We believe this should not delay our approval, as the NC 221 widening is still in the design phase and at least 2-3 years from commencement. Scott has communicated this perspective to NCDOT.

Upcoming Actions:

1. Final Easements: We expect to finalize easements for the revised waterline route next week, which avoids the Hamrick property entirely.
2. Follow-Up with NCDOT: Scott will call division supervisors again next Wednesday (1/31/25) to check on progress.
3. State Officials: If we do not receive a favorable response, we may need to involve elected State officials to help expedite the process.

5

LOVE'S / Hwy 221 Update from Odom

Funding Considerations:

To mitigate risks associated with delays, Alan Toney will request an extension on the funding timeline to ensure we are not negatively impacted.

Next Steps:

- Monitor NCDOT's response next week and escalate as needed.
- Confirm final easements for the waterline.
- If necessary, prepare to engage State officials to move the encroachment process forward.

6

PEOPLE



7

PEOPLE



- Company Reindeer Games held December 18th
- Kendall's little boy, Bruin Cabral, arrived Jan 13th
- Company meeting for training and recognition scheduled for breakfast, Wed Jan 29th



PRIORITIES

- WTP average daily flow
 - Oct 6.85 MGD
 - Nov 6.51 MGD
 - Dec 6.85 MGD
- Customer Billings
 - Oct Volume - 173.2 MG (5.77 MGD)
 - Nov Volume - 188.2 MG (6.27 MGD)
 - Dec Volume - 168.39 MG (5.43 MGD)

 - Oct Revenue - \$658,881
 - Nov Revenue - \$669,285
 - Dec Revenue - \$649,655



9

PRIORITIES

- **Meter Register Replacements**
 - 2,164 brain dead registers have been replaced since August (1/3 of system)
- **Customer Portal**
 - Increased from 0 users in September to 1,724 users currently
- **Bank Draft**
 - Increased from 973 customers in September to 1,289 customers currently



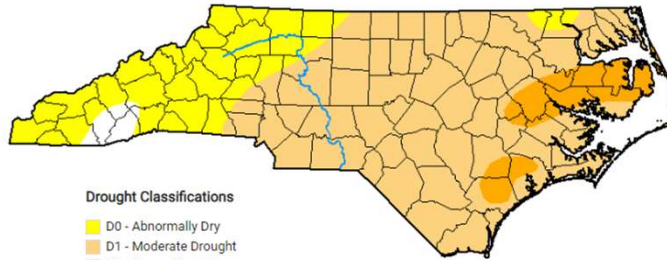
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Drought Update

Current Conditions

as of January 21, 2025 at 8am ET

US Drought Monitor of
North Carolina



- Drought Classifications**
- D0 - Abnormally Dry
 - D1 - Moderate Drought
 - D2 - Severe Drought
 - D3 - Extreme Drought
 - D4 - Exceptional Drought

BROAD RIVER WATER AUTHORITY
Income Statement
As of December 31, 2024

Section H, Item 2.

	Month Ending 12/31/2024	Month Ending 11/30/2024	Year To Date 12/31/2024	Prior Year To Date 12/31/2023
REVENUE				
Operating Revenue				
Water Services:	636,900.65	661,562.06	4,200,295.27	4,054,241.56
Taps and Connections:	4,000.00	4,400.00	84,745.00	72,100.00
Late/ Disconnect/ Penalty Fees:	12,889.33	9,254.53	69,525.41	61,064.06
Water Testing Fees:	720.00	1,240.00	6,310.00	4,590.00
Billing Services:	3,484.35	3,484.35	20,897.60	20,651.36
Total Operating Revenue	657,994.33	679,940.94	4,381,773.28	4,212,646.98
Non-Operating Revenue				
Miscellaneous Revenue	0.00	0.00	0.00	0.00
Lease of Property	3,658.29	3,658.29	22,228.30	13,488.05
Interest Investment	6,636.50	15,852.24	85,854.54	100,541.08
Total Non-Operating Revenue	10,294.79	19,510.53	108,082.84	114,029.13
Capital Revenue				
Reimbursable Revenue	0.00	0.00	0.00	0.00
Grants	0.00	0.00	0.00	0.00
Gain on Disposal Fixed Asset	0.00	0.00	0.00	0.00
Transfer From Other Funds	0.00	0.00	0.00	0.00
Total Capital Revenue	0.00	0.00	0.00	0.00
TOTAL REVENUE	668,289.12	699,451.47	4,489,856.12	4,326,676.11
EXPENSES				
O&M Expenses				
Salaries and Wages:	252,755.30	146,077.46	988,302.62	818,229.22
Employee Benefits and Insurance:	78,581.66	51,753.93	367,653.11	323,605.67
Materials and Chemicals:	16,336.16	41,244.08	195,722.96	161,880.02
Utilities:	10,140.30	52,141.07	283,751.87	280,476.70
Auto Fuel:	3,110.43	3,735.27	18,846.06	23,936.42
Department Supplies & Inventory:	46,667.89	14,795.27	196,935.15	133,881.97
Billing and Collections:	7,018.14	5,491.43	57,040.15	55,796.99
Contracted Services:	8,363.67	6,985.44	51,101.46	93,601.46
Professional Services:	4,873.34	9,582.66	64,464.00	68,174.08
Repairs and Maintenance:	3,074.58	514.04	24,012.37	45,475.76
Insurance Prop Liab:	0.00	0.00	99,865.13	65,848.00
Capital Outlay:	2,500.00	0.00	6,371.14	5,432.17
License and Subscription Fees:	662.73	9,510.73	67,530.73	16,005.37
Training and Travel	1,415.03	547.39	6,787.57	13,681.11
Miscellaneous Expenses:	318.04	130,609.78	140,363.97	151.99
Contingency:	0.00	0.00	0.00	0.00
Total O&M Expenses	435,817.27	472,988.55	2,568,748.29	2,106,176.93
Non-Operating Expenses				
Reimbursable Expenses	0.00	0.00	0.00	0.00
Loss on Disposal Fixed Asset	0.00	0.00	0.00	0.00
Transfer To Reserve Fund	0.00	0.00	0.00	0.00
Total Non-Operating Expenses	0.00	0.00	0.00	0.00
Depreciation & Interest				
Depreciation	183,182.00	183,182.00	1,099,092.00	1,099,092.00

BROAD RIVER WATER AUTHORITY
Income Statement
As of December 31, 2024

Section H, Item 2.

	Month Ending 12/31/2024	Month Ending 11/30/2024	Year To Date 12/31/2024	Prior Year To Date 12/31/2023
Amortization	0.00	0.00	0.00	0.00
Interest Expense	17,165.00	17,165.00	102,990.00	102,990.00
Total Depreciation & Interest	200,347.00	200,347.00	1,202,082.00	1,202,082.00
TOTAL EXPENSES	636,164.27	673,335.55	3,770,830.29	3,308,258.93
NET INCOME FY	32,124.85	26,115.92	719,025.83	1,018,417.18

BROAD RIVER WATER AUTHORITY

Section H, Item 2.

Balance Sheet

As of December 31, 2024

Year To Date 12/31/2024

Current Assets	
Cash NC CMT	391,958.54
Checking OZK	(8,014.14)
Sweep OZK	946,486.94
Petty Cash	2,934.98
Water Receivable	881,861.41
Sewer Receivable	323,802.79
Sanitation Receivable	80,957.65
Allowance for Doubtful Account	(111,941.17)
Unbilled Revenue	168,761.87
Grants Receivable	0.00
Reimbursable Receivable	0.00
State Sales Tax	39,488.70
2% Food Tax	49.09
Co Sls Tax RcvblRutherford	18,610.14
Co Sls Tax RcvblOther Countie	78.11
Other Receivable	0.00
Prepaid Expenses	9,061.58
Total Current Assets	2,744,096.49
Noncurrent Assets	
Lease Receivable	422,208.90
Capital Assets	
Construction in Progress	1,187,113.49
Land	845,097.57
Buildings	23,388,209.49
Water System Lines	24,993,140.99
Equipment	11,432,829.47
Furniture and Fixtures	125,173.70
Vehicles	1,041,427.72
Accumulated Depreciation	(31,397,095.25)
Capital Assets, net of depreciation	31,615,897.18
Total Noncurrent Assets	32,038,106.08
Deferred Outflow of Resources	
Pension Deferrals	724,069.00
Deferred Charge on refunding	15,698.33
Total Deferred Outflow of Resources	739,767.33
Total Assets	35,521,969.90
Current Liabilities	
Accounts Payable	105,256.44
Employee Deductions	8,507.87
Retirement Payable	0.00
Accrued Interest	85,414.60
Accrued Salaries	0.00
Accrued Vacation	90,702.08
Payable from restricted assets	
Customer Deposits Water	135,208.68
Customer Deposits Sewer	45,274.14
Customer Deposits Sanitation	1,576.23
Customer Overpayments	1,972.22
Sewer Receipts PayableRutherf	97,914.72

BROAD RIVER WATER AUTHORITY
 Balance Sheet
 As of December 31, 2024
 Year To Date 12/31/2024

Section H, Item 2.

Sanitation Rcpts PayableRthrf	25,495.52
Sewer Receipts PayableSpindal	134,830.13
Sanitation Rcpts PayableSpndl	34,269.24
Sewer Receipts PayableCliff	9,150.63
Water Taps County	0.00
Reserve For Sewer/ Sanitation	404,760.44
Deferred Revenue	402,826.94
Total Current Liabilities	1,583,159.88
Long Term Liabilities	
Pension Liability	988,942.00
Bonds Payable 2008	0.00
Bonds Payable 2010	243,370.85
Bonds Payable 2015	3,700,000.00
Bond Discount	61,885.24
Total Long Term Liabilities	4,994,198.09
Total Liabilities	6,577,357.97
Deferred Inflows of Resources	
Pension Deferrals	9,304.00
Total Deferred Inflows of Resources	9,304.00
Capital	
Net Income	718,920.71
Cash and Available Assets	34,658,353.37
Total Capital	35,377,274.08
Total Liabilities and Capital	41,963,936.05