



REGULAR BOARD MEETING

FEBRUARY 03, 2026 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 Minutes of November 25, 2025

D. SPECIAL PRESENTATIONS

1. Review of Presentation of FY 2025 Audit by Dan Mullinix, Gould Killian CPA from 1/27/26

E. PUBLIC PRESENTATIONS

F. APPROVAL OF AGENDA

G. OLD BUSINESS

1. Reconsideration of DOT ROW Offer for Poors Ford

H. NEW BUSINESS

1. LGC Financial Performance Indicators of Concern (FPIC) Response to FY 25 Audit
2. Consideration of Resolution 01-26: Restatement of the Agreement Between BRWA/ Polk/ ICWD and Adding as a Party the Polk County Regional Water Authority
3. Consideration of Resolution 02-26: Authorization to Apply for SRF Helene Funding

I. REPORTS

1. Director's Report
2. Financial Reports for December 2025
3. FY 2025 Annual Disclosure (FYI only)

J. BOARD MEMBER REMARKS

K. ADJOURNMENT

MINUTES OF THE REGULAR BOARD MEETING OF THE BROAD RIVER WATER AUTHORITY

November 25, 2025

The Regular Board meeting of the Broad River Water Authority was held Tuesday, November 25, 2025 at 9:00 am at the BRWA business office.

Present were Board members:

- Danny Searcy, Chairman
- Jamie Guillermo, Vice Chair
- Jenny Piper, Treasurer
- Stan Clements
- Steve Garrison
- David Guy
- Brandon Harrill
- Scott Webber

BRWA Staff Members Present:

- Maria Hunnicutt
- Kendall Cabral

Attorney: John Crofts, King Law Offices

Welcome

Attendees were welcomed at 9:00 am by Chairman Danny Searcy.

Approval of Minutes

The minutes of the Regular Board Meeting of October 28, 2025 were reviewed. A motion to approve the minutes was made by Stan Clements and seconded by Jamie Guillermo. Minutes were unanimously approved. Minutes of the Closed Session of October 28, 2025 were reviewed. A motion to approve the minutes was made by Stan Clements and seconded by Brandon Harrill.

Presentations

None.

Approval of Agenda

A motion to approve the agenda as presented was made by David Guy, seconded by Brandon Harrill, and approved unanimously.

New Business

Resolution 12-25: DOT ROW Offer for 112 North Main St was presented. DOT has offered \$3975 for a right of way and a temporary easement at the business office property. Plans show “do not disturb” on the retaining wall. There should be no impact on traffic in and out of the office. A

Broad River Water Authority Meeting Minutes**November 25, 2025**

motion to approve Resolution 12-25 was made by Steve Garrison, seconded David Guy, and approved unanimously.

Resolution 13-25: DOT ROW Offer for Poors Ford was presented. DOT has offered \$2275 for a right of way and a temporary easement at 1141 Poors Ford Rd which is the location of the Authority's 5 million gallon ground storage tank and pump station. The plans indicate fencing that will be impacted by the project. A motion to approve Resolution 13-25 was made by Steve Garrison with a contingency that the DOT would repair any damage to the fence and replace it to its current state or better. This motion was seconded by Stan Clements, and approved unanimously.

Reports

An overview of the monthly Leadership Team presentation was provided highlighting the Projects, People and Priorities for the month. Several important updates include the Love's water/ sewer project (rebid on 10/23, scope reduced to match budget, pending EDA approval), Polk Regional awaiting Secretary of State approval, Lead Service Line public notices to be distributed mid-December, and progress on key infrastructure projects. The financial report for October (pre-audit) was reviewed at the meeting. The interest earned with funds at TD Bank were discussed. Information provided later confirmed our agreement was for "Municipal Advantage Checking" where we earn a credit to offset banking charges and we earn 4% on the funds. This was a 5-year guaranteed pricing with their "exception pricing" which is 40-50% off TD's regular pricing.

Board Member Remarks

Many expressed well wishes for a Happy Thanksgiving.

Adjournment

With a motion by Steve Garrison, a second from Brandon Harrill, and unanimous approval, the meeting was adjourned at 9:52 am.

The next meeting is scheduled for December 23, 2025 at 9:00 am in the business office.

Respectfully submitted,

Maria S. Hunnicutt, Secretary



BROAD RIVER WATER AUTHORITY

2025 Annual Financial Report

Audit Summary

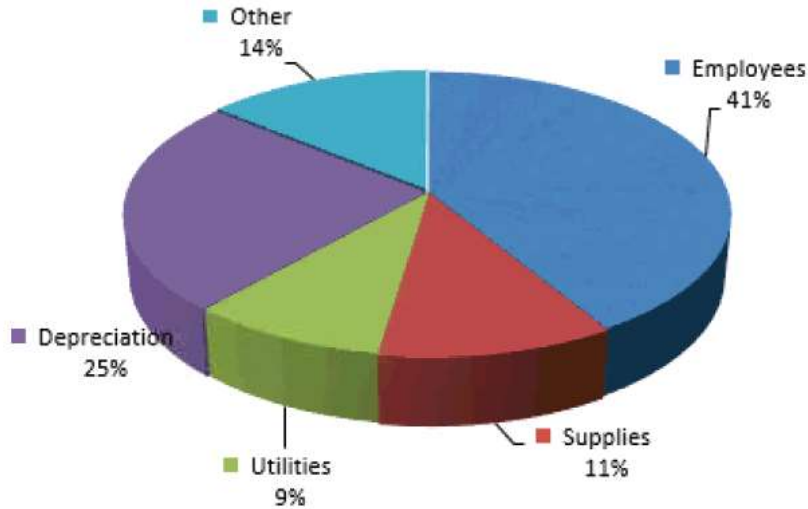
- Thank you for allowing us to work with Broad River. It was a pleasure working with the Authority and its management.
- Audit documentation was ready and organized on day 1 of audit fieldwork.
- We issued an unmodified (clean) opinion.
- We reported no material weaknesses in internal control.
- Special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

Key Statistics for FY25

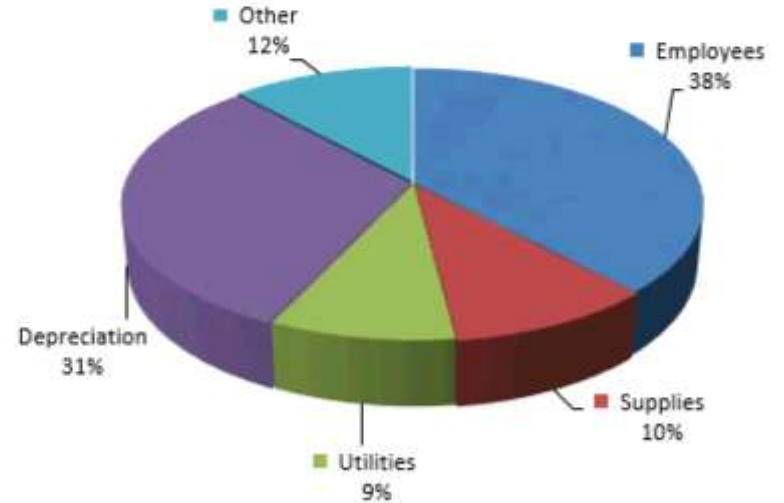
- Net Position for FY25 is \$34.5 million, an increase of \$2.1 million or 21% (5% increase in FY24 and FY23).
- Of that position, \$4.8 million is unrestricted (decrease of \$2.5 million), the overall increase was attributable to investment in capital assets of \$4.6 million.
- Operating revenues increased \$500k or 6% from FY24.
- Operations expenses were \$5.1 in FY25 and \$4.6 M in FY24 and FY23. Details of operating expenditures are on page 31 within 90% of the annual budget. Capital outlay was \$4 million. Graph on page 6 provides breakdown by general categories. See pic on next slide.

Key Statistics for FY25

Operating Expenses FY 25



Operating Expenses FY24



Key Statistics for FY25 (cont.)

- Cash Flows: net decrease of \$2.6 million as a result of \$3.9 million added from operations, \$6.7 million (up \$2 million) used for capital and debt service, and \$225,000 added from investing activities. Increased level of acquisition/construction capital asset activities of \$4 million (up \$1.7 million from FY24).
- Capital Activity: total spend of \$4 million in new capital assets and projects during the year.
 1. \$225,000 on facility upgrades,
 2. \$250,000 on waterline extensions and rehabilitation,
 3. \$267,000 on various equipment replacement and a new vehicle,
 4. \$3.6 million in projects not complete as of June 30, 2025: includes parallel raw waterline, SCADA upgrades and \$2.1 million on engineering design for improvements at Water Treatment Plant and Poors Ford pump station.

Key Statistics for FY25 (cont.)

- Debt Activity: There is no new debt this year and the scheduled principal payments were made resulting in a decrease in debt of \$2.3 million. (total debt down by 55% from FY24) Debt will be paid in full in FY26.

The future payment (last year of payment) of the bond for the year ending June 30th is as follows:

Year	Principal	Interest	Total
2026	\$ 1,895,000	\$ 94,750	\$ 1,989,750

- GASB 68 (pensions) resulted in a net liability in 2020 of \$430k, 2021 of \$557k, 2022 of \$226k, 2023 of \$989k, 2024 of \$1.15 million and 2025 of \$1.29 million.

Key Comparisons Summary

	FY 23	FY 24	FY 25
Working capital	\$ 5,837,344	\$ 5,385,108	\$ 3,395,464
Unrestricted Cash / Operating Expenses-Budget (\$445k per month)	21.1 months	18.7 months	11.0 months
Unrestricted net position	\$ 7,782,018	\$ 7,294,255	\$ 4,754,196
Operating income	\$ 1,555,537	\$ 1,691,300	\$ 2,117,468
Change in net position	\$ 1,571,481	\$ 1,728,957	\$ 2,089,224
Cash flows from operating activities	\$ 3,853,751	\$ 4,064,240	\$ 3,863,454
Net increase (decrease) in cash	\$ (374,362)	\$ (450,064)	\$ (2,592,200)
Employee Count	26	26	26

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 3-4 year of experience). Employee costs will continue to increase.
- Another Risk - What other risks do you see?

Financial Performance Indicator - LGC

- Expected to happen.
- Capital Asset Condition Ratio below 50% at 48.22% for FY25. Broad River will submit letter explaining the plans on asset replacement, etc.
- Similar letter and response as FY24.

Summary					
Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Number of Financial Performance Indicators of Concern (FPICs)	0	1	1	Greater Than 0	Fail
Water & Sewer Fund					
Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Quick Ratio	2.80	2.80	2.27	Less Than 1.00	Pass
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	\$1,187,459	\$1,351,804	\$1,264,515	Less Than \$0	Pass
Unrestricted Cash as a Percentage of Expenses	110.89%	107.69%	64.43%	Less Than 16.00%	Pass
Capital Assets Condition Ratio	52.23%	49.60%	48.22%	Less Than or Equal To 50.00%	Fail



Rutherfordton, North Carolina

AUDIT WRAP UP

December 31, 2025

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 31, 2025

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 23, 2025, 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, 2025, 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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Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2025. 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 31, 2025.
- 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 23, 2025 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.

- No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year except for GASB 101 related to compensated absences. Discussion document included on the related accounting standard. This standard did not materially impact the Authority.
- 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 2025.

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. There was one past adjustment.

There was one net uncorrected misstatements (or passed adjustment) of approximately \$4,300 expense and a total liability of \$36,400 relating to a accruing for portion of sick leave liability associated with GASB 101. We concur with management's assessment that the effects of not recording such adjustment is individually and in the aggregate, immaterial to the financial statements taken as a whole, considering both qualitative and quantitative factors. This proposed adjustment could potentially cause future-period financial statement to be materially misstated.

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.

GASB 101 -

GASB 101: Compensated Absences - Overview

Background

- **GASB Statement No. 101**, issued by the Governmental Accounting Standards Board (GASB) in June 2022, updates the guidance for accounting and financial reporting of compensated absences (e.g., unused vacation, sick leave) for state and local governments including water authorities.

Key Requirements

- **Recognition:** Liabilities for compensated absences are recognized when the related services are rendered and earned, not just when paid.
- **Measurement:** The liability should reflect the amount the government expects to pay for compensated absences, including the effects of salary and wage increases as well as certain other factors.
- **Applicability:** The standard will be in effect for the first time for the **2024-2025 fiscal year**.

How This Relates to Sick Time

Old vs. New Approach

- **Previous Guidance:** Governments often only recognized a liability for sick leave if it was expected to be paid out (e.g., when employees retire).
- **GASB 101 Update:** Now, all compensated absences—including sick leave—must be evaluated under a unified model, regardless of whether they are used in the future as paid time off or paid out at separation.

Sick Time Application

- If sick leave is **accrued** and:
 - **Vested or Accumulates** (i.e., employees can carry it forward or cash it out): It must be recognized as a liability as it is earned.
 - **Non-vesting** (i.e., use-it-or-lose-it, and no payout at separation): Only recognize a liability for the portion expected to be used as paid time off in the future, based on historical usage patterns.

Implications for Authority (Fiscal Year Ending 6/30/2025)

Adoption Required: Authority consider implementing GASB 101 for its **June 30, 2025** financial statements. The portion for sick leave was deemed not material.

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

Financial Statements

June 30, 2025





Broad River Water Authority

As of June 30, 2025:

Board of Trustees

Danny Searcy, Chair
Jenny Piper, Treasurer
Maria Hunnicutt, Secretary

David Guy
Brandon Harrill
Stan Clements
Steve Garrison
Scott Webber
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, 2025 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, 2025, 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 31, 2025

BROAD RIVER WATER AUTHORITY

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, 2025. 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.

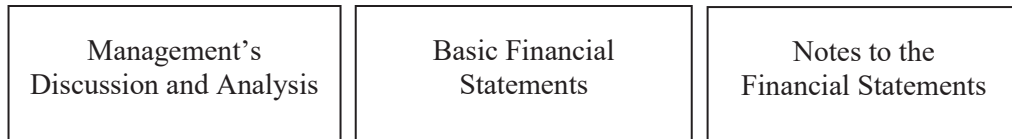
Financial Highlights

- 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 \$36,621,369 (*net position*). Of this amount \$4,754,196 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 \$2,089,224 primarily due to positive operating results used for the reduction of long-term liabilities (bond principal of \$2.3 million) and capital improvements of \$4 million.

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



Summary —————> Detail

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 2025</u>	<u>FY 2024</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current and other assets	\$ 6,358,226	\$ 8,778,746	\$ (2,420,520)	-28%
Capital assets, net	<u>34,177,030</u>	<u>31,918,223</u>	<u>2,258,807</u>	7%
Total assets	<u>40,535,256</u>	<u>40,696,969</u>	<u>(161,713)</u>	0%
DEFERRED OUTFLOWS OF RESOURCES				
	<u>729,676</u>	<u>784,650</u>	<u>(54,974)</u>	-7%
LIABILITIES				
Current liabilities	2,962,762	3,393,638	(430,876)	-13%
Long-term liabilities outstanding	<u>1,329,924</u>	<u>3,175,088</u>	<u>(1,845,164)</u>	-58%
Total liabilities	<u>4,292,686</u>	<u>6,568,726</u>	<u>(2,276,040)</u>	-35%
DEFERRED INFLOWS OF RESOURCES				
	<u>350,876</u>	<u>380,748</u>	<u>(29,872)</u>	-8%
NET POSITION				
Net investment in capital assets	31,867,173	27,237,890	4,629,283	17%
Unrestricted	<u>4,754,196</u>	<u>7,294,255</u>	<u>(2,540,059)</u>	-35%
Total net position	<u>\$ 36,621,369</u>	<u>\$ 34,532,145</u>	<u>\$ 2,089,224</u>	6%

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 \$36,621,369 at June 30, 2025. The Authority's net position increased by \$2,089,224 for the fiscal year ended June 30, 2025. However, the largest portion (approximately 87%) reflects the Authority's net investment in capital assets (e.g. land, buildings, treatment facility, waterlines, 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 \$4,754,196 is unrestricted. Reduction of long-term liabilities was caused by principal retirement of debt totaled \$2.3 million. Operating revenues from water service increased 4% from FY 2024.

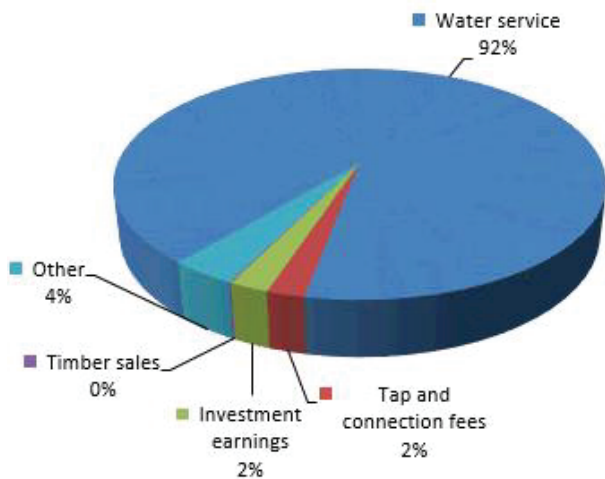
AUTHORITY’S CHANGES IN NET POSITION

Table 2

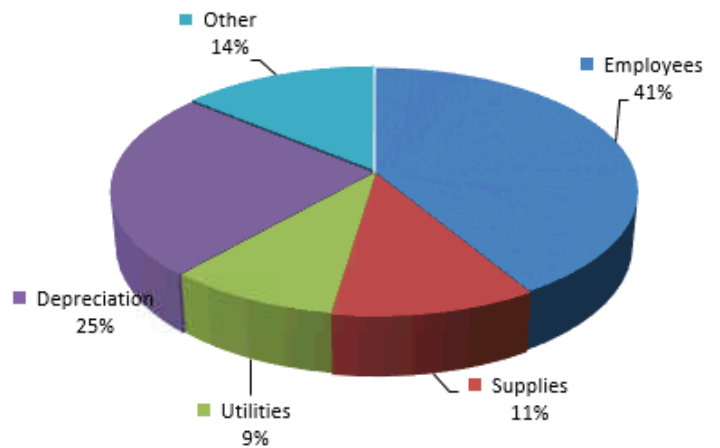
	<u>FY 2025</u>	<u>FY 2024</u>	<u>\$ Change</u>	<u>% Change</u>
OPERATING REVENUES				
Charges for services, net	\$ 8,312,183	\$ 8,000,199	\$ 311,984	4%
Other operating revenues	502,341	322,360	179,981	56%
Total operating revenues	<u>8,814,524</u>	<u>8,322,559</u>	<u>491,965</u>	6%
OPERATING EXPENSES				
Operations	5,055,989	4,565,306	490,683	11%
Depreciation	1,641,067	2,065,953	(424,886)	-21%
Total operating expenses	<u>6,697,056</u>	<u>6,631,259</u>	<u>65,797</u>	1%
Operating income	<u>2,117,468</u>	<u>1,691,300</u>	<u>426,168</u>	25%
NON-OPERATING REVENUES (EXPENSES)				
Change in net position	<u>(28,244)</u>	<u>37,657</u>	<u>(65,901)</u>	-175%
Total net position, beginning of year	<u>34,532,145</u>	<u>32,803,188</u>	<u>1,728,957</u>	5%
Total net position, end of year	<u>\$ 36,621,369</u>	<u>\$ 34,532,145</u>	<u>\$ 2,089,224</u>	6%

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 2025</u>	<u>FY 2024</u>	<u>\$ Change</u>	<u>% Change</u>
Cash provided (used) by:				
Operating activities	\$ 3,863,454	\$ 4,064,240	\$ (200,786)	-5%
Non-capital and related financing activities	26,758	30,946	(4,188)	-14%
Capital and related financing activities	(6,707,198)	(4,749,355)	(1,957,843)	41%
Investing activities	<u>224,785</u>	<u>204,105</u>	<u>20,680</u>	10%
Net increase (decrease) in cash and cash equivalents	(2,592,200)	(450,064)	(2,142,136)	476%
Total cash and cash equivalents, beginning of year	<u>7,681,335</u>	<u>8,131,399</u>	<u>(450,064)</u>	-6%
Total cash and cash equivalents, end of year	<u>\$ 5,089,135</u>	<u>\$ 7,681,335</u>	<u>\$ (2,592,200)</u>	-34%

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

The Authority's investment in capital assets as of June 30, 2025, totals \$33,792,538 (net of accumulated depreciation). During fiscal year 2025, the Authority expended approximately \$4 million on capital activities. These expenditures included approximately \$225,000 on facility upgrades, \$250,000 on waterlines extensions and rehabilitation, \$600,000 on meter replacements, \$267,000 on various equipment replacements and a new vehicle. Expenditures on projects that were not complete at the end of the fiscal year totaled \$3.6 million. Projects in the construction in progress category include the installation of parallel raw waterline at the WPT, SCADA upgrades, and \$2.1 million on engineering design for significant improvements at the Water Treatment Plant and Poors Ford pump station.

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 2025</u>	<u>FY 2024</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 502,110	\$ 502,110	-	0%
Construction in progress	3,611,426	1,187,112	2,424,314	204%
Building and improvements	7,528,112	7,626,275	(98,163)	-1%
System lines	19,234,626	19,163,881	70,745	0%
Vehicles	237,091	336,098	(99,007)	-29%
Equipment	<u>2,679,173</u>	<u>2,698,807</u>	<u>(19,634)</u>	-1%
Capital assets, net	<u>\$ 33,792,538</u>	<u>\$ 31,514,283</u>	<u>\$ 2,278,255</u>	7%

Long-term Debt

As of June 30, 2025, the Authority had total debt outstanding of \$1,935,685.

	<u>FY 2025</u>	<u>FY 2024</u>	<u>\$ Change</u>	<u>% Change</u>
Water system revenue bonds	\$ 1,895,000	\$ 4,186,742	\$ (2,291,742)	-55%
Add: unamortized premium	<u>40,685</u>	<u>120,121</u>	<u>(79,436)</u>	-66%
	1,935,685	4,306,863	(2,371,178)	-55%
Less: current portion	<u>(1,935,685)</u>	<u>(2,291,742)</u>	<u>356,057</u>	-16%
Long-term debt, net	<u>\$ -</u>	<u>\$ 2,015,121</u>	<u>\$ (2,015,121)</u>	-100%

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.

Managing Industrial Loss:

In 2001, the “top ten” customers were all industrial based, with a heavy emphasis in the textile industry accounting for over 50% of water consumption and nearly 40% of water sales revenue. However, due to national industrial trends and changes in trade laws, 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.

Expanding Waterlines:

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. However, the addition of residential customers had little impact on revenue or water production requirements.

Strategic Rate Setting:

To ensure financial stability despite lower water usage, the Authority imposed rate increases. We moved to a "high minimum charge" model, which provides a steady income stream regardless of weather or business closures. Following years of incremental adjustments, we implemented a 3.5% increase for FY 2025. Currently, the average residential bill for 5,000 gallons is \$57.20.

Future rate increases will 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:

With the Water Treatment Plant having excess capacity beyond what local customers needed, we began selling bulk water through a three-party contractual agreement to the Inman-Campobello Water District (ICWD) through Polk County in December 2008. 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. This partnership has been highly successful:

- **Revenue:** Since the inception of the partnership, ICWD/ Polk has purchased an average of 3.32 million gallons per day (MGD) and has generated over \$29 million.
- **Current Impact:** In FY 2025, ICWD/ Polk purchased an average of 4.08 MGD and generated over \$2.27 million. These sales accounted for 27% of our total revenue and 64% of our total water volume.
- **Future:** A 2022 agreement created a regional Commission to manage Polk County’s water assets and secure water supplies for the long term. The Polk County Regional Water Authority is expected to receive its Certificate of Formation from the NC Secretary of State’s office in December 2025.

The Result:

By diversifying our revenue and expanding our partnerships, the Authority has successfully rebounded from industrial decline, creating a stable and growing utility system for our community.

	Annual Water Consumption (MG)					
	FY 2002		FY 2007		FY 2025	
Residential	282	18%	290	35%	287	12%
Commercial	114	7%	134	16%	108	5%
Industrial	871	56%	139	17%	75	3%
Bulk	283 (1)	18%	257	31%	1,873 (2)	80%
TOTAL	1,550		820		2,343	

	Annual Revenue (\$ 000)					
	FY 2002		FY 2007		FY 2025	
Residential	\$ 1,677	42%	\$ 2,235	59%	\$ 3,827	46%
Commercial	518	13%	743	20%	1,069	13%
Industrial	1,433	36%	447	12%	452	5%
Bulk	407	10%	380	10%	3,016	36%
TOTAL	\$ 4,035		\$ 3,805		\$ 8,364	

	Annual Water Production		
	FY 2002	FY 2007	FY 2025
Total MG	1619.38	1029.75	2479.17
Avg Day (MGD)	4.44	2.82	6.79

(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:

Our vision: To improve the quality of life in our community by being a dedicated team of neighbors setting the standard for utility excellence.

Our mission: 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.

Strategic themes:

- **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:** We invest proactively in the right projects at the right time, considering life-cycle costs and risk. While past efforts focused on expansion, we now prioritize modernizing and replacing aging infrastructure to improve reliability and reduce risk.
 - In FY 2025, we invested \$1.37 million in capital activities, including facility upgrades, waterline rehab, and meter replacements.
 - We follow an Asset Management Plan (updated in FY 2021) to guide our investments, ensure safe and reliable service, maximize asset life, and protect public health and the environment.
- **Financial Stability:** We generate sufficient revenue to fund construction, maintenance, operations, and reserves, reducing reliance on grants. We focus on key financial indicators to balance fiscal viability with affordability for our customers.

Key Indicator	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023	FY2024	FY2025
Ave Monthly Bill (5000 gal)	\$49.58	\$48.34	\$49.40	\$49.40	\$51.20	\$51.20	\$52.60	\$57.20
Debt Service Coverage	1.80x	1.72x	1.73x	1.71x	1.74x	1.63x	1.67x	1.69x
Days Cash on Hand	1288	934	917	930	850	623	614	354
Cash Provided by Operating Activities (\$M)	\$4.609	\$4.261	\$4.390	\$4.290	\$4.243	\$3.854	\$4.064	\$3.863

The Authority maintains a strong financial foundation with \$5.09 million in capital reserves. We are on track to be debt-free by June 2026 when our remaining \$1.9 million bond is paid in full.

Looking ahead, we are designing improvements for the Water Treatment Plant and Poors Ford pump station to improve operational efficiency and increase capacity. These improvements, estimated at \$13–\$15 million, along with other purchases prioritized in the Capital

Improvement Plan will be funded through a mix of revenue, grants, and new borrowing starting in mid-2026.

Organizational Excellence: We achieve excellence by combining long-term leadership vision with a deep investment in our team. Following the pandemic, we shifted our strategy to become an "employer of choice" to overcome industry-wide hiring challenges and rebuild institutional knowledge.

With 60% of our staff hired since 2021, we focus on four key areas:

- **Professional Growth:** We provide monthly leadership training, unlimited learning through Pryor Learning, and a 1-on-1 mentoring program for new hires to ensure they have the tools to succeed.
- **Competitive Quality of Life:** We offer a wage-progression plan where pay increases as experience grows. We also prioritize safety and regularly review benefits to support employee well-being.
- **A Culture of Trust:** We prioritize open communication through weekly and monthly team meetings, utilization of Microsoft Teams to keep information flowing freely, and the use of employee surveys to make improvements based on direct feedback from our staff.
- **Community Connection:** Our team maintains a public-facing presence in local student engagement opportunities, downtown festivals, and career fairs reinforcing our identity as "neighbors serving neighbors." We are dedicated to serving as a cornerstone of our community.

By prioritizing our people, we ensure a stable, skilled, and motivated workforce dedicated to serving our community.

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, 2025

Assets

Current Assets:

Cash and cash equivalents	\$ 4,901,475
Water accounts receivable, net	983,195
Due from other governments	246,954
Restricted cash and cash equivalents	187,660
Prepaid expenses	38,942
Total current assets	<u>6,358,226</u>

Noncurrent Assets:

Lease receivable	384,492
Capital assets:	
Land and construction in progress	4,113,536
Other capital assets, net of depreciation	<u>29,679,002</u>
Capital assets, net	<u>33,792,538</u>
Total noncurrent assets	<u>34,177,030</u>

Total assets	<u>40,535,256</u>
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Deferred Outflows of Resources

Pension deferrals	719,356
Deferred charge on refunding	<u>10,320</u>
Total deferred outflows of resources	<u>729,676</u>

Liabilities

Current Liabilities:

Accounts payable	584,195
Construction contracts payable	67,500
Accrued interest	7,896
Accrued salaries and related payables	109,528
Accrued compensated absences	110,984
Current portion of long-term debt	1,935,685
Payable from restricted assets:	
Customer deposits	<u>187,660</u>
Total current liabilities	<u>3,003,448</u>

Noncurrent Liabilities:

Net pension liability	<u>1,289,239</u>
Total long-term liabilities	<u>1,289,239</u>

Total liabilities	<u>4,292,687</u>
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Deferred Inflows of Resources

Lease	349,117
Pension deferrals	<u>1,759</u>
Total deferred inflows of resources	<u>350,876</u>

Net Position

Net investment in capital assets	31,867,173
Unrestricted	<u>4,754,196</u>
Total net position	<u>\$ 36,621,369</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, 2025

Operating revenues:	
Water service, net	\$ 8,312,183
Tap and connection fees	191,424
Water testing fees	11,342
Late fees	128,685
Grant revenues	83,321
Other operating revenues	<u>87,569</u>
Total operating revenues	<u>8,814,524</u>
Operating expenses:	
Salaries and employee benefits	2,770,873
Professional services	225,906
Departmental supplies and expenses	735,313
Telephone	27,380
Travel and training	24,809
Repairs and maintenance	102,072
Vehicle maintenance	75,508
Licenses and franchise fees	108,366
Utilities	613,275
Contracted services	167,195
Depreciation	1,641,067
Insurance	100,197
Other operating	<u>105,095</u>
Total operating expenses	<u>6,697,056</u>
Operating income	<u>2,117,468</u>
Non-operating revenues (expenses):	
Loss on disposal of assets	(57,707)
Investment earnings	197,576
Tower lease interest income	11,852
Tower lease revenue	12,299
Miscellaneous revenue	10,014
Interest expense	<u>(202,278)</u>
Total non-operating revenues (expenses)	<u>(28,244)</u>
Change in net position	2,089,224
Total net position, beginning of year	<u>34,532,145</u>
Total net position, end of year	<u>\$ 36,621,369</u>

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

BROAD RIVER WATER AUTHORITYSTATEMENT OF CASH FLOWS
For the year ended June 30, 2025**Cash Flows from Operating Activities:**

Cash received from customers	\$ 8,805,697
Cash paid to employees for services	(2,569,912)
Cash paid for goods and services	<u>(2,372,331)</u>
Net cash provided by operating activities	<u>3,863,454</u>

Cash Flows from Non-Capital and related Financing Activities:

Proceeds from sale of timber	10,014
Tower lease interest and revenue	<u>16,744</u>
Net cash provided by non-capital related financing activities	<u>26,758</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(4,124,073)
Interest payments on debt maturities	(291,383)
Principal payments on debt maturities	<u>(2,291,742)</u>
Net cash used by capital and related financing activities	<u>(6,707,198)</u>

Cash Flows from Investing Activities:

Proceeds from insurance	27,209
Interest income	<u>197,576</u>
Net cash provided by investing activities	<u>224,785</u>

Net decrease in cash and cash equivalents (2,592,200)

Cash and cash equivalents, beginning of year 7,681,335

Cash and cash equivalents, end of year \$ 5,089,135

Summary of Cash & Cash Equivalents, end of year:

Cash & cash equivalents	\$ 4,901,475
Restricted cash & cash equivalents	<u>187,660</u>
	<u>\$ 5,089,135</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, 2025**Reconciliation of Operating Income to Net Cash****Provided by Operating Activities:**

Operating income	\$	2,117,468
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		1,641,067
Provision for bad debts		(6,418)
Changes in operating assets and liabilities:		
Increase in accounts receivable		(138,426)
Decrease in prepaid expenses		(26,835)
Decrease in deferred outflows of resources - pensions		34,824
Increase in accounts payable		62,414
Increase in accrued salaries and related payables		19,600
Increase in customer deposits		13,224
Increase in accrued vacation payable		20,282
Increase in net pension liability		129,272
Decrease in deferred inflows of resources - pensions		<u>(3,017)</u>
Net cash provided by operating activities	\$	<u>3,863,454</u>

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

Net change in construction contracts payable	\$	<u>(119,834)</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, 2025

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, 2025 was \$187,660.

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. In accordance with GASB Statement 101, an expense and liability for sick leave is recognized using the “practical expedient approach” allowed by the Standard for the portion of sick leave expected to be used and paid by the Authority. The Authority has determined the liability for the sick leave portion is deemed immaterial for reporting purposes.

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, 2025, the Authority’s deposits had a carrying amount of \$4,674,343 and a bank balance of \$4,752,909. 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, 2025, the Authority’s petty cash fund totaled \$2,935.

2. Investments

At June 30, 2025, the Authority had \$411,857 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, 2025. 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	\$ 4,674,343
Petty cash	2,935
Fair value of investments	<u>411,857</u>
	<u>\$ 5,089,135</u>
Reported on the Statement of Net Position as:	
Cash and cash equivalents	\$ 4,901,475
Cash and cash equivalents, restricted	<u>187,660</u>
	<u>\$ 5,089,135</u>

4. Accounts Receivable

Accounts receivable at June 30, 2025, consisted of the following:

Customers billed	\$ 942,223
Unbilled revenues	146,495
Less: allowance for doubtful accounts	<u>(105,523)</u>
Accounts receivable, net	<u>\$ 983,195</u>
Other governmental agencies	<u>\$ 246,954</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 FY2025 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 2025, the Authority recognized \$12,299 of lease revenue and \$11,852 of interest revenue under the lease. The lease receivable balance was \$384,492 as of June 30, 2025.

6. Capital Assets

Capital asset activity of the Authority for the year ended June 30, 2025 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	\$ 1,187,112	\$ 2,637,172	\$ 212,858	\$ 3,611,426
Land	<u>502,110</u>	<u>-</u>	<u>-</u>	<u>502,110</u>
Total capital assets not being depreciated	<u>1,689,222</u>	<u>2,637,172</u>	<u>212,858</u>	<u>4,113,536</u>
Capital assets being depreciated:				
Land improvements	325,518	-	-	325,518
Building and improvements	23,328,495	224,406	-	23,552,901
System lines	24,910,553	380,813	-	25,291,366
Vehicles	992,795	48,634	44,750	996,679
Equipment	<u>10,564,111</u>	<u>926,072</u>	<u>106,354</u>	<u>11,383,829</u>
Total capital assets being depreciated	<u>60,121,472</u>	<u>1,579,925</u>	<u>151,104</u>	<u>61,550,293</u>
Less accumulated depreciation for:				
Land improvements	167,079	21,568	-	188,647
Building and improvements	15,860,659	301,001	-	16,161,660
System lines	5,746,672	310,068	-	6,056,740
Vehicles	656,697	120,791	17,900	759,588
Equipment	<u>7,865,304</u>	<u>887,640</u>	<u>48,288</u>	<u>8,704,656</u>
Total accumulated depreciation	<u>30,296,411</u>	<u>1,641,068</u>	<u>66,188</u>	<u>31,871,291</u>
Total capital assets being depreciated, net	<u>29,825,061</u>			<u>29,679,002</u>
Total capital assets, net	<u>\$ 31,514,283</u>			<u>\$ 33,792,538</u>

The Authority has active construction and other ongoing projects as of June 30, 2025. At year-end, the Authority's commitments with contractors and engineers are as follows:

Project	Contract Amount	Spent-to-date	Remaining Commitment
WTP Residual Field Prep (Blue Ridge Excavating)	\$ 90,000	\$ 75,000	\$ 15,000
WTP SCADA Upgrade (Piedmont Automation BRWA2401)	125,000	52,399	72,601
WTP Raw Waterline and Recycle Pump Construction Admin (Kimley Horn)	62,700	9,233	53,467
WTP Garver Engineering Design (Garver)	1,820,000	1,704,180	115,820
WTP Garver Engineering Design Poors Ford (Garver)	392,000	363,175	28,825
Lead Service Line Inventory (Bolton & Menk)	958,980	32,275	926,705
Raw Water Line (Carolina Specialties Construction)	775,524	228,613	546,911

Net Investment in Capital Assets

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

Capital assets, net	\$ 33,792,538
Revenue bonds	(1,935,685)
Deferred charge on refunding	10,320
Net investment in capital assets	<u>\$ 31,867,173</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, 2025 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 \$256,864 for the year ended June 30, 2025.

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, 2025, the Authority reported a liability of \$1,289,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Authority's proportion was 0.01912% (measured as of June 30, 2024), which was an increase of 0.00161% from its proportion reported as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the Authority recognized pension expense of \$161,079. At June 30, 2025, 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	\$ 225,923	\$ 1,519
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	175,271	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	61,298	240
Authority contributions subsequent to the measurement date	<u>256,864</u>	<u>-</u>
 Total	 <u>\$ 719,356</u>	 <u>\$ 1,759</u>

\$256,864 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, 2026.

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

<u>Year ended June 30:</u>	
2026	\$ 157,477
2027	269,594
2028	53,481
2029	<u>(19,819)</u>
	<u>\$ 460,733</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:

<u>Inflation</u>	<u>2.5 percent</u>
Salary increases	3.25 to 8.25 percent, including infla and productivity factor
<u>Investment rate of return</u>	<u>6.50 percent, net of pension plan in expense, including inflation</u>

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, 2023 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 allocation 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%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 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 2.5%. 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)	\$ 2,284,569	\$ 1,289,239	\$ 470,443

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 \$94,326 for the reporting year. No amounts were forfeited.

3. Long-Term Obligations

Water System Revenue Bonds

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. These bonds were paid in full during the year ended June 30, 2025.

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 \$573,370, 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 \$20,150 resulting in a net deferred outflow of \$10,320 at June 30, 2025.

The future payment (last year of payment) of the bond for the year ending June 30th is as follows:

Year	Principal	Interest	Total
2026	<u>\$ 1,895,000</u>	<u>\$ 94,750</u>	<u>\$ 1,989,750</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. The 2015 Bond Order requires the debt service coverage ratio to be no less than 120%. 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, 2025, is as follows:

Operating revenues	\$ 8,838,675
Operating expenses*	<u>4,874,628</u>
Operating income	3,964,047
Non-operating revenues (expenses)**	<u>227,392</u>
Income available for debt service	4,191,439
Debt service, principal and interest paid (Revenue bonds only)	2,486,131
Debt service coverage ratio	169%

* Per rate covenants, operating revenues and expenses are calculated on a budgetary basis. Accordingly, operating expenses do not include depreciation expense of \$1,641,067.

** Per rate covenants, non-operating expenses do not include \$202,278 of revenue bond interest paid.

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$1,895,000 in water system revenue bonds. The bonds are payable solely from water customer net revenues and are payable for the remaining year period through 2026. Annual principal and interest payments on the bonds are expected to require approximately 48 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 \$1,989,750. Principal and interest paid for the current year and total customer net revenues were \$2,486,131 and \$3,964,047, 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, 2025.

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
Water System Revenue Bonds					
Direct placement bonds 2010	\$ 486,742	\$ -	\$ 486,742	\$ -	\$ -
Revenue bonds 2015	3,700,000	-	1,805,000	1,895,000	1,895,000
Unamortized bond premium	120,121	-	79,436	40,685	40,685
Net pension liability (LGERS)	1,159,967	129,272	-	1,289,239	-
Accrued compensated absences	<u>90,702</u>	<u>20,282</u>	<u>-</u>	<u>110,984</u>	<u>110,984</u>
	<u>\$ 5,557,532</u>	<u>\$ 149,554</u>	<u>\$ 2,371,178</u>	<u>\$ 3,335,908</u>	<u>\$ 2,046,669</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, 2025, the agreement generated approximately \$2,200,000 in revenues for the Authority, which constitutes approximately 27% of the Authority's service revenues and 64% of total water volume.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportionate share of the net pension liability (asset) (%)	0.01912%	0.01751%	0.01753%	0.01476%	0.01560%	0.01573%	0.01496%	0.01581%	0.01683%	0.01726%
Authority's proportion of the net pension liability (asset) (\$)	\$ 1,289,239	\$ 1,159,967	\$ 988,942	\$ 226,359	\$ 557,454	\$ 429,574	\$ 354,902	\$ 241,533	\$ 357,189	\$ 77,462
Authority's covered payroll	1,884,550	1,654,506	1,420,386	1,196,011	1,157,817	1,086,169	942,124	966,546	1,010,470	961,439
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	68.41%	70.11%	69.62%	18.93%	48.15%	39.55%	37.67%	24.99%	35.35%	8.06%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

* 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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 256,864	\$ 218,212	\$ 200,857	\$ 161,924	\$ 121,993	\$ 106,172	\$ 86,568	\$ 72,826	\$ 72,394	\$ 69,722
Contribution in relation to the contractually required contribution	<u>256,864</u>	<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>
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	\$ 1,654,506	\$ 1,420,386	\$ 1,196,011	\$ 1,157,817	\$ 1,086,169	\$ 942,124	\$ 966,546	\$ 1,010,470	\$ 961,439	\$ 940,354
Contributions as a percentage of covered payroll	15.53%	15.36%	16.79%	13.99%	11.23%	11.27%	8.96%	7.21%	7.53%	7.41%

SUPPLEMENTAL FINANCIAL DATA

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water service, net	\$ 8,377,900	\$ 8,312,183	\$ (65,717)
Tap and connection fees	101,000	191,424	90,424
Water testing fees	11,000	11,342	342
Late fees	126,000	128,685	2,685
Grant revenue	75,000	83,321	8,321
Other operating revenues	41,000	111,720	70,720
Total operating revenues	8,731,900	8,838,675	106,775
Non-operating revenues:			
Miscellaneous revenue	44,600	2,607	(41,993)
Insurance proceeds	-	27,209	27,209
Interest income	230,000	197,576	(32,424)
Total non-operating revenues	274,600	227,392	(47,208)
Total revenues	9,006,500	9,066,067	59,567
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	2,662,950	2,589,512	73,438
Professional services	274,200	225,906	48,294
Departmental supplies and expenses	834,000	735,313	98,687
Communications	95,000	27,380	67,620
Travel and training	34,000	24,809	9,191
Repairs and maintenance	107,000	102,072	4,928
Vehicle maintenance and fuel	76,000	75,508	492
Licenses and franchise fees	114,500	108,366	6,134
Utilities	686,000	613,275	72,725
Contracted services	189,000	167,195	21,805
Insurance	104,500	100,197	4,303
Other operating	161,000	105,095	55,905
Total operating expenditures	5,338,150	4,874,628	463,522
Capital outlay	4,485,820	4,004,239	481,581

Section D, Item 1.

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	2,291,750	2,291,749	
Interest	<u>194,400</u>	<u>194,382</u>	
Total debt service	<u>2,486,150</u>	<u>2,486,131</u>	<u>19</u>
Total expenditures	<u>12,310,120</u>	<u>11,364,998</u>	<u>945,122</u>
Other Financing Sources (Uses):			
Fund balance appropriated	<u>3,303,620</u>	<u>-</u>	<u>(3,303,620)</u>
	<u>\$ -</u>	<u>(2,298,931)</u>	<u>\$ (2,298,931)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Reconciling items:			
Capital outlay - items capitalized		4,004,239	
Depreciation		(1,641,067)	
Adjusted basis of disposed assets		(84,916)	
Decrease in deferred outflows of resources - pensions		(34,824)	
Amortization of premium and deferred charges		(37,715)	
Decrease in accrued interest		29,819	
Increase in accrued compensated absences		(20,282)	
Increase in net pension liability		(129,272)	
Principal retirement of debt		2,291,749	
Decrease in lease receivable		(19,448)	
Decrease in deferred inflows of resources - lease		26,855	
Decrease in deferred inflows of resources - pensions		<u>3,017</u>	
Total reconciling items		<u>4,388,155</u>	
Change in net position		<u>\$ 2,089,224</u>	

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Item F-1: Reconsideration of NCDOT ROW Offer for Poors Ford

The NCDOT offered a sum of \$2,275 for a right of way and temporary easement on the property located at 1141 Poors Ford Rd, Rutherfordton, which is the location of the Authority's 5 million gallon ground storage tank and pump station. This is part of the Hwy 221A project. At the previous Board meeting, the approval of the offer was contingent on DOT repair of any damage to the fence to the current state or better. In follow up conversations with the ROW agent, he indicated that \$1,850 of the total offer is allocated to the chain link fence. In other words, they are including the repair/ replacement of the fence which would be BRWA's responsibility.

NORTH CAROLINA DEPARTMENT OF TRANSPORTATION-RIGHT OF WAY UNIT

RIGHT OF WAY TRANSMITTAL SUMMARY

TIP/Parcel No.: R-2233BA 092 WBS Element: 34400.2.4 County: Rutherford

1. Owner(s): Broad River Water Authority Fed Aid Project: N/A

Address: 1141 Poors Ford Rd Rutherfordton, NC 28139

2. Plan Sheet No.: 19 Survey Stations: SS 10+00 to SS 13+00 to SL-Y16- on R

3. Land Area to be Acquired and Values:

Right of Way:		<u>0.000</u>	X	\$ <u>11,000</u>	=	\$ <u>0</u>
Temp Construction Easement (TCE):	<input checked="" type="checkbox"/>	<u>0.043</u>	X	\$ <u>11,000 X 20%</u>	=	\$ <u>100</u>
Drainage Easement	Temp <input type="checkbox"/>	<u>0.000</u>	X	\$ _____	=	\$ <u>0</u>
	Perm <input type="checkbox"/>	<u>0.000</u>	X	\$ _____	=	\$ <u>0</u>
Permanent Utility Easement (PUE):	Perm <input checked="" type="checkbox"/>	<u>0.032</u>	X	\$ <u>11,000 X 90%</u>	=	\$ <u>325</u>
Other:			X	\$ _____	=	\$ <u>0</u>
						Land: \$ <u>425</u>

4. Improvements to be Acquired and Values:

Estimated Value of each Improvement to be acquired:

(1) Chain Link Fence		\$ <u>1,850</u>
	Improvements:	\$ <u>1,850</u>

5. Cost to Cure (Damage to Remainder)

Cost to Cure: \$ 0

6. Allocation:

Value of Land to be Acquired:	\$ <u>425</u>
Value of Improvements to be Acquired:	\$ <u>1,850</u>
Cost-to-Cure (Damage to Remainder):	\$ <u>0</u>
Acquisition Total:	\$ <u>2,275</u>

7. Photograph and Sketch of Acquisition attached.

The property owner or owner's representative was contacted on 8/11/2025 and given the opportunity to accompany the Appraiser during the inspection of this parcel.

The parcel was inspected on 8/14/2025

Ashley Cooper MAI, MSRE, CPM [Signature] 9/30/2025
Specified Appraiser **Signed** **Date**

ROW \$ _____ Perm. Easements \$ _____ Temp. Easements \$ _____

NCDOT Administrative Approval Only

Approved By: _____

Date: _____

Item G-1: LGC FPIC Response to FY 25 Audit

With our FY 25 Audit, we submitted Unit Data of Performance Indicators. This page is included. Any factor that does not meet established criteria is considered as Financial Performance Indicators of Concern (FPICs). One factor is the “Water Capital Asset Condition Ratio”. This capital assets condition ratio formula calculates the remaining useful life. A remaining useful asset value of less than 0.50 may signal the need to replace the assets in the near future. BRWA’s condition ratio is 0.4822. This number triggered the following email from the LGC:

Information provided to LGC staff indicates that your auditor presented the annual audited financial statements to your governing board on the date indicated below and that Financial Performance Indicators of Concern (FPICs) were identified by the audit. Under North Carolina Administrative Code ([20 NCAC 20 03 .0508](#)), if a unit’s audited financial statements include FPICs, the governing body must develop a “Response to the Auditor's Findings, Recommendations, and Fiscal Matters” signed by a majority of the members of the governing body and submitted to the LGC within 60 days of the auditor’s presentation. We also ask that the manager and finance officer sign the response to indicate their knowledge of the FPICs and agreement with the response and plan for implementation of corrective action.

Failure to provide a timely and adequate response and to promptly implement the corrective action identified may result in financial losses to the unit and may limit the unit’s ability to obtain LGC approval to issue debt. When an application for LGC approval of debt is anticipated, the deadlines for receipt of the application and an acceptable FPIC response are found [here](#).

FPIC Details

Fiscal Year: 2025

Unit Name: Broad River Water Authority

Date Audit Presented to Governing Board: 01/27/2026

FPIC Response Due Date: 03/30/2026

20 NCAC 03 .0508 referenced in the email is included here. The attached “Response to the Auditor's Findings, Recommendations, and Fiscal Matters” addresses this FPIC by detailing our efforts evidenced by completion of an asset management plan, a master plan, and adoption of a Capital Management Plan.

Financial Performance Indicators

The self-reported information from your unit's audit report was used to generate the following trends and performance indicators. We have created this Performance Indicator tab to make these indicators available to auditors and local governments when your audit is conducted. Per [20 NCAC 03 .0508](#), the unit must submit a Response to the Auditor's Findings, Recommendations, and Fiscal Matters within 60 days from the auditor's presentation to the unit's governing board. The unit's response shall address each significant deficiency, material weakness and other audit finding presented to the governing body and shall provide a plan to address each Financial Performance Indicator of Concern reported to the governing body. Responses can be submitted via the [LGC File Transfer Portal](#).

Financial Performance Indicators

Account #	Question	2025
980	Date the auditor presented or plans to present Financial Performance Indicators of Concern (FPIC) to the Governing Board.	01/22/2026

Summary

Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Number of Financial Performance Indicators of Concern (FPICs)	0	1	1	Greater Than 0	Fail

Water & Sewer Fund

Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Quick Ratio	2.80	2.80	2.27	Less Than 1.00	Pass
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	\$1,187,459	\$1,351,804	\$1,264,515	Less Than \$0	Pass
Unrestricted Cash as a Percentage of Expenses	110.89%	107.69%	64.43%	Less Than 16.00%	Pass
Capital Assets Condition Ratio	52.23%	49.60%	48.22%	Less Than or Equal To 50.00%	Fail

Electric Fund

Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Quick Ratio	Data Not Available	Data Not Available	Data Not Available	Less Than 1.00	Not Applicable
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	\$0	\$0	\$0	Less Than \$0	Pass
Unrestricted Cash as a Percentage of Expenses	Data Not Available	Data Not Available	Data Not Available	Less Than 16.00%	Not Applicable

Debt/Liabilities

Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Late Debt Service Payments and/or Bond Covenants Not Met	No	No	No	Equal Yes	Pass

Internal Controls

Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Adopted Ordinance Level Budget Violations	No	No	No	Equal Yes	Pass

Material weaknesses, significant deficiencies, and/or statutory violations	No	No	No	Equal Yes	Pass
Appointed Finance Officer Exists During Fiscal Year per G.S. § 159-24 (Local Governments & Public Authorities) or G.S. § 115C-435 (Board of Education)	Yes	Yes	Yes	Equal No	Pass
Appointed Finance Officer Bonded per G.S. § 159-29 (Local Governments & Public Authorities) or G.S. § 115C-442 (Board of Education)	Yes	Yes	Yes	Equal No	Pass
Financial Statements - Auditor Opinion Unmodified	Yes	Yes	Yes	Equal No	Pass
Going Concern	No	No	No	Equal Yes	Pass

General Qualifying Factors

Indicator Name	2023	2024	2025	Fail Condition	2025 Status
Date Audit Submitted	12/1/2023	12/19/2024	Data Not Available	Greater Than 12/31/2025	Not Applicable
Other Issues	0	0	0	Greater Than 0	Pass

Financial Performance Indicators - Descriptions: For Informational Purposes Only

Summary

Indicator Name	Formula	Description
Number of Financial Performance Indicators of Concern (FPICs)	Number of Financial Performance Indicators of Concern (FPICs) Unit has	

Water & Sewer Fund

Indicator Name	Formula	Description
Quick Ratio	$(654-655-510-579^*) / (633-634-635-636-637-638-578^*) * 579 \text{ \& } 578 \text{ Used FY } 20-23$	A Quick Ratio less than 1 indicates that the unit owes mores for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the water and/or sewer system may not be sustainable.
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	84-85+49-331-89	Formula subtracts operating expenses from operating revenues. Depreciation expense is not included the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.
Unrestricted Cash as a Percentage of Expenses	$80 / (85+351-49+331)$	Formula calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.
Capital Assets Condition Ratio	$1 - ((523+524+525+526) / (515+516+517+518))$	This capital assets condition ratio formula calculates the remaining useful life. A remaining useful life asset value less than or equal to 0.50 may signal the need to replace the assets in the near future.

Electric Fund

Indicator Name	Formula	Description
Quick Ratio	$(657-658-511-581^*) / (639-640-641-642-643-644-580^*) * 581 \text{ \& } 580 \text{ Used FY } 20-23$	A Quick Ratio less than 1 indicates that the unit owes mores for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the electric system may not be sustainable.
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	93-94+52-100-98	Formula subtracts operating expenses from operating revenues. Depreciation expense is not included the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.
Unrestricted Cash as a Percentage of Expenses	$90 / (364+94-52+100)$	Formula calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.

Debt/Liabilities

Indicator Name	Formula	Description
Late Debt Service Payments and/or Bond Covenants Not Met	974	This indicator advises whether or not the unit has issues with debt service payments or bond covenants.

Internal Controls

Indicator Name	Formula	Description
Adopted Ordinance Level Budget Violations	1057	Unit has expenditures that exceed the legal budget ordinance. This indicates that the unit's purchase order system, contract approval process and / or payment process is not in compliance with North Carolina General Statute Chapter 159.
Material weaknesses, significant deficiencies, and/or statutory violations	1055, 1056, 1058, 955, 957	This indicator identifies whether the unit has any material weaknesses, significant deficiencies, management letter comments or items identified on the Transmittal Document Information tab.
Appointed Finance Officer Exists During Fiscal Year per G.S. § 159-24 (Local Governments & Public Authorities) or G.S. § 115C-435 (Board of Education)	1059	The indicator is to determine if any time during the fiscal year, the unit was without an appropriately appointed finance officer.
Appointed Finance Officer Bonded per G.S. § 159-29 (Local Governments & Public Authorities) or G.S. § 115C-442 (Board of Education)	1067	The indicator is to determine if at any time during the fiscal year, the unit was without a properly bonded, board-appointed finance officer.
Financial Statements - Auditor Opinion Unmodified	906	
Going Concern	953	

General Qualifying Factors

Indicator Name	Formula	Description
Date Audit Submitted	1066	As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner. External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about your local government as well.
Other Issues	973	This indicator advises if any other issues that the unit should address in the FPIC response letter.

* Please note that not all account numbers are applicable for all unit types. Account number(s) shown in formula(s) that are not available for data entry are not applicable for your unit type.

20 NCAC 03 .0508 RESPONSE TO THE INDEPENDENT AUDITOR'S FINDINGS, RECOMMENDATIONS, AND FISCAL MATTERS

(a) If the governing body of a government unit is notified by its independent auditor that the audited financial statements presented to the governing body included one or more significant deficiencies, material weaknesses, other findings or if the auditor determined that Financial Performance Indicators of Concern were identified based on information presented in the audited financial statements, then the governing body shall develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" ("Response"), pursuant to this Rule, signed by a majority of the members of the governing body. The governing body shall submit the Response to the Secretary within 60 days of the auditor's presentation.

(b) The Response shall address each significant deficiency, material weakness and other audit finding presented to the governing body and shall provide a plan to address each Financial Performance Indicator of Concern reported to the governing body. The Response shall include the following:

(1) Audit Findings

(A) A written description of the procedure, process, or action plan developed by the government unit to address each finding, including all material weaknesses and significant deficiencies, and any other issues related to the internal controls or fiscal health of the government unit as disclosed in the management letter, the Single Audit or Yellow Book reports, or any other communications from the auditor regarding internal controls as required by current auditing standards set by the Accounting Standards Board or its successors.

(B) The description shall provide specific and detailed steps with measurable results that allow the governing body to conclude that the procedure, process, or action plan as implemented and followed by the staff of the government unit, will address the specific audit finding. The description may include such information as the date for implementation, position titles responsible for implementation, positions performing the procedures or processes, frequency of performance, and other matters necessary to evaluate the success of the procedure or process.

(2) Financial Performance Indicators of Concern

(A) A written description of the procedure, process, or action plan developed by the government unit to address each Financial Performance Indicator of Concern.

(B) The description shall provide specific and detailed steps with measurable results that allow the governing body to conclude that it will address each specific Financial Performance Indicator of Concern. The description may include such information as the time period required for improvement, any governing body action required for implementation, the steps to increase revenue or reduce expenses, the frequency of performance evaluation, and other matters necessary to evaluate the success of the plan.

(c) If the governing body disagrees with an audit finding, it shall describe in detail its disagreement and explain the factors that support this determination in its Response.

*History Note: Authority G.S. 159-3(f); 159-34;
Eff. November 1, 2020.*

January 22, 2026

North Carolina Department of State Treasurer
State and Local Government Finance Division
LGC FPIC Team

Re: Broad River Water Authority
Response to the Auditor's Findings, Recommendations, and Fiscal Matters

Dan Mullinix of Gould Killian CPA presented the FY 25 audit results to the Board of Directors at the regular Board meeting on January 27, 2026. The Performance Indicator triggering a response was the Capital Assets Condition Ratio. This capital assets condition ratio formula calculates the remaining useful life. A remaining useful asset value of less than 0.50 may signal the need to replace the assets in the near future. The calculated value for BRWA's assets for FY 25 was 0.4822.

In January 2023, the Board of Directors adopted a Strategic Plan that detailed the following:

- **Vision:** Improving the quality of life in our community by being a dedicated team of neighbors setting the standard for utility excellence.
- **Mission:** Broad River Water Authority provides valuable drinking water services that are essential to our community's health, environment, and economy through the stewardship of infrastructure and natural resources. Utility system viability is achieved through effective infrastructure management, continued financial stability and intentional pursuit of organizational excellence.
- **Strategic Themes:**
 - **Work Human:** Build relationships and deliver results while ensuring the safety, health, and well-being of employees, customers, and community.
 - **Act Responsibly:** Take ownership for 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.

The commitment to infrastructure management is woven throughout the Strategic Plan. One of the primary components of the third theme, Delivery Exceptional Service, is infrastructure reliability and managing for sustainability. The following tools have been utilized to accomplish this goal using inventory, condition assessment, estimating replacement costs, prioritization, and impact to BRWA's financial position.

- BRWA completed and adopted an Asset Management Plan in September 2021. This plan has been utilized to prioritize the purchase or replacement of assets by using factors of remaining useful life (likelihood of failure) and impact (consequence of failure).
- Prioritized projects and estimated costs are included in the annual Capital Improvement Plan which is adopted with the annual budget. This plan includes projections of needs for the next 15 years (included).
- BRWA also completed a Master Plan with assistance from Black & Veatch in March 2024 to determine needs related to hydraulic requirements, capacity needs, and potential regulatory challenges.
- Capital expenditures have totaled \$12.1 million during the last 6 years. The outstanding long-term debt will be paid in 2026 allowing BRWA to grow the capital reserve fund or consider future borrowing for infrastructure projects.

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

Key Indicator	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023	FY2024	FY2025
Ave Monthly Bill (5000 gal)	\$49.58	\$48.34	\$49.40	\$49.40	\$51.20	\$51.20	\$52.60	\$57.20
Debt Service Coverage	1.80x	1.72x	1.73x	1.71x	1.74x	1.63x	1.67x	1.69x
Days Cash on Hand	1288	934	917	930	850	623	614	354
Cash Provided by Operating Activities (\$M)	\$4.609	\$4.261	\$4.390	\$4.290	\$4.243	\$3.854	\$4.064	\$3.863

In summary, to address the aging infrastructure and remaining useful life of BRWA’s assets reflected by the Condition Ratio, the Board of Directors has adopted an asset management plan and the subsequent Capital Improvement Plan of prioritized infrastructure needs. Rate increases have been implemented to fund the expenditures, and the organization is in a strong financial position to continue funding infrastructure replacement with cash or future borrowing.

Respectfully submitted,

Board Chairman	Danny Searcy	Board Member	Steve Garrison
Board Vice-Chairman	Jamie Guillermo	Board Member	David Guy
Board Treasurer	Jenny Piper	Board Member	Brandon Harrill
Board Member	Stan Clements	Board Member	Scott Webber

Executive Director and Finance Officer Maria Hunnicutt

Item G-2: Resolution 01-26: Restatement of BRWA/ Polk/ ICWD Agreements

On December 5, 2025, we received the Certificate of Formation for the Polk County Regional Water Authority (PCRWA). The next steps are to review and approve the First Restatement of all the BRWA/ Polk/ ICWD agreements. Our attorney has reviewed the document with no changes requested. Each entity (BRWA, Polk and ICWD) will need to approve the Restatement, then the PCRWA Board will need to approve. The next PCRWA Board meeting will be held on February 26.

The Restatement is included for your review. The Board can choose to table this Resolution to have time to ask any questions or have any concerns addressed.



NORTH CAROLINA Department of the Secretary of State

Section H, Item 2.

To all whom these presents shall come, Greetings:

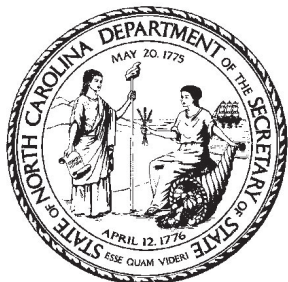
I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

WATER & SEWER

OF

POLK COUNTY REGIONAL WATER AUTHORITY

the original of which was filed in this office on the 27th day of August, 2025.



Scan to verify online.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 5th day of December, 2025.

Elaine F. Marshall

Secretary of State

RESOLUTION NO. 01-26

Meeting of February 3, 2026

**RESTATEMENT OF THE AGREEMENT BETWEEN BRWA/POLK/ICWD CONCERNING
CONSTRUCTION OF WATER TRANSMISSION LINE AND
SALE OF FINISHED WATER WITH AMENDMENTS AND
ADDING AS A PARTY THE POLK COUNTY REGIONAL WATER AUTHORITY**

WHEREAS, the Authority has previously entered into an agreement with Polk County (Polk) and Inman-Campobello Water District (ICWD) on July 7, 2008 for the purpose of expanding the supply and distribution of water to the residents of Rutherford County, Polk County, and the Inman-Campobello Water District for an initial term of ten (10) years;

WHEREAS, on September 8, 2008, the parties entered into an Addendum to the Agreement to extend the initial agreement to a term to a period of fifteen (15) years and to allow Polk the right to purchase additional water supply;

WHEREAS, on February 6, 2012, the parties amended the Agreement to provide that ICWD would operate and maintain all of the Polk County Line and any distribution lines running therefrom for an additional eight (8) years for a total period of thirteen (13) years from the Connect Date (the “First Amendment”);

WHEREAS, on December 7, 2020, the parties amended the Agreement a second time to extend its term to twenty (20) years or until December 31, 2028, to modify the rates paid to the Authority for water, and to increase the amount of water the Authority delivers to Polk County and ICWD to a combined amount of 6.1 MGD (the “Second Amendment”);

WHEREAS, on February 23, 2022, the parties amended the Agreement a third time to establish a cooperative framework for securing future water supplies and created the Polk County Regional Water Commission to manage administration and resolve customer concerns. This third amendment also committed the parties to pursue the creation of an interstate regional water authority. Additionally, the Third Amendment extended the Agreement’s term to match the life of shared assets and established an

exit clause for parties to deed over their interests. Finally, it authorized Polk County to assume operations of its distribution system if ICWD is no longer the more economical provider and mandated uniform rates and terms between the two entities during ICWD's tenure as operator.

WHEREAS, the amendments included in this 2025 Restatement principally concern the addition of the newly formed Authority as a Party to take on the functions of the current Commission, to operate the Polk County Line and the Polk County Water Distribution System, and to assume the rights to wholesale water service previously held by Polk County. This 2025 Restatement also provides for the transfer the Polk County Water Distribution System and the Polk County Line to the Authority and to confirm the transfer of an ownership interest in the Polk County line to ICWD commensurate with ICWD's current use of that line. The 2025 Restatement also updates the provisions of the Prior Agreement to better address the current needs of the Parties and the conditions of the Rutherford County Line, the Polk County Line, the South Carolina Line, and the Polk County Water Distribution System.

NOW, THEREFORE, BE IT RESOLVED BY THE BROAD RIVER WATER AUTHORITY:

1. The Restatement as attached hereto and presented to the meeting is hereby approved.
2. The appropriate officers of the Authority are hereby authorized and empowered to execute the Agreement on behalf of the Authority.

Adopted and approved by vote of (for _____)(against _____) this the 3rd day of February, 2026.

Broad River Water Authority

Attest: _____

Maria S. Hunnicutt, Secretary

By: _____

Danny Searcy, Chairman

RESTATEMENT OF THAT CERTAIN AGREEMENT
BY AND BETWEEN
THE BROAD RIVER WATER AUTHORITY; POLK COUNTY, NORTH
CAROLINA; AND THE INMAN-CAMPOBELLO WATER DISTRICT,
(BRWA/POLK/ICWD)
CONCERNING
CONSTRUCTION OF WATER TRANSMISSION LINE AND
SALE OF FINISHED WATER WITH AMENDMENTS AND
ADDING AS A PARTY THE POLK COUNTY REGIONAL WATER
AUTHORITY

This FIRST RESTATEMENT (the “2025 Restatement”) of that certain Prior Agreement (defined below) by and between BROAD RIVER WATER AUTHORITY, an authority organized and existing pursuant to Chapter 162A of the North Carolina General Statutes (“BRWA”), the COUNTY OF POLK, a municipal corporation and body politic organized and existing pursuant to Chapter 153A of the North Carolina General Statutes (“Polk County”), INMAN-CAMPOBELLO WATER DISTRICT, a water district created and existing pursuant to Act 939 of the 1954 Acts and Joint Resolutions of the General Assembly of South Carolina as Amended by Act 521 of 1954 and subsequent enactments (“ICWD; collectively, the “Original Parties”), and the POLK COUNTY REGIONAL WATER AUTHORITY (the “Authority”), a water authority created pursuant to N.C.G.S. § 162A-3 *et seq.*, of which, the Original Parties are all members, and which is acceding to the Prior Agreement, as previously amended and as amended and restated by this 2025 Restatement, as a new party. The four parties to this Agreement are collectively known as the “Parties” and individually as a “Party.”

RECITALS:

On July 7, 2008, the Original Parties entered into an agreement for *Construction of Water Transmission Line and Sale of Finished Water* (“Prior Agreement,” which term includes all prior amendments to the Prior Agreement up to, but not including, this 2025 Restatement) for an initial term of ten (10) years. Pursuant to the Prior Agreement:

1. BRWA built a 20-inch, high-capacity water transmission line (the “Rutherford County Line”) from its facilities adjacent to US Highway 221 in Rutherford County to a point on the eastern side of the Broad River. BRWA and ICWD shared equally in the cost of the Rutherford County Line across the Broad River but the line remained the sole property and operational responsibility of BRWA.
2. ICWD and Polk County agreed to construct a 20-inch, high-capacity water transmission line beginning at the terminus of the Rutherford

County Line and ending at the North Carolina/South Carolina border (the “Polk County Line”).

3. ICWD designed and built the Polk County Line and paid all costs of the line except for the cost of permitting, rights of way, and additional fire hydrants in Polk County which were paid for by Polk County.
4. Upon completion of construction, ICWD transferred ownership of the Polk County Line to Polk County at no cost to Polk County.
5. ICWD agreed to operate and maintain the Polk County Line at its expense for thirty (30) years provided that it would have the right to use capacity in that line during that period.
6. ICWD at its sole cost and expense designed and built a 20-inch, high-capacity water transmission line beginning at the terminus of the Polk County Line and connecting to ICWD’s water system at the Windmill Hill Tank Farm (the “South Carolina Line”).
7. To increase its sales of water and augment its revenues, BRWA originally agreed to sell up to four (4) million gallons of water per day (“MGD”) to ICWD and Polk County from its existing water treatment plant, with Polk County having the right to receive not less than 500,000 gallons per day (“GPD”) of that amount. ICWD agreed to purchase not less than two (2) MGD of that amount each year from BRWA, all for an initial term of ten (10) years.
8. To provide reliable and reasonably priced water service to customers of the Polk County Water Distribution System (defined in Exhibit A) ICWD agreed to operate and maintain the Polk County Line and the Polk County Water Distribution System for a period of five (5) years.

Since 2008, ICWD has provided all operations, maintenance, repair, billing, collections, customer engineering, and customer service functions for Polk County’s water customers at the same rates as apply to customers of ICWD’s utility system, greatly reducing the costs that would be paid by Polk County customers if the Polk County Line and the Polk County Water Distribution System were to operate on a stand-alone basis.

On September 8, 2008, the Original Parties entered into an Addendum to the Prior Agreement to extend the initial term of the Prior Agreement from ten (10) years to fifteen (15) years and to allow Polk County and ICWD the right to purchase additional water supplies from BRWA, up to a combined amount of 4.1 MGD.

On February 6, 2012, the Original Parties amended the Prior Agreement to provide that ICWD would operate and maintain the Polk County Line and the Polk

County Water Distribution System for an additional eight (8) years for a total period of thirteen (13) years from the initial date of operations under the Prior Agreement (the “2012 Amendment”).

On December 7, 2020, the Original Parties amended the Prior Agreement a second time to extend its term to twenty (20) years or until December 31, 2028, to increase the rates paid to BRWA for water, and to increase the amount of water BRWA delivers to Polk County and ICWD to a combined amount of 6.1 MGD (the “2020 Amendment”). The 2020 Amendment also required ICWD to operate and maintain the Polk County Line and the Polk County Water Distribution System for a total period of fifteen (15) years or until December 31, 2023.

On February 23, 2022, the Original Parties amended the Prior Agreement a third time to create a framework for the Original Parties to jointly secure access to future water supplies on a cooperative basis (the “2022 Amendment”). In addition, the Original Parties agreed to create the Polk County Regional Water Commission (the “Commission”) to plan for future water supplies, oversee administration of the Prior Agreement, and hear and resolve questions, concerns, requests, and complaints from Polk County water customers and other interested parties. The Original Parties also agreed to use reasonable efforts to create an interstate regional water authority under the North Carolina General Statutes that could include ICWD as a South Carolina special purpose district.

Additionally, the Original Parties agreed to extend the term of the Prior Agreement to coincide with the life of the regional water supply assets and created provisions for an Original Party to exit the Prior Agreement by deeding over its interest in the shared assets to the remaining Original Parties. Finally, the 2022 Amendment addressed ICWD’s operation of the Polk County Line and the Polk County Water Distribution System, allowing Polk County to take over operation of the Polk County Water Distribution System if ICWD ever was unable to operate the same more economically than Polk County could on its own. ICWD and Polk County further agreed to provide uniformity of rates and terms and conditions between them so long as ICWD operates the Polk County Line and the Polk County Water Distribution System.

The Original Parties have now operated under the terms of the Prior Agreement, as amended, for approximately seventeen (17) years. During that time, BRWA’s system and finances have been supported by sales of water to Polk County and ICWD. Service under this Prior Agreement began principally using existing and underutilized BRWA water treatment capacity. The Prior Agreement has given BRWA the revenues necessary to support seven million dollars (\$7,000,000) in infrastructure upgrades so that it now can supply twelve (12) MGD of potable water to its customers and has allowed BRWA to achieve increased economies of scale and cost efficiency in its operations. ICWD has paid the cost of extending service to new customers of the Polk County Distribution System and as Polk County’s agent, has

provided service to these new customers under ICWD’s rates, terms and conditions. Polk County customers have received reliable and reasonably priced water service based on the operational and customer service resources of ICWD, and ICWD has benefited from a reliable supply of bulk water to support service to its customers. Similarly, as provided in the 2022 Amendment, the Original Parties have formed the Commission and pursued a path to creation of an interstate regional water authority.

To continue, support and extend the benefits obtained under the Prior Agreement, as previously amended, and in accordance with the provisions of the 2022 Amendment the Parties formed an interstate water authority—the Authority—pursuant to N.C.G.S. § 162A-3 *et seq.* and governed by a Board of Directors, including but not limited to representatives from the Original Parties (the “Board”). The North Carolina Secretary of State issued the Authority’s certificate of incorporation on , 2025. The amendments included in this 2025 Restatement principally concern the addition of the newly formed Authority as a Party to take on the functions of the current Commission, to operate the Polk County Line and the Polk County Water Distribution System, and to assume the rights to wholesale water service previously held by Polk County. This 2025 Restatement also provides for the transfer the Polk County Water Distribution System and the Polk County Line to the Authority and to confirm the transfer of an ownership interest in the Polk County line to ICWD commensurate with ICWD’s current use of that line. The 2025 Restatement also updates the provisions of the Prior Agreement to better address the current needs of the Parties and the conditions of the Rutherford County Line, the Polk County Line, the South Carolina Line, and the Polk County Water Distribution System.

NOW THEREFORE, in consideration of the promises made herein, the Parties agree that the Prior Agreement is hereby amended, restated, and superseded in its entirety by this 2025 Restatement as follows:

1. Defined Terms. Capitalized terms included herein shall have the meaning as set forth herein and/or as defined in Exhibit A attached hereto.
2. Term; New Commencement Date. The Term of this 2025 Restatement shall commence on the date of execution as identified on the Parties’ signature page below (the “New Commencement Date”) and, unless terminated pursuant to the provisions of this 2025 Restatement or as otherwise stated herein, shall continue for the life of the water supply assets, including, but not limited to, the transmission lines and all components thereof, as identified in Section 3 below, any Future Water Supply Assets and New Water Supply Facilities .
3. Transmission Line; Components Thereof.
 - 3.1 The transmission line consists of three (3) components (the Rutherford County Line, the Polk County Line, and the South Carolina Line), each

of which is owned by one or more of the participating Parties to this 2025 Restatement.

- 3.2 The Rutherford County Line corresponds to the portion of the transmission line lying within Rutherford County and consists of that certain twenty-inch (20”) pipe running from U.S. Highway 221 (at or near the intersection with Newton Cole Road) to the east side of the Broad River (at or near Poors Ford Road).
 - 3.2.1 The operation and maintenance of the Rutherford County Line shall be the sole responsibility of BRWA.
 - 3.2.2 The Rutherford County Line includes a meter located at its terminus which is located on the east (Rutherford County) side of Broad River (“Meter 1”).
 - 3.2.3 The Rutherford County Line is the sole property of BRWA. BRWA, subject to the obligations to provide finished water to the Authority and ICWD as set forth in Section 4. BRWA may allow other parties to tap onto and obtain water from the Rutherford County Line.

- 3.3 The Polk County Line corresponds to the portion of the transmission line lying within Polk County and consists of that certain twenty-inch (20”) pipe running from the east (Rutherford County) side of Broad River (at or near Poors Ford Road) to the Polk County boundary with South Carolina (at or near Melvin Hill Road).
 - 3.3.1 The Polk County Line includes a meter located at the terminus of the Polk County Line located on the Polk County side of the Polk County/ South Carolina border (“Meter 2”).
 - 3.3.2 Under the terms of the 2022 Amendment, Polk County agreed to transfer to ICWD an interest in the Polk County Line consistent with the relative volume of water each of them is entitled to receive from BRWA. Under the terms of the 2025 Restatement, Polk County affirms that commitment, and Polk County agrees to transfer its remaining interest in the Polk County Line and the Polk County Water Distribution System to the Authority.
 - 3.3.3 The Authority, subject to its rights to obtain 0.6 MGD of finished water from the Polk County Line may allow parties to tap onto and obtain water from the Polk County Line via the Polk County Water Distribution System.

3.3.4 The duties and obligations of the Authority and ICWD with respect to operation and maintenance of the Polk County Line and the Polk County Distribution System are set forth more fully in Sections 7 and 8 below.

3.4 The South Carolina Line corresponds to that portion of the transmission line lying in South Carolina and consists of that certain twenty-inch (20”) pipe running from the North Carolina/ South Carolina line at Meter 2 (at or near Melvin Hill Road) to South Carolina Highway 11 (at or near East Frontage Road).

3.4.1 The South Carolina Line is the sole property of ICWD. ICWD may allow other parties to tap onto and obtain water from the South Carolina Line.

3.4.2 ICWD shall be solely responsible for the operation and maintenance of the South Carolina Line.

3.5

4. Delivery of Water; Volume; Quality.

4.1 Beginning on the New Commencement Date and through the Term Expiration, BRWA shall furnish, at Meter 1, sufficient water to deliver to the Authority and ICWD 6.1 MGD, subject to the terms and conditions contained herein. In the event ICWD or the Authority desires to purchase water in excess of their share of the 6.1 MGD, as applicable, BRWA may provide such additional quantity but is not obligated to do so.

4.2 All water delivered by BRWA at Meter 1 shall meet all applicable requirements of the North Carolina Department of Environmental Quality (“NCDEQ”).

4.3 The Authority will be responsible for monitoring the quality of water in the transmission line after it exits Meter 1, including, but not limited to, the necessary flushing of the line and/or the addition of chlorine and other chemicals to meet applicable standards. Any treatment necessary to meet the requirements of the South Carolina Department of Environmental Services (“SCDES”) shall be the responsibility of ICWD and shall take place after delivery of water through Meter 2.

5. Mandatory Minimum Purchase of Water by ICWD and the Authority; Determination of Amounts Purchased.

5.1 As of the New Commencement Date, ICWD agrees and covenants on its behalf to purchase from BRWA no less than two (2) MGD of finished

water (the "Minimum Purchase") to supply its and the Authority's needs. The calculation of finished water delivered at Meter 1 for purposes of determining both the compliance with Minimum Purchase under this Section 5.1 and the applicable rates to be charged under Section 5.4 shall be the average volume of water purchased per monthly BRWA billing cycle.

- 5.2 Through the Term Expiration, the Authority shall have the right to receive, in its discretion, for the benefit and use of residents and properties within the geographical boundaries of Polk County, up to 0.6 MGD of the finished water provided by BRWA at Meter 1.
- 5.3 The volume of water delivered by BRWA to ICWD and the Authority shall be the volume measured at Meter 1. The volume of water used by ICWD shall be the volume measured at Meter 2. The difference shall be the volume delivered to the Authority.
- 5.4 From the New Commencement Date, the cost schedule for the purchase of water by ICWD and the Authority is set forth in Exhibit B. Determination of sums payable is based upon the total amount of water delivered at Meter 1 per BRWA monthly billing cycle.
- 5.5 Meter 1 and Meter 2 will be calibrated at annual intervals in accordance with the requirements and guidelines of the American Water Works Association ("AWWA") and NCDEQ. BRWA shall be responsible for the costs of calibration of Meter 1. Calibration of Meter 2 shall be the responsibility of the Party obligated to maintain the Polk County Line.
- 5.6 If ICWD's total use and distribution of water is less than 2 MGD, ICWD may purchase less than 2 MGD from BRWA but, in such event, may purchase no water from any other party nor may it produce any water on its own. In the event ICWD purchases less than 2.0 MGD pursuant to this exception, the term of this 2025 Restatement will be extended for a duration sufficient to compensate BRWA for its losses due to such shortfall and subject to the reasonable determination and agreement of the Parties. Documentation of the volume of total use within the ICWD system shall be provided to BRWA with such reasonable documentation as BRWA shall request.

6. Billing; Payment.

- 6.1 BRWA will establish and maintain a monthly billing cycle based upon the date on which the volume of water delivered for the previous month is read and determined at Meter 1.

- 6.2 BRWA will generate an invoice for water delivered, based upon the cost schedule set forth in Section 4.4, above, within twenty (20) days of the monthly reading and determination. Payment will be due within twenty days of the date of invoice.
 - 6.3 The BRWA invoice will be delivered to the Authority and ICWD. ICWD will pay its portion of the invoice to the Authority, and the Authority will remit payment to BRWA.
 - 6.4 The Parties may utilize electronic transfers of funds to facilitate timely payment.
 - 6.5 Failure to pay an invoice within twenty-five (25) days of the date of any invoice shall result in the imposition of interest payable to BRWA calculated at the rate of nine percent (9%) per annum. The imposition of interest shall in no way affect the due date upon which invoices are to be paid or the remedies available upon default as set forth in Section 10, below.
 - 6.6 The obligation of BRWA to provide water to ICWD and the Authority is conditioned upon timely payment of invoices for water delivered. ICWD and the Authority will each be responsible for payment of their portion of each bill from BRWA. In the event the Authority, solely, shall default in payment of sums due, BRWA shall apply to a court for an order requiring prompt payment of sums due and for injunctive relief requiring the Authority to insert valves and meters to prohibit further distribution to the Authority from the Polk County Line. In the event ICWD, solely, shall default, the Authority agrees and covenants that it will make such modifications on Meter 2 as shall be reasonable and necessary to cease delivery of water to ICWD, and BRWA shall have the right to appeal to a court of proper jurisdiction for compliance with such terms.
 - 6.7 ICWD and/or the Authority shall have the right to require any meter to be tested for accuracy and adjustment be made to billing during any period of inaccuracy. The cost of the testing shall be borne by the Party making the request.
 - 6.8 Either ICWD or the Authority may make payment to BRWA under protest of the disputed amount of any invoice with a reservation of claims.
7. Operation and Maintenance of the Polk County Line and the Polk County Water Distribution System or the Authority Water Distribution System.
- 7.1 ICWD will operate and maintain the Polk County Line, and the Authority Water Distribution System for a term of twenty (20) years from

the New Commencement Date (the “Operation and Maintenance Term”) unless and until the operational and maintenance obligation shall be terminated earlier as provided herein, or the Authority and ICWD mutually agree in writing between themselves to modify or terminate that obligation which modification shall be signed by them and attached as an addendum to this Restatement. At the end of each Operation and Maintenance Term it shall automatically renew for succeeding terms of ten (10) years unless either Party notifies the other in writing no less than one year before its expiration date of its intent that the Operation and Maintenance Term not be renewed.

- 7.2 Except as provided by Section 8 of the 2025 Restatement, ICWD or the Authority may, upon sixty (60) months’ written notice to the other, terminate the provisions of the 2025 Restatement that require ICWD to provide operations, maintenance, customer service, billing, collection and other services to the Authority’s customers.
- 7.3 Upon termination of ICWD’s Operation and Management Term, the Authority will pay to ICWD an amount equal to the original cost less depreciation of all assets installed by ICWD on the Authority Water Distribution System and/or the Polk County Line, which are not fully depreciated at the time of the termination, but only to the extent that those assets were paid for out of ICWD’s funds.
- 7.4 If upon the termination of the Operation and Maintenance Term the Authority would otherwise be required to pay ICWD for any material amount of unamortized investment associated with Future Water Supply Assets or New Water Supply Facilities , then the termination of ICWD’s obligations will not become effective until such unamortized assets are recovered through rates.
- 7.5 ICWD will design and construct all distribution lines connected to the Polk County Line and included in the Authority Water Distribution System. ICWD shall have no right to construct distribution lines within Polk County except with the consent of the Authority. The plans and specifications will be consistent with AWWA standards or generally accepted practices in the water distribution industry and will comply with ICWD’s operating and maintenance standards. Construction of such lines shall not commence until ICWD’s receipt of written approval from the Authority.

8. Rates for the Authority’s Customers.

- 8.1 During the Operation and Maintenance Term, and as its compensation for operating the Authority Water Distribution System and the Polk

County Line, ICWD will render bills to Authority customers on the Authority's behalf and collect and retain all fees for sales of water and tap fees generated by the Authority Water Distribution System and the Polk County Line. ICWD's current schedule of rates and charges and its current schedule of future rate increases are set forth in Exhibit C of this 2025 Restatement.

- 8.2 Because of the size of ICWD's customer base, its economies of scale and its investment in systems, personnel and assets, ICWD is able to charge retail rates that are significantly less than those that the Authority would be required to charge as a stand-alone utility.
- 8.3 Maintaining consistency in the rates, charges and terms and conditions of service between the Authority and ICWD further increases efficiency, minimizes customer confusion, and reduces the cost of the billing, accounting and customer service functions provided by ICWD to the Authority's customers. This commitment to consistency in rates and in the terms conditions of service shall include all rate structures; rates; charges; terms and conditions of service; operating policies; billing and collection policies; customer credit policies; deposit, disconnection and reconnection policies; line extension polices and all other customer and operations related policies (the "Rates").
- 8.4 The Authority agrees that so long as ICWD is compensated through revenues received by billing the Authority's customers under ICWD's Rates, the Authority shall take all reasonable and lawful steps necessary to maintain Rates consistent with those of ICWD. ICWD's Rates and five-year Rate Plan are attached as Exhibit C to this Restatement.
- 8.5 To the extent that the Authority does not correct any variation in the Rates within 120 days of notice by ICWD of the need for a change, the Authority will compensate ICWD for the resulting increase in the cost of billing or customer service provided to the Authority's customers and any loss of revenue by ICWD as a result of the Rate differential, all as reasonably determined in the first instance by ICWD and subject to review by the Authority for errors or inaccuracies.
- 8.6 The Authority will maintain terms and conditions of service, non-recurring charges, rate designs, and other aspects of the Rates that are consistent with those of ICWD for so long as ICWD operates the Authority Water Distribution System.
- 8.7 ICWD's water line extension policies shall apply to all requests for the extension of new lines or service to customers of the Authority Water Distribution System. Those policies shall provide an opportunity for the

Authority or others to provide contributions in aid of construction to support extension of service where reasonable projections of customer usage and operating and maintenance costs do not allow the full and prompt recovery of costs through standard rates.

- 8.8 Each year, ICWD will present its annual capital budget for the Authority Water Distribution System and the Polk County Line to the Authority. ICWD may request mid-year amendments to that capital budget as required, and such approval shall not be unreasonably withheld or delayed.
 - 8.9 The Authority’s commitment to charge rates consistent with those charged by ICWD is contingent on those Rates remaining less than what the Authority could charge its customers if operating as a stand-alone system. The Authority may retain an independent rate consultant to conduct a fully allocated cost of service study at the Authority’s expense estimating the Authority’s cost of operations and revenue requirements if it were operated as a stand-alone utility. If this study shows that the Rates charged by ICWD exceed the rates that the Authority could charge on a stand-alone basis, the Authority may reduce rates to its customers accordingly without payment or other liability to ICWD and ICWD may terminate the Operation and Maintenance Term in that case.
 - 8.10 ICWD and the Authority may mutually agree in writing to changes in the obligations under this Section 8 after consultation with Polk County.
 - 8.11 At such time as ICWD ceases to be compensated for providing service to the Authority’s customers through the revenues it receives from them, ICWD may charge the Authority for its share of the operating, maintenance and capital maintenance cost of the Polk County Line pro rata based on usage.
9. Force Majeure; Drought; Temporary Reduction or Shutoffs.
- 9.1 The Parties acknowledge that BRWA may be unable to deliver finished water at the volume required in Section 4 in the event of drought, acts of God, or other events of force majeure. BRWA will not be in default of this 2025 Restatement in the event of stoppage or partial reduction of water delivered so long as BRWA acts with reasonable and due diligence to resume production and delivery of water in compliance with its rights and obligations defined herein.
 - 9.2 In the event of partial reduction in water produced and/or delivered, BRWA agrees that the volume of water delivered at Meter 1 shall be

reduced in the same proportion as water delivered by BRWA to its other customers.

- 9.3 In the event of voluntary or involuntary restrictions on water use imposed upon BRWA's customers, whether by governmental order or voluntarily imposed by BRWA, the Authority, and ICWD agree that such restrictions shall be followed and complied with by both the Authority and ICWD.
- 9.4 All Parties acknowledge BRWA's delivery of water at Meter 1 is subject to temporary emergency and maintenance shutoffs.

10. Default: Remedies.

- 10.1 Any material breach or failure to perform any material obligation of this 2025 Restatement by any Party shall constitute an event of default.
- 10.2 Upon an event of default as defined above, a non-defaulting Party shall notify the defaulting Party that it has thirty (30) days after receipt of notice of default within which to cure the default. Failure to cure a default within such thirty (30) days gives rise to the right to terminate this 2025 Restatement on the part of the non-defaulting Party.
- 10.3 In the event the default is not cured within such thirty (30) day period, then any non-defaulting Party, after compliance with the initial procedure for resolution of disputes as set forth in Section 11, below, may apply to the court designated below for (i) a judicial determination of default, award of damages, and termination of this agreement or (ii) a judicial order of temporary and permanent mandatory or prohibitory injunctions requiring performance of some action by the defaulting Party. As a part of any legal proceeding, the non-defaulting Party may recover reasonable attorneys' fees incurred in such proceeding.
- 10.4 In the event of default in payment of fees for water delivered and absent any injunctive relief being granted by the court having jurisdiction thereof, BRWA may cease delivery of water at Meter 1 if such default shall continue for a period of thirty (30) days after receipt of notice thereof in accordance with Section 10.2, above.
- 10.5 The Parties agree that disputes arising pursuant to this 2025 Restatement shall be litigated solely in the courts of the state of North Carolina and the venue thereof shall be either Rutherford or Polk County. North Carolina law shall apply.

11. Dispute Resolution.

- 11.1 Prior to seeking judicial determination of default and termination of this 2025 Restatement or judicial relief by way of mandatory or prohibitory injunctions, all Parties agree to submit any such dispute to mediation pursuant to the laws of the state of North Carolina.
 - 11.2 The mediator shall be duly certified by the Administrative Office of the Courts and shall be selected by mutual agreement of the Parties. In the event that the Parties are unable to so select a mediator, the mediator shall be selected by the Clerk of Superior Court of either Rutherford or Polk County upon the application of any Party.
 - 11.3 All Parties agree that time is of the essence in the mediation of any claim or dispute arising pursuant to this 2025 Restatement and agree that mediation of any dispute or claim shall be completed within ninety (90) days of the request of any Party for such mediation. In the event mediation has not been completed within such ninety (90) day period, the requirements of this Section on Dispute Resolution shall be deemed complied with and, the Parties may proceed with litigation.
12. Authority; Consideration; Binding Nature.
- 12.1 BRWA, Polk County, ICWD, and the Authority covenant and warrant that each has the power and authority pursuant to applicable governing laws, rules, and regulations to enter into this 2025 Restatement.
 - 12.2 BRWA, Polk County, ICWD, and the Authority covenant that they each enter into this 2025 Restatement upon authority duly given and all approvals prerequisite to entering into this 2025 Restatement have been obtained by each.
 - 12.3 BRWA, Polk County, ICWD, and the Authority acknowledge the receipt of good and adequate consideration for the execution of this 2025 Restatement, as amended and restated.
13. BRWA Bond Regulations; Compliance.
- 13.1 For purposes of this Section 13, the following definitions shall apply:
 - 13.1.1 “Output Facility” means any facility consisting of water collection, storage and distribution facilities.
 - 13.1.2 “Private Person” means any person or entity, other than a governmental unit, that is not acting solely and directly as an officer or employee of or on behalf of a governmental unit. For purposes of the Private Business Use Limitations (defined below),

the United States of America and any agency or instrumentality of the United States of America is treated as a Private Person.

13.1.3 “Requirements Contract” means a contract for the sale of water produced by an Output Facility, other than a Take Contract or a Take or Pay Contract, under which a Private Person is obligated to purchase all or part of its requirements from such output.

13.1.4 “Sale at Retail” means a sale of the output (e.g., water) produced by an Output Facility to any person that is not a Sale at Wholesale.

13.1.5 “Sale at Wholesale” means a sale of the output (e.g., water) produced by an Output Facility to any person for resale to any other person.

13.1.6 “Take Contract” means a contract for the sale of output (e.g., water) pursuant to which a Private Person is obligated to pay for the output provided by the Output Facility only if the Output Facility related to such contract is capable of providing the output.

13.1.7 “Take or Pay Contract” means a contract for the sale of output (e.g., water) pursuant to which a Private Person is obligated to pay for such output whether or not the Output Facility related to such contract is capable of providing such output.

13.1.8 “Wholesale Requirements Contract” means any Requirements Contract that is a Sale at Wholesale.

13.1.9 “Wholesale Requirements Contract Safe Harbor” means a Wholesale Requirements Contract that satisfies the following conditions: (A) the term of such Wholesale Requirements Contract is not more than the lesser of five years or 30% of the term of the Bonds and (B) the amount of water to be purchased pursuant to such Wholesale Requirements Contract is not greater than 5% of the total available output of water provided by the Output Facility, and for purposes of determining the term of any such Wholesale Requirements Contract and the amount of water to be purchased pursuant to any such Wholesale Requirements Contract, all Wholesale Requirements Contracts with the same Private Person and with a related party to such Private Person are aggregated.

13.2 The Authority and ICWD hereby acknowledge that (i) BRWA has financed costs of its water system with the proceeds of tax-exempt bonds

(the “Bonds”) issued under and in compliance with Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury Regulations promulgated thereto (the “Regulations”) and (ii) the Code and the Regulations prescribe certain limitations (the “Private Business Use Limitations”) on the amount of water supplied by the BRWA water system that BRWA is permitted to sell, directly or indirectly to Private Persons (“Private Business Use”).

The Authority and ICWD hereby further acknowledge that the Private Business Use Limitations apply to all direct or indirect sales by the Authority or ICWD of water supplied by the BRWA water system to the Authority or ICWD pursuant to this 2025 Restatement.

Accordingly, the Authority and ICWD hereby further acknowledge that any direct or indirect sale by the Authority or ICWD of water supplied by the BRWA water system, which constitutes Private Business Use in excess of the Private Business Use Limitations, (i) may cause the Bonds to be deemed to be Private Activity Bonds under the Code or the Regulations and (ii) may cause the interest on the Bonds to be included in gross income of the bondholders retroactively to the issue date of the Bonds.

The Authority and ICWD hereby represent, warrant and covenant as follows:

13.2.1 In order for BRWA to protect and maintain the tax-exempt status of the Bonds under the Code and the Regulations, neither the Authority nor ICWD will enter into any contract, arrangement or agreement, whether formal or informal, for the direct or indirect sale by the Authority or ICWD of water supplied by the BRWA water system that constitutes Private Business Use, including without limitation, any Take Contract, Take or Pay Contract, Requirements Contract that is the equivalent of a Take Contract or a Take or Pay Contract, or any Wholesale Requirements Contract that does not comply with the Wholesale Requirements Contract Safe Harbor;

13.2.2 In the event that the Authority enters into any contract, arrangement or agreement, whether formal or informal, that may cause, or causes, the Bonds to fail to satisfy the Private Business Use Limitations, including without limitation, any Take Contract, Take or Pay Contract, Requirements Contract that is the equivalent of a Take Contract or a Take or Pay Contract, or any Wholesale Requirements Contract that does not comply with the Wholesale Requirements Contract Safe Harbor, the Authority will pay, or cause to be paid, on behalf of BRWA, all amounts

required to be paid in order to preserve the tax-exempt status of the Bonds under the Code and the Regulations, including without limitation, (i) all amounts determined to be due and payable to the United States of America with respect to the Bonds in connection with any examination of the Bonds by the U.S. Internal Revenue Service, (ii) all amounts determined to be due and payable to the United States of America with respect to the Bonds in connection with the U.S. Internal Revenue Service Voluntary Compliance Program, (iii) all amounts determined to be due and payable to the United States of America arising out of any other method or manner of determination by the U.S. Internal Revenue Service that the interest on the Bonds is included gross income of the bondholders due to the failure of the Bonds to comply with the Private Business Use Limitations and (iv) all reasonable attorney fees, charges and costs incurred by BRWA to protect and maintain the tax-exempt status of the Bonds; and

- 13.2.3 In the event that ICWD enters into any contract, arrangement or agreement, whether formal or informal, that may cause, or causes, the Bonds to fail to satisfy the Private Business Use Limitations, including without limitation, any Take Contract, Take or Pay Contract, Requirements Contract that is the equivalent of a Take Contract or a Take or Pay Contract, or any Wholesale Requirements Contract that does not comply with the Wholesale Requirements Contract Safe Harbor, ICWD will pay, or cause to be paid, on behalf of BRWA, all amounts required to be paid in order to preserve the tax-exempt status of the Bonds under the Code and the Regulations, including without limitation, (i) all amounts determined to be due and payable to the United States of America with respect to the Bonds in connection with any examination of the Bonds by the U.S. Internal Revenue Service, (ii) all amounts determined to be due and payable to the United States of America with respect to the Bonds in connection with the U.S. Internal Revenue Service Voluntary Compliance Program, (iii) all amounts determined to be due and payable to the United States of America arising out of any other method or manner of determination by the U.S. Internal Revenue Service that the interest on the Bonds is included gross income of the bondholders due to the failure of the Bonds to comply with the Private Business Use Limitations and (iv) all reasonable attorney fees, charges and costs incurred by BRWA to protect and maintain the tax-exempt status of the Bonds.

14. Notices.

14.1 Any notices required or allowed to be given under this 2025 Restatement may be given by hand delivery or by certified mail, return receipt requested, as follows:

If to BRWA:

112 N. Main Street
Rutherfordton, NC 28139

Attention: General Manager

If to Polk County:

County of Polk
40 Courthouse Street
Columbus, NC 28722

Attention: County Manager

If to ICWD:

Inman-Campobello Water District
5 Prospect Street
Inman, SC 29349

Attention: General Manager

If to the Authority:

Polk County Administration Building
40 Courthouse Street
Columbus, NC 28722

Attention: Board of Directors

14.2 Such notices shall be deemed to be given upon delivery, if hand delivered, or upon mailing if by certified mail.

14.3 Any Party may change the address of the person to whom such notices may be delivered by giving notices as herein provided.

15. Miscellaneous.

15.1 This 2025 Restatement may be amended only by an instrument in writing, signed by all of the Parties hereto.

- 15.2 The obligations of BRWA pursuant to this 2025 Restatement, as amended and restated, are limited to its obligations, through the Term Expiration, to deliver water at Meter 1 in accordance with the terms set forth herein. After the Term Expiration BRWA may continue to sell water to ICWD, provided BRWA and ICWD reach a mutual agreement as to price and terms for such continuation which are acceptable to BRWA and ICWD. Apart from BRWA’s water delivery obligations, any Party can withdraw from future obligations under the 2025 Restatement at any time by deeding over its interest in the Polk County Line, the Future Water Supply Assets, or the New Water Supply Facilities to the remaining Parties without compensation, or for such compensation as the Board may reasonably determine based on the depreciated original cost of the property, and as approved by the governing bodies of the non-withdrawing Parties. Nothing in this 2025 Restatement shall be deemed to give ICWD, Polk County, the Authority, or other third-party any rights or ownership interest to BRWA’s water system and infrastructure outside of Polk County.
- 15.3 This instrument sets forth fully the agreement between the Parties. No prior discussions or negotiations shall be deemed to modify the provisions herein.
- 16. Future Water Supply Options and Facilities.
 - 16.1 Securing Access to Raw Water Supplies. The Parties intend to cooperate in jointly securing access to raw water supplies for their future use either from the Green River or other additional or alternative sources. The Parties may do so by jointly purchasing and holding property where intake facilities or other facilities can be located, securing raw water withdrawal rights at those locations, establishing and operating gauging and testing facilities on the relevant water sources to collect required engineering and permitting data, and obtaining rights of way, permits and other necessary entitlements. The future water supply sites, rights of way, permits, entitlements, and gauging stations, not including New Water Supply Facilities as defined below, are collectively referred to as the “Future Water Supply Assets.” The Parties will act through the Authority to make collective decisions concerning the acquisition, operation and maintenance of the Future Water Supply Assets.
 - 16.1.1 Within 180 days of its first meeting, the Authority shall establish the process for jointly securing Future Water Supply Assets; subject to the required approvals of the governing bodies of the Parties.

16.1.2 Notwithstanding anything contained herein to the contrary, following the New Commencement Date, Polk County shall transfer to ICWD a portion of Polk County's ownership interests in the existing Polk County Line equal to ICWD's current capacity rights in the Polk County Line and the remaining interest to the Authority; provided, however, neither the Authority nor ICWD may grant a mortgage or any other form of security interest in or to the Polk County Line or its ownership interest therein without the express written consent of the other co-owner.

16.2 Construction of New Water Supply Facilities. The process for determining the size and configuration of New Water Supply Facilities will be as follows:

16.2.1 Any Party may request the Authority to study and approve the provision of additional water supply capacity, through construction of New Water Supply Facilities (the "Initial Request"). Within ninety (90) days of the Initial Request and in response to such request, the other Parties must indicate their respective capacity needs or requests, whether for raw water or treated water, and their willingness to participate in a joint construction project related to any of the New Water Supply Facilities. The Authority shall consider the demonstrated need and similar objective criteria to determine whether to approve the Initial Request, provided that such approval may not be unreasonably withheld. The Authority shall grant or deny the Initial Request within 180 days of the Initial Request.

16.2.2 Each Party may elect either to participate in the construction of intakes and raw water transmission lines only or the construction of a jointly-owned water treatment site and finished water lines from it to relevant points of connection. If only one Party elects to construct a water treatment facility at the jointly-owned treatment plant site, then that site shall be transferred to that Party at cost; otherwise, ownership of any New Water Supply Facilities shall be titled directly in the name of the participating Parties as tenants in common with ownership interests reflecting their pro rata capital cost percentages. As additional capital costs are incurred, the Parties will adjust the ownership interests to reflect new cumulative pro rata capital cost percentage with each Party's percentage equaling the sum of its investment in each phase of development of the New Water Supply Facilities, weighted according to the capacity created by that phase of development.

16.2.3 As overseen by the Authority, raw water intakes and raw water transmission lines shall be sized and constructed to serve the needs of any Party whether it elected to construct its own water treatment facility or to construct a treatment plant on the jointly owned site. In all circumstances and to the extent doing so would be consistent with sound engineering practices, the existing rights of way associated with the Polk County Line shall be made available for construction or placement of any new lines forming part of the New Water Supply Facilities. The participating Parties shall use reasonable best efforts to assist in obtaining rights of way, permits, zoning approvals and authorizations necessary to construct the New Water Supply Facilities.

16.2.4 The participating Parties shall share in the capital cost and operation and maintenance cost of New Water Supply Facilities pro rata based on the amount of capacity committed to each participating Party. The Authority shall determine the allocation of these costs based on commercially reasonable terms and on an asset-by-asset basis with specific cost allocations for water intakes, raw water lines, finished water lines and the treatment plant; provided, however, specific terms concerning the sharing of capital costs and operation and maintenance costs of New Water Supply Facilities, and the obligations of the applicable Parties to make payments in connection therewith, shall be memorialized as an addendum to this 2025 Restatement and approved by the governing bodies of the applicable Parties.

16.2.5 Upon construction of any New Water Supply Facilities, the Parties shall have the right to exchange among themselves or lease to others their capacity rights in the New Water Supply Facilities, subject to rights of first refusal of the other Parties and other commercially reasonable terms as set forth by the Authority.

16.2.6 In no case may any Party grant a mortgage or any other form of security interest in or to any capacity rights or ownership interest in any New Water Supply Facility that is jointly owned with any other Party without the express written consent of the other Parties owning an interest in such New Water Supply Facility.

16.3 The Authority's Responsibilities Concerning Future Water Supply Assets and New Water Supply Facilities. In the context of this Section of the Agreement, the Authority shall be responsible for, among other things:

- 16.3.1 Identifying potential sites for Future Water Supply Assets and New Water Supply Facilities;
 - 16.3.2 Overseeing the Parties' efforts to secure and preserve withdrawal rights and associated permits, rights of way and other entitlements for the construction of any Future Water Supply Assets;
 - 16.3.3 Overseeing construction and operation of Future Water Supply Assets and New Water Supply Facilities on the Green River or any other source; and
 - 16.3.4 Determining reasonable allocations of capital costs and other costs among the Parties consistent with this 2025 Restatement.
- 16.4 Compliance with Applicable Laws. The Authority shall ensure compliance with all applicable North Carolina and South Carolina laws related to construction and financing of Future Water Supply Assets and New Water Supply Facilities, including any applicable review by the Local Government Commission in accordance with Chapter 159 of the North Carolina General Statutes.
- 16.5 No Pledge or Obligation of Taxing or Rate Setting Authority. Nothing in this 2025 Restatement shall be construed to obligate any Party, expressly or by implication, to exercise its power to levy taxes or impose rates either to make payments falling due under the 2025 Restatement, or to pay any judgment entered against a Party as a result of a Party's breach of the 2025 Restatement.
- 16.6 Loss of Ownership Rights. Upon any Party consummating any agreement to be acquired or operated by any entity other than a governmental entity established under the laws of North Carolina or South Carolina, that Party shall lose its ownership rights in the Future Water Supply Assets, New Water Supply Facilities, and the Polk County Line, and its capacity rights in the Future Water Supply Assets, New Water Supply Facilities, and the Polk County Line. The departing Party shall remain liable for any payment obligations of such Party pursuant to this 2025 Restatement up to the effective date of any such acquisition or agreement to be operated.

17. Severability.

- 17.1 Any provision of this 2025 Restatement, which is found to be prohibited, invalid, or unenforceable under North Carolina, South Carolina, or federal law shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining

provisions hereof, and any such prohibition, invalidity, or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction; provided that material terms of this 2025 Restatement concerning the capacity interests of the Parties are not materially affected by such determination. Every effort shall be made to interpret this 2025 Restatement in a manner that supports its enforceability.

- 17.2 The Parties acknowledge that the intent of this 2025 Restatement is to afford the Parties access to raw or treated water, as applicable, at costs that are equitable among the Parties, and that this 2025 Restatement has been entered into in reliance upon the Parties' authorization to act under the provisions hereof to achieve such result. In the event that any court of competent jurisdiction holds that this 2025 Restatement, or any material provision hereof, is prohibited, invalid, or unenforceable under North Carolina, South Carolina, or federal law, and such holding is materially detrimental to the rights of any Party hereunder concerning the ownership of any asset or the payment of amounts due hereunder, the remaining Parties agree to amend the terms of this 2025 Restatement to provide raw water supplies or other benefits of comparable value to the affected Party.

In Witness whereof, the Parties hereto have executed this 2025 Restatement, by authority duly given as of the last day hereof.

Signatures on next page

[Remainder of Page Left Blank]

This the _____ day of _____, 2025.

BROAD RIVER WATER AUTHORITY

By: _____

Title: _____

COUNTY OF POLK

By: _____

Title: _____

INMAN-CAMPOBELLO WATER DISTRICT

By: _____

Title: _____

**POLK COUNTY REGIONAL WATER
AUTHORITY**

By: _____

Title: _____

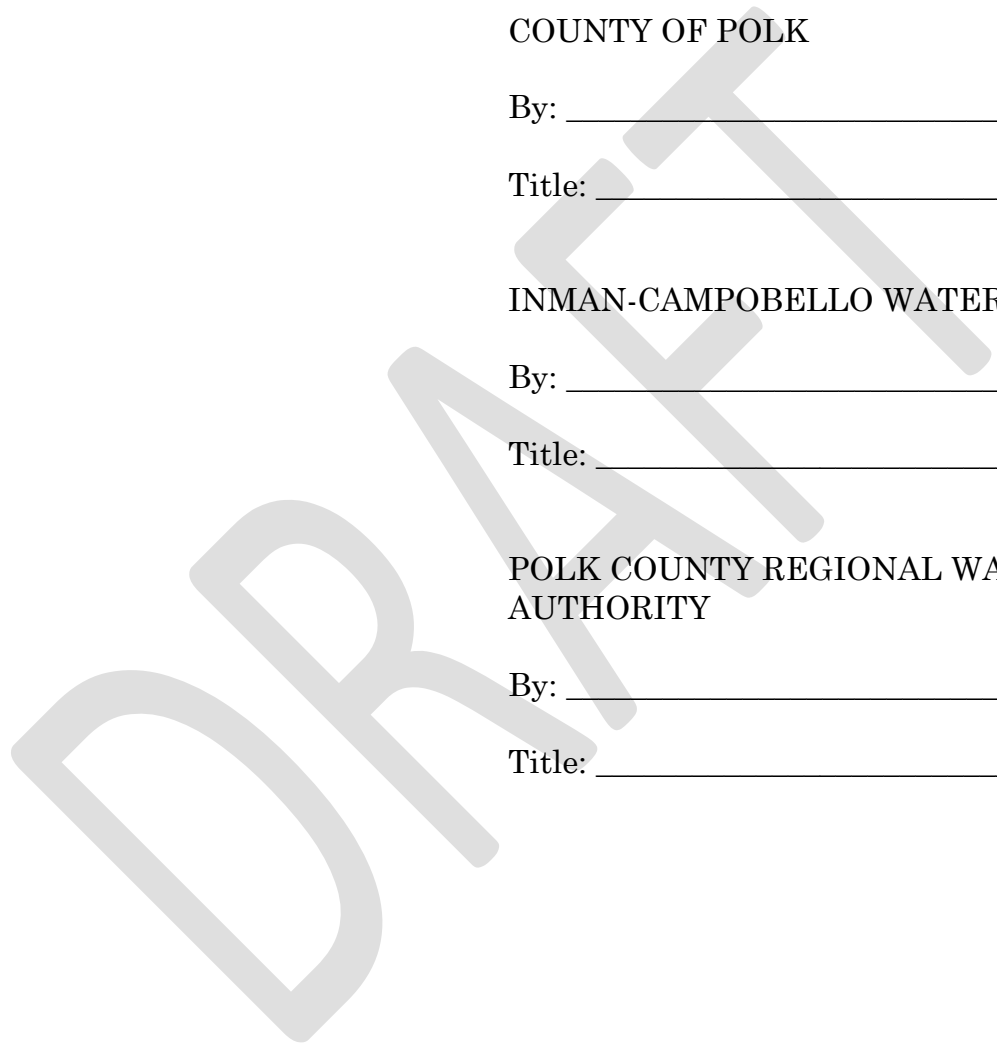


EXHIBIT A

Definitions

Except for those terms defined in Section 13 of the 2025 Restatement, the following definitions shall apply to all capitalized terms in the 2025 Restatement:

1. **“2012 Amendment”** means that certain February 6, 2012, amendment to the agreement for *Construction of Water Transmission Line and Sale of Finished Water* by and between the Original Parties.
2. **“2020 Amendment”** means that certain December 7, 2020, amendment to the agreement for *Construction of Water Transmission Line and Sale of Finished Water* by and between the Original Parties.
3. **“2022 Amendment”** means that certain February 23, 2022, amendment to the agreement for *Construction of Water Transmission Line and Sale of Finished Water* by and between the Original Parties.
4. **“2025 Restatement”** means the first restatement and amendment of the Prior Agreement between the Original Parties, adding the Authority as a Party, and superseding the Prior Agreement.
5. **“AWWA”** means the American Water Works Association.
6. **“Authority”** means the Polk County Regional Water Authority, a water authority created pursuant to N.C.G.S. § 162A-3 *et seq.*, of which, the Original Parties are all members.
7. **“Authority Water Distribution System”** means the Polk County Water Distribution System when transferred to the Authority, including any extensions or modifications thereto, as well as any additional water distribution system owned by the Authority and forming all or part of the Polk County Water Distribution System.
8. **“Board”** means the Board of Directors of the Polk County Regional Water Authority.
9. **“BRWA”** means the Broad River Water Authority, an authority organized and existing pursuant to Chapter 162A of the North Carolina General Statutes.
10. **“Commission”** means the Polk County Regional Water Commission.
11. **“Future Water Supply Assets”** means all future water supply sites, rights of way, permits, entitlements, and gauging stations, not including New Water Supply Facilities.
12. **“GPD”** means gallons of water per day.

13. **“ICWD”** means the Inman-Campobello Water District, a water district created and existing pursuant to Act 939 of the 1954 Acts and Joint Resolutions of the General Assembly of South Carolina as Amended by Act 521 of 1954 and subsequent enactments.
14. **“Initial Request”** means a request from a Party to the Authority to study and approve the provision of additional water supply capacity, through construction of New Water Supply Facilities.
15. **“Meter 1”** means the meter located at the terminus of the Rutherford County Line which is located on the east (Rutherford County) side of the Broad River.
16. **“Meter 2”** means the meter located at the terminus of the Polk County Line located on the Polk County side of the Polk County/ South Carolina border.
17. **“MGD”** means million gallons of water per day.
18. **“Minimum Purchase”** means the minimum amount of water that ICWD must purchase from BRWA and identified in Section 5.1 of this 2025 Restatement. Unless otherwise changed pursuant to the terms of the 2025 Restatement or subsequent amendments thereof, ICWD’s Minimum Purchase is two (2) MGD.
19. **“NCDEQ”** means the North Carolina Department of Environmental Quality.
20. **“New Commencement Date”** means the date of execution of the 2025 Restatement as identified on the Parties’ signature page.
21. **“New Water Supply Facilities”** means intakes and raw water transmission lines, water treatment plants, and/or finished water lines constructed and/or owned by one or more of the Parties.
22. **“Operation and Maintenance Term”** means the term of twenty (20) years from the New Commencement Date for which ICWD will operate and maintain the Polk County Line, and the Authority Water Distribution System. The term shall automatically renew for succeeding terms of ten (10) years unless either Party notifies the other in writing no less than one year before the current term’s expiration date of the Party’s intent not to renew this Operation and Maintenance Term.
23. **“Original Parties”** means those parties to the Prior Agreement, including: Polk County, BRWA, and ICWD.
24. **“Parties” and individually as a “Party”** means the four parties to this 2025 Restatement, including: the Authority, BRWA, ICWD, and Polk County.
25. **“Polk County”** means the County of Polk, North Carolina, a municipal corporation and body politic organized and existing pursuant to Chapter 153A of the North Carolina General Statutes.

26. **“Polk County Line”** means that certain 20-inch, high-capacity water transmission line connecting to the Rutherford County Line, constructed by ICWD, and running from the east (Rutherford County) side of the Broad River (at or near Poors Ford Road) to the Polk County border shared with South Carolina (at or near Melvin Hill Road).
27. **“Polk County Water Distribution System”** means that certain water distribution system connected to, but not including, the Polk County Line and serving customers in Polk County. The “Polk County Water Distribution System” consists of, but is not limited to, all pipes, valves, pumps, storage tanks, and monitoring and control devices associated with the sale of water from the Polk County Line to Polk County customers.
28. **“Prior Agreement”** means that certain agreement for *Construction of Water Transmission Line and Sale of Finished Water* by and between the Original Parties on July 7, 2008, which term includes the 2008 Addendum, and the 2012, 2020, and 2022 Amendments. This term does not include the 2025 Restatement.
29. **“Rates”** means and includes all rate structures; rates; charges; terms and conditions of service; operating policies; billing and collection policies; customer credit policies; deposit, disconnection and reconnection policies; line extension policies and all other customer and operations related policies of a Party.
30. **“Rutherford County Line”** means that certain 20-inch, high-capacity water transmission line constructed by BRWA pursuant to the Prior Agreement from BRWA’s facilities adjacent to US Highway 221 in Rutherford County, North Carolina (at or near the intersection with Newton Cole Road) to a point on the eastern side of the Broad River (at or near to Poors Ford Road).
31. **“SCDES”** means the South Carolina Department of Environmental Services.
32. **“South Carolina Line”** means that certain 20-inch, high-capacity water transmission line constructed by ICWD pursuant to the Prior Agreement the terminus of the Polk County Line and connecting it to ICWD’s water system at the Windmill Hill Tank Farm.
33. **“Term Expiration”** means either termination of the 2025 Restatement following the useful life of the water supply assets or termination pursuant to other provisions contained in the 2025 Restatement.

EXHIBIT B
**Cost Schedule for Purchase of Water by ICWD
and the Authority from BRWA**

[[to be added]]

EXHIBIT C
**ICWD'S Current Schedule of Rates and Charges
and Future Rate Increases**

[[to be added]]

Item G-3: Resolution 02-26: Authorization to Apply for SRF Helene Funding

DWI can provide funding assistance to local governments, nonprofit water/wastewater providers, and investor-owned drinking water companies that were impacted by Hurricane Helene.

North Carolina's allotment is \$409 million for Drinking Water State Revolving Fund (DWSRF Helene) projects and \$253 million for Clean Water State Revolving Fund (CWSRF Helene) projects, including administrative costs. There is also approximately \$22 million for the CWSRF program to improve the resilience of decentralized wastewater treatment systems (CWSRF Helene Decentralized).

State Revolving Fund (SRF) Helene (SA-HMW) Loans: A long-term, zero-interest loan with principal forgiveness that is exclusive to Helene-impacted communities for drinking water, wastewater and decentralized wastewater treatment systems. This funding is initially limited to \$10 million for drinking water projects and \$5 million for wastewater projects.

- Funds will be made as 100% principal forgiveness loans. No portion of the funding will be repayable.
- All funds must be spent within 5 years or December 2031 (whichever comes first).
- Funds are subject to all SRF conditions (Except BABA).

BRWA has already been awarded \$3.2 million for improvements to the raw water canal. We would like to submit another application before the March 2 deadline to see if we qualify for funding for the improvements to the WTP and Poors Ford pump station. This Resolution to authorize the application is required.

RESOLUTION NO. 02-26

Meeting of February 3, 2026

A RESOLUTION AUTHORIZING AND ALLOWING A STATE GRANT APPLICATION FOR SRF HELENE SUPPLEMENTAL FUNDING

WHEREAS, The Broad River Water Authority has need for and intends to construct, plan for, or conduct a study in a project described as Improvements to the WTP and Poors Ford pump station, and

WHEREAS, The Broad River Water Authority intends to request State loan and/or grant assistance for the project,

NOW THEREFORE BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE BROAD RIVER WATER AUTHORITY:

That Broad River Water Authority the **Applicant**, will arrange financing for all remaining costs of the project, if approved for a State loan and/or grant award.

That the **Applicant** will provide for efficient operation and maintenance of the project on completion of construction thereof.

That the **Applicant** will adopt and place into effect on or before completion of the project a schedule of fees and charges and other available funds which will provide adequate funds for proper operation, maintenance, and administration of the system and the repayment of all principal and interest on the debt.

That the governing body of the **Applicant** agrees to include in the loan agreement a provision authorizing the State Treasurer, upon failure of the Broad River Water Authority to make a scheduled repayment of the loan, to withhold from the Broad River Water Authority any State funds that would otherwise be distributed to the local government unit in an amount sufficient to pay all sums then due and payable to the State as a repayment of the loan.

That Maria S. Hunnicutt, Executive Director, the **Authorized Representative** and successors so titled, is hereby authorized to execute and file an application on behalf of the **Applicant** with the State of North Carolina for a loan and/or grant to aid in the study of or construction of the project described above.

That the **Authorized Representative**, and successors so titled, is hereby authorized and directed to furnish such information as the appropriate State agency may request in connection with such application or the project: to make the assurances as contained above; and to execute such other documents as may be required in connection with the application.

That the **Applicant** has substantially complied or will substantially comply with all Federal, State, and local laws, rules, regulations, ordinances, and funding conditions applicable to the project and to Federal and State grants and loans pertaining thereto.

Adopted this the 3rd day of February, 2026 at Rutherfordton, North Carolina.

FORM FOR CERTIFICATION BY THE RECORDING OFFICER

The undersigned duly qualified and acting Board Chairman of the Broad River Water Authority does hereby certify: That the above/attached resolution is a true and correct copy of the resolution authorizing the filing of an application with the State of North Carolina, as regularly adopted at a legally convened meeting of the Board of Directors duly held on the 3rd day of February, 2026; and, further, that such resolution has been fully recorded in the journal of proceedings and records in the business office. IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of February, 2026.

Signature Danny Searcy, Board Chairman

Signature Maria S. Hunnicutt, Board Secretary

DIRECTOR'S REPORT:

LEADERSHIP TEAM

December 2025/
January 2026

25
YEARS OF SERVICE

PROJECTS

WTP

- Plant is running great, back to normal chemical usage levels post-Helene.
- Raw Water Line Project - Carolina Specialties Construction/ Kimley Horn
 - Passed pressure test 1/12/26. Substantial completion extended from Jan 2 to March 30.
- Equipment Building
 - Grading completed and contractor selected. Material expected by end January.
- WTP and Poors Ford Improvements - Garver
 - Design approval for WTP portion pending. Bid expected in April/ May. Expected costs ~\$13 million.
- \$3.2 million funding for Raw Water Canal Improvements
 - Need to complete RFQ for engineering services



PROJECTS

Distribution

- Pipe shed construction complete!
- Addressing water main breaks. Focusing on hydrants that need repair/ replacement.
 - N Cleghorn is next
- Dewitt Owens and Spring Head Commons plans are pending state approval
- Generator for shop/ warehouse
 - Permits pulled, equipment to be delivered mid-March



Hwy 74/ 221: Love's Travel

- EDA grant of \$1.9 Million awarded July 2023
- Bid opening 10/23:
 - Two Brothers \$4,152,156 low bid
- Odom reduction of scope based on line-item pricing
 - Two Brothers \$1,913,172
- EDA rejected reduction of scope and requiring a re-bid the reduced scope
- Ad for re-bid submitted 1/14 for bid on **2/25/2026**
- EDA granted time extension to 5/18/2028

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PROJECTS

Admin/ Organizational

- FY 25 Audit submitted 12/31/25
- AMI Infrastructure meeting held 1/13/26
 - \$87,000 for infrastructure to read meters in Spindale and Rutherfordton (~5,000) instantaneously
- Lead Service Line Inventory \$1M
 - Progress Meeting 1/15/25
 - 2nd disbursement request submitted to NCDEQ
 - In community engagement/ public awareness phase

5

PEOPLE

Reindeer Games 12/17/25



6

Completion of Apprenticeship

- 🎉 Big congratulations to Matt Wilson! 🎉

We're proud to recognize Matt Wilson for completing the NCRWA Registered Apprenticeship Program! Over the past two years, Matt balanced full-time work with classroom learning, completing 4,000 hours of on-the-job training and 288 hours of real time instruction classes, not to mention studying and preparing for FOUR certification exams.

Through his dedication and hard work, Matt successfully passed his C and B Distribution certifications and his C and B Surface Water certifications, fast-tracking his expertise on both the water treatment and distribution sides of our system.

Matt's commitment to professional growth helps strengthen our utility and ensures high-quality, reliable water for our community. Way to go, Matt—we're proud of you! 💧 🍌



PRIORITIES

	Volume MG	Volume MGD	Revenue	\$ Compared to prior Quarter	\$ Compared to prior year
1Q 25	583.73	6.39 MGD	\$2,086,440	+ 5.5 %	+ 8.0 %
2Q 25	579.18	6.35 MGD	\$2,082,826	- 0.2 %	+ 2.7 %
3Q 25	676.66	7.42 MGD	\$2,314,713	+ 11.1 %	+ 4.4 %
4Q 25	570.81	6.26 MGD	\$2,086,522	- 9.9 %	+ 5.5 %

PRIORITIES



- **Meter Register Replacements**
 - 4,847 brain dead registers have been replaced over the past 16 months
 - 67% of system replaced
- **Customer Portal**
 - 2,581 users currently
 - Increase from 0 in Sept 2024
- **Bank Draft**
 - 1,504 customers currently
 - Increase from 973 in Sept 2024

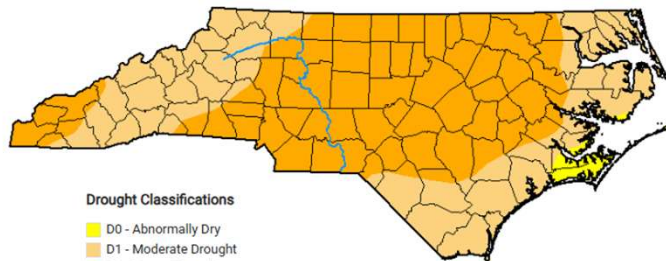
9

Drought Update

Current Conditions

as of January 20, 2026 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

10

	Original FY26 Adopted	12/31/2025	% complete 50%
Revenue:			
Operating Revenue:			
Water Services:	\$8,629,300	\$4,367,450	
Taps and Connections:	\$105,000	\$102,409	
Late/ Disconnect/ Penalty Fees:	\$137,000	\$70,230	
Water Testing Fees:	\$12,000	\$20,957	
Billing Services:	\$41,000	\$20,978	
Total Operating Revenue	\$8,924,300	\$4,582,025	51%
Non Operating Revenue:			
Cain on Disposal Fixed Asset			
Miscellaneous Revenue	\$1,000	\$23,672	
Lease of Property	\$45,000	\$23,841	
Interest & Investment	\$200,000	\$79,373	
Reimbursable Revenue (LCRI)	\$1,000,000	\$0	
Reimbursable Revenue (Helene)	\$300,000	\$0	
Total Non-Operating Revenue	\$1,546,000	\$126,886	8%
Capital Revenue:			
Grants			
Transfer From Capital Res. Fund	\$1,234,700	\$0	
Total Capital Revenue	\$1,234,700	\$0	
Total Revenue:	\$11,705,000	\$4,708,910	45%

Revenue

11

	Original FY26 Adopted	12/31/2025	50%
Operation & Maintenance Expenses			
Salaries and Wages:	\$2,103,200	\$1,046,343	
Employee Benefits and Insurance:	\$887,800	\$391,689	
Materials & Chemicals:	\$415,000	\$163,129	
Utilities:	\$756,100	\$301,731	
Auto Fuel:	\$56,600	\$20,163	
Department Supplies & Inventory:	\$365,300	\$143,258	
Billing and Collections:	\$83,500	\$33,050	
Contracted Services:	\$237,000	\$53,913	
Professional Services:	\$117,500	\$40,868	
Repairs and Maintenance:	\$70,000	\$29,112	
Insurance Property and Liability:	\$123,000	\$107,190	
Capital Outlay:	\$30,000	\$8,592	
License and Subscription Fees:	\$100,000	\$94,107	
Travel and Training:	\$34,000	\$11,178	
Miscellaneous Expenses:	\$30,000	\$13,579	
Contingency:	\$30,000	\$0	
Total O & M Expenses	\$5,439,000	\$2,457,900	45%
Non-Operating Expense			
Reimbursable Expense (LCRI)	\$1,000,000	\$230,541	
Reimbursable Helene: Interconnect w/ LCF and ICWD	\$100,000	\$0	
Reimbursable Helene: Interconnect w/ Concord Community	\$200,000	\$0	
Transfer To Reserve Fund	\$0	\$0	
Total Non-Operating Expenses	\$1,300,000	\$230,541	
Debt Expenditures			
Bonds - Principal	\$2,381,800	\$0	
Bonds - Interest	\$104,200	\$47,375	
Total Debt Expenditures	\$2,486,000	\$47,375	
Total Expenses	\$9,225,000	\$2,735,816	

O&M Expenses

12

	Original FY26		% complete
Capital Improvements Budget	Adopted	12/31/2025	50%
WTP CAPITAL			
WTP Equipment - Annual	\$40,000	\$6,734	
Bleach & Phosphate Tank/ Mixer/ Recycle Pump	\$317,000	\$3,317	
Equipment Shed	\$80,000	\$40,000	
Raw Intake Waterline	\$210,500	\$210,500	
Recycle Pump Replacement	\$177,500	\$34,128	
Equip WTP Scada Upgrade	\$125,000	\$85,763	
Residual Access Rd & Field Prep	\$45,000	\$40,851	
Service Truck	\$80,000	\$63,582	
Poors Ford and WTP Improvements	\$92,000	\$77,642	
DIST CAPITAL			
New Extensions - Annual	\$128,500	\$95,696	
Rehab Water Lines - Annual	\$128,500	\$16,059	
Rehab Hydrant/Valve/Flush - Annual	\$75,000	\$0	
Equip Distribution - Annual	\$45,000	\$29,874	
Tank Maintenance Contract - Annual	\$50,000	\$47,855	
Equip Meter Replacement - Annual	\$550,000	\$506,057	
AMI Infrastructure	\$100,000	\$0	
Generator for Warehouse	\$115,000	\$0	
PVC cover 75'x25'	\$50,000	\$0	
Design/ C&A for 221/ 74 (Loves)	\$25,000	\$0	
ADMIN CAPITAL			
Equipment	\$5,000	\$0	
Vehicle	\$41,000	\$40,380	
TOTAL CAPITAL EXPENSES	\$2,480,000	\$1,298,438	52%

Capital Improvements

BROAD RIVER WATER AUTHORITY
Income Statement
As of December 31, 2025

Section I, Item 2.

	Month Ending 12/31/2025	Month Ending 11/30/2025	Year To Date 12/31/2025	Prior Year To Date 12/31/2024
REVENUE				
Operating Revenue				
Water Services:	666,908.52	723,866.75	4,367,449.96	4,200,295.27
Taps and Connections:	11,450.00	14,000.00	102,409.20	84,745.00
Late/ Disconnect/ Penalty Fees:	12,357.48	10,284.10	67,920.35	69,525.41
Water Testing Fees:	345.00	355.00	4,275.00	6,310.00
Billing Services:	3,496.25	3,496.25	20,978.35	20,897.60
Total Operating Revenue	694,557.25	752,002.10	4,563,032.86	4,381,773.28
Non-Operating Revenue				
Miscellaneous Revenue	0.00	1,083.25	23,672.10	0.00
Lease of Property	3,910.46	3,910.46	23,840.88	22,228.30
Interest Investment	12,647.19	12,786.61	79,372.66	85,854.54
Total Non-Operating Revenue	16,557.65	17,780.32	126,885.64	108,082.84
TOTAL REVENUE	711,114.90	769,782.42	4,689,918.50	4,489,856.12
EXPENSES				
O&M Expenses				
Salaries and Wages:	272,897.79	153,284.91	1,046,342.88	986,727.62
Employee Benefits and Insurance:	87,951.55	54,474.32	391,689.07	367,653.11
Materials and Chemicals:	18,241.52	14,430.64	163,129.03	195,722.96
Utilities:	54,094.56	43,971.84	301,731.05	285,326.87
Auto Fuel:	2,559.36	5,579.18	20,163.05	18,846.06
Department Supplies & Inventory:	19,102.47	12,626.92	143,258.38	197,185.15
Billing and Collections:	10,035.45	785.70	33,049.53	57,040.15
Contracted Services:	6,907.67	8,043.03	53,914.03	51,101.46
Professional Services:	2,130.00	4,673.00	40,867.65	60,100.00
Repairs and Maintenance:	681.77	644.59	29,112.34	24,012.37
Insurance Prop Liab:				
Insurance Prop Liab (ADMIN)	0.00	0.00	104,417.35	99,865.13
Insurance Claims (DIST)	0.00	0.00	2,772.21	0.00
Insurance Claims (NO DEPT)	0.00	0.00	0.00	3,256.00
Capital Outlay:	0.00	(367.64)	8,591.68	6,371.14
License and Subscription Fees:	31,564.00	7,593.70	94,107.29	67,530.73
Training and Travel	4,083.89	1,708.11	11,188.54	6,868.19
Miscellaneous Expenses:	0.00	567.45	13,578.88	141,246.47
Total O&M Expenses	510,250.03	308,015.75	2,457,912.96	2,568,853.41
Non-Operating Expenses				
Reimbursable Expenses	16,300.40	22,254.00	27,404.85	0.00
Total Non-Operating Expenses	16,300.40	22,254.00	27,404.85	0.00
Depreciation & Interest				
Depreciation	0.00	136,755.57	683,777.85	1,099,092.00
Interest Expense	0.00	5,365.46	26,827.30	102,990.00
Total Depreciation & Interest	0.00	142,121.03	710,605.15	1,202,082.00
TOTAL EXPENSES	526,550.43	472,390.78	3,195,922.96	3,770,935.41
NET INCOME FY	184,564.47	297,391.64	1,493,995.54	718,920.71

BROAD RIVER WATER AUTHORITY

Balance Sheet

As of December 31, 2025

Year To Date 12/31/2025

Current Assets	
Cash NC CMT	421,834.07
Checking TD	5,291,015.79
Checking OZK	0.00
Sweep OZK	0.00
Petty Cash	2,934.98
Water Receivable	885,262.07
Sewer Receivable	317,784.13
Sanitation Receivable	91,079.61
Allowance for Doubtful Account	(105,522.74)
Unbilled Revenue	146,495.15
Grants Receivable	60,874.70
Reimbursable Receivable	0.00
State Sales Tax	143,910.62
2% Food Tax	154.49
Co Sls Tax RcvblRutherford	63,438.66
Co Sls Tax RcvblOther Countie	4,363.59
Other Receivable	0.00
Prepaid Expenses	8,666.58
Total Current Assets	7,332,291.70
Noncurrent Assets	
Lease Receivable	422,208.90
Capital Assets	
Construction in Progress	3,611,427.51
Land	870,167.03
Buildings	23,592,901.40
Water System Lines	25,651,793.38
Equipment	12,120,127.63
Furniture and Fixtures	125,173.70
Vehicles	1,100,639.72
Accumulated Depreciation	(32,603,355.00)
Capital Assets, net of depreciation	34,468,875.37
Total Noncurrent Assets	34,891,084.27
Deferred Outflow of Resources	
Pension Deferrals	724,069.00
Deferred Charge on refunding	6,020.02
Total Deferred Outflow of Resources	730,089.02
Total Assets	42,953,464.99
Current Liabilities	
Accounts Payable	112,598.11
Salaries Payable	0.00
Employee Deductions	586.73
Retirement Payable	55,558.79
Accrued Interest	0.15
Accrued Salaries	0.00
Accrued Vacation	110,984.16
Payable from restricted assets	
Customer Deposits Water	144,740.52
Customer Deposits Sewer	50,303.66
Customer Deposits Sanitation	1,692.50

BROAD RIVER WATER AUTHORITY
 Balance Sheet
 As of December 31, 2025
 Year To Date 12/31/2025

Customer Overpayments	10,764.98
Sewer Receipts PayableRutherford	101,608.47
Sanitation Rcpts PayableRutherford	30,978.31
Sewer Receipts PayableSpindal	126,701.20
Sanitation Rcpts PayableSpindal	34,056.81
Sewer Receipts PayableCliff	11,904.89
Water Taps County	0.00
Reserve For Sewer/ Sanitation	408,863.74
Deferred Revenue	402,826.94
Total Current Liabilities	1,604,169.96
 Long Term Liabilities	
Pension Liability	988,942.00
Bonds Payable 2008	0.00
Bonds Payable 2010	0.00
Bonds Payable 2015	1,895,000.00
Bond Discount	23,732.70
Total Long Term Liabilities	2,907,674.70
Total Liabilities	4,511,844.66
 Deferred Inflows of Resources	
Pension Deferrals	9,304.00
Total Deferred Inflows of Resources	9,304.00
 Capital	
Net Income	1,493,995.54
Cash and Available Assets	36,938,320.79
Total Capital	38,432,316.33
Total Liabilities and Capital	42,953,464.99

December 30, 2025

Transmittal Memorandum

From: Maria S. Hunnicutt
Broad River Water Authority
Reporting for the fiscal year ended June 30, 2025

Information relates to the following securities issued by the issuer having the six digit CUSIP number 111247
\$16,665,000 Water System Refunding Revenue Bonds
Series 2015

Enclosed herewith is information the Broad River Water Authority has undertaken to provide to purchasers of the above reference bonds in accordance with Rule 15c2-12 of the Securities and Exchange Commission, consisting of the following items:

- 1) Audited Financial Statements for year ended June 30, 2025.
- 2) Information required in the Undertaking, i.e. Combined Budget for the Current Fiscal Year, Debt Information and Tax Information.
 - a. Approved Budget FY 2026
 - b. List of Rates, Fees and Charges
 - c. Table of Major Users
 - d. Current Customer Base
 - e. Historical Customer Account Statistics
 - f. Historical and Projected Operating Results (included in item 1 above)
 - g. Cover Page of Bond Issuance Book
 - h. Information for Debt Amortization Schedule

Maria S. Hunnicutt
Executive Director/ Finance Officer
Broad River Water Authority
(828) 286-0640 (o)
(828) 429-8633 (c)

January 29, 2025

Rita Baker and Floyd Borden
State and Local Government Finance Division
N.C. Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604-1337

Via Email: ContinuingDisclosure@nctreasurer.com

Dear Ms. Baker and Mr. Borden:

Rule 15c2-12(b)(5)(i)(C) and (D) of the Securities and Exchange Commission require an Issuer or Obligated Person(s) to provide notice of any of the following seventeen (17) events within ten business days after the occurrence of the event, with respect to the offered securities:

- 1) Principal and interest payment delinquencies
- 2) Non-payment related defaults
- 3) Unscheduled draws on debt service reserves reflecting financial difficulties
- 4) Unscheduled draws on credit enhancements reflecting financial difficulties
- 5) Substitution of credit or liquidity providers, or their failure to perform
- 6) Adverse tax opinions or events affecting the tax-exempt status of the security
- 7) Modifications to rights of security holders
- 8) Bond calls and tender offers
- 9) Defeasances
- 10) Release, substitution, or sale of property securing repayments of securities
- 11) Rating changes
- 12) Bankruptcy, insolvency, receivership, or similar proceeding of the obligated person
- 13) Consummation of a merger, consolidation, or acquisition involving an obligated person, or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms
- 14) Appointment of a successor or additional trustee or the name change of a trustee

- 15) Incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect the beneficial owners of the Bonds, if material
- 16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the County, any of which reflect financial difficulties; and
- 17) Failure to file required annual financial information by dates specified in the written agreement or contract.

I hereby certify that there have been no reported or unreported occurrences of the seventeen (17) events listed above during the reporting period (fiscal year ended June 30, 2025) or subsequent thereto, through the filing date of this notice.

I filed audited financial information to comply with the deadline. The audit was or will be presented to the governing board on 01/27/2026.

I understand that if draft financials were filed, audited financial information should be published on EMMA when it is available for distribution. I am duly authorized by the Issuer and have sufficient information available to make this certification.

Sincerely,



Maria S. Hunnicutt
Executive Director/ Finance Officer
Broad River Water Authority
Rutherfordton, North Carolina

Revenue:	Original FY26 Adopted
<hr/>	
Operating Revenue:	
Water Services:	\$8,629,300
Taps and Connections:	\$105,000
Late/ Disconnect/ Penalty Fees:	\$137,000
Water Testing Fees:	\$12,000
Billing Services:	\$41,000
Total Operating Revenue	\$8,924,300
<hr/>	
Non Operating Revenue:	
Gain on Disposal Fixed Asset	
Miscellaneous Revenue	\$1,000
Lease of Property	\$45,000
Interest & Investment	\$200,000
Reimbursable Revenue (LCRI)	\$1,000,000
Reimbursable Revenue (Helene)	\$300,000
Total Non-Operating Revenue	\$1,546,000
<hr/>	
Capital Revenue:	
Grants	
Transfer From Capital Res. Fund	\$1,234,700
Total Capital Revenue	\$1,234,700
 Total Revenue:	 \$11,705,000

Operation & Maintenance Expenses	Original FY26 Adopted
Salaries and Wages:	\$2,103,200
Employee Benefits and Insurance:	\$887,800
Materials & Chemicals:	\$415,000
Utilities:	\$756,100
Auto Fuel:	\$56,600
Department Supplies & Inventory:	\$365,300
Billing and Collections:	\$83,500
Contracted Services:	\$237,000
Professional Services:	\$117,500
Repairs and Maintenance:	\$70,000
Insurance Property and Liability:	\$123,000
Capital Outlay:	\$30,000
License and Subscription Fees:	\$100,000
Travel and Training:	\$34,000
Miscellaneous Expenses:	\$30,000
Contingency:	\$30,000
Total O & M Expenses	\$5,439,000
Non-Operating Expense	
Reimbursable Expense (LCRI)	\$1,000,000
Reimbursable Helene: Interconnect w/ LCF and ICWD	\$100,000
Reimbursable Helene: Interconnect w/ Concord Community	\$200,000
Transfer To Reserve Fund	\$0
Total Non-Operating Expenses	\$1,300,000
Debt Expenditures	
Bonds - Principal	\$2,381,800
Bonds - Interest	\$104,200
Total Debt Expenditures	\$2,486,000
Total Expenses	\$9,225,000

<u>Capital Improvements Budget</u>	Original FY26 Adopted
WTP CAPITAL	
WTP Equipment - Annual	\$40,000
Bleach & Phosphate Tank/ Mixer/ Recycle Pump	\$317,000
Equipment Shed	\$80,000
Raw Intake Waterline	\$210,500
Recycle Pump Replacement	\$177,500
Equip WTP Scada Upgrade	\$125,000
Residual Access Rd & Field Prep	\$45,000
Service Truck	\$80,000
Poors Ford and WTP Improvements	\$92,000
DIST CAPITAL	
New Extensions - Annual	\$128,500
Rehab Water Lines - Annual	\$128,500
Rehab Hydrant Valve Flush - Annual	\$75,000
Equip Distribution - Annual	\$45,000
Tank Maintenance Contract - Annual	\$50,000
Equip Meter Replacement - Annual	\$550,000
AMI Infrastructure	\$100,000
Generator for Warehouse	\$115,000
PVC cover 75'x25'	\$50,000
Design/ C&A for 221/ 74 (Loves)	\$25,000
ADMIN CAPITAL	
Equipment	\$5,000
Vehicle	\$41,000
TOTAL CAPITAL EXPENSES	\$2,480,000
TOTAL EXPENSES	\$11,705,000

BROAD RIVER WATER AUTHORITY

Schedule of Water Rates –Payment Requirements
Effective July 1, 2025

Section I – Minimum Volume and Service Rates

Each metered customer will be charged a monthly minimum rate, which includes zero to 1,000 gallons of water volume:

Block	Meter Service Size	Minimum Charge: 0-1000 Gallons
1	¾"	\$ 32.60
1	1	\$ 55.40
1	1.5	\$ 125.00
1	2	\$ 215.00
1	3	\$ 360.00
1	4	\$ 525.00
1	6	\$ 920.00
1	8	\$1,415.00

Note: If one meter serves more than one structure, the minimum charge is twice the charge listed for the applicable meter size. The minimum charge is for 0 – 1000 gallons.

Section II – Volume Rates

Schedule A – Residential Sales

Each metered residential customer will be charged a monthly volume rate in accordance with the following schedule:

Block	Volume per Month	Rate per 1000 Gallons*
2	1,001 – 20,000 gallons	\$ 6.15
3	All over 20,001 gallons	\$ 5.00

*Rate per 1,000 gallons is billed in increments of 10 gallons.

Schedule B – Non-residential Sales

Each metered non-residential customer will be charged a monthly volume rate in accordance with the following schedule:

Block	Volume per Month	Rate per 1000 Gallons*
2	1,001 – 20,000 gallons	\$ 6.10
3	20,001 – 1,000,000 gallons	\$ 5.95
4	All over 1,000,000 gallons	\$ 2.65

*Rate per 1,000 gallons is billed in increments of 10 gallons.

Schedule C – Re-Sale

This schedule is for state permitted water purveyors (1/1/2026)

Block	Volume per Month	Rate per 1000 Gallons
2	All over 1,001 gallons	\$2.00

Section III – Fire Protection

Fire Protection Service is available to all customers with un-metered fire connection lines. Rates are monthly charges based upon the number of sprinkler heads on the fire protection system within the customer’s structure and per fire hydrant located on the customer’s property. There is no charge for fire hydrants located on BRWA mains to serve the general public. It is the customer’s responsibility to notify the BRWA of any change in number of sprinkler heads/fire hydrants on their property.

Monthly Rates:

1. Sprinkler heads, per sprinkler head \$.085 each
2. Hydrant Service \$2.75 each

Section IV – Bulk Water Service

Bulk water is available to purchase at designated locations. Pick up is to be approved/coordinated in advance through the BRWA. Bulk water requested for hauling, special projects and construction will be provided on a case-by-case basis, with charges set by the Manager and generally within the guidelines of the appropriate volume charges of Section II.

Section V – Payment

1. Bills will be sent to all customers based upon approximately thirty (30) days of service. Bills are due and payable by the first day of each month and are past due and delinquent on the twenty-fifth (25th) day of the month. All bills paid after this date are subject to a late charge as approved by the BRWA. Bills not paid by the last day of the month subject the customer to termination of service.
2. Courtesy notices are sent to customers with contact information on file, however, no second notice is required reminding of payments past due.
3. Customers who fail to receive a bill in the mail are not excused from the responsibility for timely payment of all services provided.
4. Customers who have service disconnected due to lack of payment, returned check for insufficient funds, or other reasons as per BRWA policy, may be required to complete a service agreement application and subject to full payment of all current and delinquent charges and fees, including reconnection fees prior to service being restored.

Section VI – Water Service Contracts

BRWA may negotiate with any single customer an individual service contract that covers the cost, delivery, conditions, and payment for water service. Each contract must be recommended by the Manager and approved by the Board of the BRWA. Water Service Contracts are generally established for only high volume customers.

Section VII – Residential Irrigation Meter:

Separate irrigation meters are available only for residential customers with sewer service, for an installation charge of \$1,250 with a monthly minimum charge of \$5 for a ¾” meter. For a 1” meter, a standard tap fees applies with a monthly minimum charge of \$9. Volume rates are exactly the same as regular rates.

Section VIII – Sewer Rates and Sanitation Rates

By contract the BRWA collects sewer charges for the Towns of Spindale and Rutherfordton, and Cliffside Sanitary District. Payment of all sewer charges are subject to all conditions as set forth in Section V. Sewer rates are set by the towns and district and are as follows per month:

Rutherfordton:	<u>Inside</u>	<u>Rate per 1000 Gallons</u>
	Base Rate (includes 0 gals.)	\$22.39
	Next 500,000 gallons	\$ 6.52
	Next 500,000 gallons	\$ 5.67
	Next 9,000,000 gallons	\$ 3.63
	Over 10,000,001 gallons	\$ 1.63
	<u>Outside</u>	<u>Rate per 1000 Gallons</u>
	Base Rate (includes 0 gals.)	\$67.17
	Next 500,000 gallons	\$19.56
	Next 500,000 gallons	\$17.02
	Next 9,000,000 gallons	\$10.89
	Over 10,000,001 gallons	\$ 4.90
	Sanitation	\$16.40 1 can/ 1 pickup
Spindale:	<u>Inside</u>	<u>Outside</u>
Residential	\$10.40/1,000 after 1 gal	\$20.80/1,000 after 1 gal.
Commercial	\$25.25 base, then \$11.85/1,000 after 1 gal	\$50.25 base, then \$23.65/1,000 after 1 gal
Industrial	\$9.05/1,000 gallons after 1 gal	\$13.10/1,000 gallons after 1 gal
Sanitation	\$17.50 for 1 can/ 1 pickup	
Cliffside Sanitary District:	<u>Inside</u>	<u>Rate per 1000 Gallons</u>
Residential	Base Rate (includes 1,000 gals.)	\$35.00
	Next 19,000 gallons	\$ 6.85
	Over 20,001 gallons	\$ 6.30
Industrial	Base Rate (includes 1,000 gals.)	\$595.00
	Next 249,000 gallons	\$ 12.00
	Over 250,001 gallons	\$ 8.85
Institutional	Base Rate (includes 1,000 gals.)	\$900.00
	Next 249,000 gallons	\$ 15.00
	Over 250,001 gallons	\$ 12.00

BROAD RIVER WATER AUTHORITY

Effective July 1, 2025

SCHEDULE OF FEES & CHARGES

	<u>Charge</u>
<u>Service Call:</u> 8:00 AM to 5:00 PM	No Charge
After 5:00 PM, Weekends, Holidays	\$75
<u>Service Fees:</u>	
1) Connection fee for all new system customers with ¾” meter, existing customers to establish an additional account, or to transfer an account	\$25
2) Account transfer fee for landlords set to default when tenant vacates property	\$0
3) Non-Payment fee charged if past due balance is not paid by 5:00 pm on the disconnection date indicated on the bill. Non-payment fee includes reconnection due to non-payment: 8:00 AM to 5:00 PM	\$0
<u>Deposits:</u>	
1) New system customers owning or renting the respective property for ¾” or 1” metered service (includes water taps) (larger than 1” metered service is equal to monthly minimum bill)	\$75
2) Existing customers without good credit, to establish an additional account, transfer an account, or to reconnect service disconnected due to non-payment of bill for ¾” or 1” metered service (larger than 1” metered service is equal to monthly minimum bill)	\$75
3) Sewer/ Sanitation customers for the Town of Spindale, Town of Rutherfordton, and Cliffside Sanitary District	\$50
4) Deposits will be refunded as applied credit to accounts after 18 months of full payment of bills with no late payments or applied to final bill when customer closes account	
<u>Return Checks or Drafts:</u>	
Re-deposit of Return Check (1 st time)	\$15
Returned Check Fee (2 nd time returned)	\$25
<u>Late Payment of Bill</u> (on balance after 25th of month)	9% or \$6 min.
<u>Remove or Lock Meter</u>	\$50
<u>Meter Tampering</u>	\$5,000 max. Per NC statutes
<u>Meter Testing @ Customer Request:</u>	
Charge First Request	No
Second Request (within 12 months)	\$50
<u>Meter Rereads @ Customer Request:</u>	
Charge First Request	No
Second & subsequent requests (if no problem found)	\$25 each
<u>Water Sample Test</u>	
Community Water Systems	\$50
Private Wells	\$40
Multiple Samples	\$25

Relocate Fire Hydrant/Waterline/Appurtenances
Cost

Actual

Deferred Payment Options

Customers who have delinquent accounts and experience temporary financial hardship may make arrangements for deferred payments. Customers are allowed two (2) arrangements within a 12-month period. Specific payment arrangements outside of these conditions are considered on a case by case basis and require approval by the Executive Director. The amount of deferred payment will not exceed \$ 500. Arrangements that are not met will result in disconnection of service, and payment of all past due fees in order to have service reestablished.

Schedule of Tap Fees:

			50/50 projects*	
	<u>3/4"</u>	<u>1"</u>	<u>3/4"</u>	<u>1"</u>
Deposit	\$ 75	\$ 125	\$ 75	\$ 125
Meter	\$ 275	\$ 350	\$ 275	\$ 350
Tap *	<u>\$ 1,150</u>	<u>\$ 1,525</u>	<u>\$ 1,900</u>	<u>\$ 3,525</u>
Total	<u>\$ 1,500</u>	<u>\$ 2,000</u>	<u>\$ 2,250</u>	<u>\$ 4,000</u>

Tap fees for meters 2" and larger are set by BRWA Executive Director based upon cost of service and would include any reimbursement owed to the County for 50/50 projects

* Fees for 50/50 lines apply where the waterline was installed as a part of a County 50/50 project. BRWA reimburses the County for new taps made on these lines.

Irrigation Meters:

- 3/4" meter \$ 1,425 tap fee; \$5 monthly minimum
- 1" meter \$ 1,875 standard tap; \$9 monthly minimum

Billing Fees for Sewer Accounts:

\$0.85 per bill (billed on monthly basis)

Meter Reading Fee for bulk users or master meters:

\$0.90 per meter

Top 20 Customers FY 2025

Section I, Item 3.

Account #	Customer Name	Customer Type	Service Address	Amount	Usage
118207	POLK COUNTY	Bulk	3530 POORS FORD ROAD	\$2,249,672.10	1,489,234,000
106605	GRASSY POND WATER CO	Bulk	2739 FERRY RD	\$765,753.30	384,306,000
105901	MANUAL WOODWORKERS	Industrial	141 SPINDALE ST	\$122,046.36	29,128,970
105898	ULTIMATE TEXTILE INC	Industrial	1437 US HWY 221 S	\$86,235.14	12,918,000
124339	ISOTHERMAL TEXTILE SERVICES	Industrial	1148 WITHROW RD	\$74,682.21	12,914,630
105908/ 105909	RUTHERFORD REGIONAL HEALTH SYSTEM	Commercial	288 S RIDGECREST AVE	\$66,144.52	9,233,952
103582	NC DEPT OF ADULT CORRECTIONS	Public Govt	549 LEDBETTER RD	\$46,922.15	7,928,039
105903/ 102410	COUNTY OF RUTHERFORD, JAIL	Public Govt	198 N WASHINGTON ST	\$40,789.34	6,565,920
118134	TRELLEBORG COATED SYSTEMS	Industrial	128 REEVES ST	\$32,717.64	5,266,960
105698	WILLOW RIDGE OF NC	Commercial	237 TRYON RD	\$29,347.42	4,680,830
132075	ACCORDIUS HEALTH RUTHERFORDTON	Commercial	188 OSCAR JUSTICE RD	\$22,799.37	3,542,040
122528	ABERCROMBIE II LLC	Industrial	3400 US HWY 221-A	\$20,513.48	3,168,250
105899	TIMKEN	Industrial	1510 US HWY 221 S	\$25,603.81	2,606,466
105912	AALLIED DIECASTING	Industrial	401 AALLIED DR	\$17,815.47	2,378,928
105475	TOWN OF RUTHERFORDTON, WWTP	Public Govt	1021 S MAIN ST	\$14,262.58	2,375,640
105905	RUTHERFORD COUNTY SC, R S CENTRAL HIGH	Public Govt	US HWY 221 N	\$19,441.90	2,314,494
109545	GRIFFIN, GARY	MultiFamily	780 WITHROW RD	\$15,492.05	2,271,200
136116	OAK GROVE HEALTHCARE	Commercial	518 OLD US HWY 221	\$16,102.01	2,129,156
135579	WRIGHT BROTHERS CONSTRUCTION	Commercial	FIRE HYDRANT METER FLOATER	\$9,268.39	1,892,300
105914	ISOTHERMAL COMM COLLEGE	Public Govt	PNY RDG RD	\$21,332.53	1,863,632

Broad River Water Authority

Section I, Item 3.

Customer Account Statistics For Fiscal Year 2025

Customer Type	Customers		Annual Usage		Annual Revenue	
	Number	% of Total	Gallons	% of Total	Annual \$	% of Total
Bulk Sales	3	0.04%	1,873,540,000	79.95%	\$ 3,015,803	36.05%
Residential	6941	90.58%	270,705,536	11.55%	\$ 3,681,407	44.01%
Commercial	518	6.76%	69,064,482	2.95%	\$ 684,601	8.18%
Industrial	17	0.22%	74,639,006	3.19%	\$ 452,418	5.41%
MultiFamily	44	0.57%	16,773,830	0.72%	\$ 145,963	1.75%
Public Government	112	1.46%	37,283,895	1.59%	\$ 363,100	4.34%
Church/ Non Profit	28	0.37%	1,282,140	0.05%	\$ 21,243	0.25%
Totals	7663	100%	2,343,288,889	100%	\$ 8,364,535	100%

Broad River Water Authority

Section I, Item 3.

Customer Account Statistics For Fiscal Year 2025

Customer Type	Customers		Annual Usage		Annual Revenue	
	Number	% of Total	Gallons	% of Total	Annual \$	% of Total
Bulk Sales	3	0.04%	1,873,540,000	79.95%	\$ 3,015,803	36.05%
Residential	6941	90.58%	270,705,536	11.55%	\$ 3,681,407	44.01%
Commercial	518	6.76%	69,064,482	2.95%	\$ 684,601	8.18%
Industrial	17	0.22%	74,639,006	3.19%	\$ 452,418	5.41%
MultiFamily	44	0.57%	16,773,830	0.72%	\$ 145,963	1.75%
Public Government	112	1.46%	37,283,895	1.59%	\$ 363,100	4.34%
Church/ Non Profit	28	0.37%	1,282,140	0.05%	\$ 21,243	0.25%
Totals	7663	100%	2,343,288,889	100%	\$ 8,364,535	100%

Customer Account Statistics For Fiscal Year 2024

Customer Type	Customers		Annual Usage		Annual Revenue	
	Number	% of Total	Gallons	% of Total	Annual \$	% of Total
Bulk Sales	3	0.04%	1,905,224,000	80.61%	3,023,738	37.80%
Residential	6721	92.56%	280,960,713	11.89%	3,603,135	45.05%
Commercial	374	5.15%	53,056,764	2.24%	493,154	6.17%
Industrial	17	0.23%	71,965,486	3.04%	428,866	5.36%
MultiFamily	28	0.39%	11,655,430	0.49%	95,782	1.20%
Public Government	100	1.38%	40,124,197	1.70%	341,866	4.27%
Church/ Non Profit	18	0.25%	585,640	0.02%	11,994	0.15%
Totals	7261	100%	2,363,572,230	100%	\$ 7,998,535	100%

Customer Account Statistics For Fiscal Year 2023

Customer Type	Customers		Annual Usage		Annual Revenue	
	Number	% of Total	Gallons	% of Total	Annual \$	% of Total
Bulk Sales	3	0.04%	1,833,780,240	79.59%	2,951,500	37.64%
Residential	6603	92.26%	281,838,227	12.23%	3,495,830	44.58%
Commercial	388	5.42%	56,751,845	2.46%	515,338	6.57%
Industrial	16	0.22%	74,043,220	3.21%	410,431	5.23%
MultiFamily	28	0.39%	11,692,160	0.51%	93,235	1.19%
Public Government	99	1.38%	45,282,488	1.97%	362,380	4.62%
Church/ Non Profit	20	0.28%	589,210	0.03%	12,376	0.16%
Totals	7157	100%	2,303,977,390	100%	\$ 7,841,090	100%

Customer Account Statistics For Fiscal Year 2022

Customer Type	Customers		Annual Usage		Annual Revenue	
	Number	% of Total	Gallons	% of Total	Annual \$	% of Total
Bulk Sales	3	0.04%	1,738,278,550	78.37%	2,752,450	36.23%
Residential	6510	92.12%	266,041,916	11.99%	3,374,121	44.42%
Commercial	390	5.52%	56,178,311	2.53%	503,195	6.62%
Industrial	17	0.24%	73,726,780	3.32%	430,737	5.67%
MultiFamily	30	0.42%	12,791,600	0.58%	100,082	1.32%
Public Government	98	1.39%	70,486,749	3.18%	423,575	5.58%
Church/ Non Profit	19	0.27%	540,310	0.02%	11,965	0.16%
Totals	7067	100%	2,218,044,216	100%	\$ 7,596,125	100%

Customer Account Statistics For Fiscal Year 2021

Customer Type	Customers		Annual Usage		Annual Revenue	
	Number	% of Total	Gallons	% of Total	Annual \$	% of Total
Bulk Sales	3	0.04%	1,608,252,230	77.84%	2,592,200	36.51%
Residential	6350	91.63%	260,959,228	12.63%	3,170,471	44.65%
Commercial	412	5.95%	55,124,642	2.67%	487,714	6.87%
Industrial	19	0.27%	83,353,370	4.03%	428,230	6.03%
MultiFamily	33	0.48%	12,346,790	0.60%	94,215	1.33%
Public Government	94	1.36%	45,481,753	2.20%	315,837	4.45%
Church/ Non Profit	19	0.27%	475,600	0.02%	11,324	0.16%
Totals	6930	100%	2,065,993,613	100%	\$ 7,099,989	100%

New Issue/Book-Entry-Only**Rating Moody's: A2**
(See "RATING" herein)

\$16,665,000
Broad River Water Authority
(North Carolina)
Water System Refunding Revenue Bonds, Series 2015

Dated: Date of Delivery**Due: June 1, as shown on the inside cover**

The bonds offered hereby (the "Series 2015 Bonds") will be special obligations of the Broad River Water Authority (the "Authority") payable solely from, and secured solely by a pledge of, the Net Receipts of the System (each as defined herein) and from certain reserves and other moneys of the Authority under the terms of the Trust Agreement and the Fifth Supplemental Trust Agreement (each as defined herein). **Neither the faith and credit nor the taxing power of the State of North Carolina nor any political subdivision thereof, including the Authority, is pledged for the payment of principal of, premium, if any, or interest on the Series 2015 Bonds, and no registered owner of the Series 2015 Bonds has the right to compel the exercise of the taxing power by the State of North Carolina or any of its political subdivisions, including the Authority, or the forfeiture of any of their respective properties in connection with any default on the Series 2015 Bonds, except as provided in the Trust Agreement and the Fifth Supplemental Trust Agreement. The Authority has no taxing power.**

The Series 2015 Bonds are being issued for the purpose of providing funds, together with other available funds, to (a) refund all of the outstanding Series 2005 Bonds (as defined herein) and (b) pay the costs incurred in connection with the sale and issuance of the Series 2015 Bonds.

The Series 2015 Bonds will be initially issued as fully registered bonds and when delivered will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"). DTC will act as the initial securities depository for the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds by the beneficial owners will be made in denominations of \$5,000 or any whole multiple thereof. So long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee for DTC, references herein to registered owners or Owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2015 Bonds. So long as Cede & Co. is the registered owner of the Series 2015 Bonds, the principal of and interest on the Series 2015 Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners. See Appendix F hereto.

In the opinion of Bond Counsel, under existing law, (1) subject to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (however, such interest is taken into account for purposes of computing the alternative minimum tax imposed on certain corporations), and (2) interest on the Series 2015 Bonds is exempt from State of North Carolina income taxes. See "TAX TREATMENT" herein.

The Series 2015 Bonds are offered subject to prior sale, when, as and if issued and accepted by the Underwriter, subject to the approval of their validity and certain other matters by Robinson Bradshaw & Hinson, P.A., Charlotte, North Carolina, Bond Counsel. Certain legal matters will be passed upon for the Authority by King Law Offices, PLLC, Rutherfordton, North Carolina, counsel for the Authority, and for the Underwriter by Womble Carlyle Sandridge & Rice, LLP, Raleigh, North Carolina, counsel to the Underwriter. First Southwest Company, Charlotte, North Carolina, is serving as financial advisor to the Authority. It is expected that the Series 2015 Bonds will be available for delivery through the facilities of DTC on or about June 22, 2015.

Wells Fargo Securities

June 9, 2015

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each twelve-month period ending June 30, the amounts required to pay the debt service on the Series 2008 Bond and the Series 2010 Bond that are currently outstanding under the Trust Agreement (collectively for purposes of the table below, the “Prior Bonds”) and the Series 2015 Bonds.

<u>12-Month Period Ending June 30,</u>	<u>Prior Bonds</u> ¹	<u>Series 2015 Bonds</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	
2016	\$683,094	\$1,255,000	\$737,513	\$2,675,608
2017	683,094	1,240,000	758,100	2,681,194
2018	683,094	1,285,000	708,500	2,676,594
2019	683,094	1,345,000	644,250	2,672,344
2020	683,094	1,415,000	577,000	2,675,094
2021	683,094	1,490,000	506,250	2,679,344
2022	683,094	1,565,000	431,750	2,679,844
2023	683,094	1,645,000	353,500	2,681,594
2024	496,124	1,725,000	271,250	2,492,374
2025	<u>496,124</u>	1,805,000	185,000	2,486,124
2026	-	<u>1,895,000</u>	<u>94,750</u>	<u>1,989,750</u>
Total	<u>\$6,457,002</u>	<u>\$16,665,000</u>	<u>\$5,267,863</u>	<u>\$28,389,865</u>

¹ Includes principal and interest on the Prior Bonds and excludes debt service on the Refunded Bonds.

Note: Totals may not foot due to rounding.