



REGULAR BOARD MEETING

JANUARY 23, 2024 AT 9:00 AM

BRWA BUSINESS OFFICE – 112 N MAIN STREET

AGENDA

112 North Main Street, Rutherfordton, NC 28139

PHONE: 828.286.0604 | FAX: 877.375.1630

A. WELCOME/ROLL CALL

B. CALL TO ORDER

C. APPROVAL OF MINUTES

- [1.](#) Regular Meeting Minutes November 28, 2023
2. Closed Session Minutes November 28, 2023
- [3.](#) Special Meeting Minutes December 19, 2023

D. SPECIAL PRESENTATIONS

- [1.](#) FY 2023 Audit Presentation by Dan Mullinix, Gould Killian CPA Group

E. PUBLIC PRESENTATIONS

F. APPROVAL OF AGENDA

G. NEW BUSINESS

- [1.](#) Consideration of Resolution 01-24: Water Tower Lease Agreement with Verizon
- [2.](#) Consideration of Resolution 02-24: Pangaea Services Agreement

H. REPORTS

- [1.](#) Director's Report - Drought Update 1/16/24 and December Leadership Team Report
- [2.](#) Financial Reports for December 2023

I. BOARD MEMBER REMARKS

J. ADJOURNMENT

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

November 28, 2023

The Regular board meeting of the Broad River Water Authority was held Tuesday, November 28, 2023 at 9:00 a.m. at the BRWA business office.

Present were Board members:

- Mickey Bland, Chairman
- Danny Searcy, Vice Chairman
- Stan Clements
- Steve Garrison
- Jamie Guillermo
- David Guy
- Brandon Harrill
- Josh Krigbaum

BRWA Staff Members Present:

- Maria Hunnicutt
- Reid Hammett
- Brad Joyner
- Kendall Cabral

Attorney: John Crotts, King Law Offices

Welcome

Attendees were welcomed at 9:00 am by Chairman Mickey Bland.

Approval of Minutes

The minutes of the Regular Board Meeting of October 24 were reviewed. A motion to approve the minutes was made by Stan Clements and seconded by David Guy. Minutes were unanimously approved.

Presentations

None.

Public Presentation

None.

Approval of Agenda

A motion to approve the agenda was made by Jamie Guillermo, seconded by Stan Clements and approved unanimously.

Broad River Water Authority Meeting Minutes**November 28, 2023****New Business**

The Board was presented with an opportunity to participate in the North Carolina Rural Water Association Apprenticeship program. This is a two-year, full-time job with mentorship from Authority staff and from Rural Water. Upon successful completion of the program, the apprentice will have earned certifications in both water treatment and distribution. The request is to hire an apprentice beginning in December 2023 with projected wages and benefits cost of ~\$28,600. Board members asked questions regarding the pay requirements during the apprenticeship and at the completion of the program, and about transferable skills. Steve Garrison made a motion of approval to participate in the program and to hire an apprentice as early as December. The motion was seconded by Stan Clements, and approved unanimously.

Reports

An update on the drought status was provided. On 11/21/23, Rutherford County was classified as Extreme Drought. Estimated river flow is 87 MGD. A press release encouraging voluntary conservation to our customer base was published 11/17/23.

A copy of the monthly Leadership Team presentation was provided highlighting the accomplishments, priorities and next steps for each department. The financial reports for October were provided.

Closed Session

At 9:31 am, the motion was made by Danny Searcy and seconded by Jamie Guillermo to enter into closed session for the purpose of the performance evaluation of the executive director under NC GS 143.318.11 A(6). The motion was approved unanimously.

At 10:23 am, the Board entered into open session. Josh Krigbaum made a motion to increase the ED salary to step 10 and a \$3,000 bonus effective with the next payroll. The motion was seconded by Steve Garrison and Jamie Guillermo. The motion was approved unanimously.

Board Member Remarks

David Guy commented that he was proud of the organization's leadership and staff, and appreciative of Maria's leadership outside of the organization.

Jamie Guillermo commented that after two years of turnover that it is evident that we are back on track and he appreciates the involvement in the community.

Josh Krigbaum noted how difficult it is to maintain the level of enthusiasm for the work and the organization over such a long period of time, and he acknowledges the continued desire to be invested.

Brandon Harrill and Stan Clements commented "great job and ditto".

Steve Garrison commented on Maria's continued growth personally and professionally, along with the great asset that we have in the BRWA team. In order to stay ahead of the curve, it might be time to do another pay and class wage market comparison before the next budget cycle.

Danny Searcy commented "ditto" and said he was proud to be a board member.

Broad River Water Authority Meeting Minutes

November 28, 2023

With a motion by Danny Searcy, a second from Brandon Harrill, and unanimous approval, the meeting was adjourned at 10:40 am.

The next meeting is TBD due to holiday schedule in December.

Respectfully submitted,

Maria S. Hunnicutt, Secretary

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

December 19, 2023

The Special board meeting of the Broad River Water Authority was held Tuesday, December 19, 2023 at 9:00 a.m. at the BRWA business office.

Present were Board members: Mickey Bland, Chairman
Danny Searcy, Vice Chairman
Stan Clements
Steve Garrison
Jamie Guillermo
Brandon Harrill
Josh Krigbaum

Members Absent: David Guy

BRWA Staff Members Present: Maria Hunnicutt
Brad Joyner
Kendall Cabral

Attorney: John Crotts, King Law Offices

Welcome

Attendees were welcomed at 9:00 am by Chairman Mickey Bland.

Approval of Agenda

A motion to approve the agenda was made by Danny Searcy, seconded by Stan Clements and approved unanimously.

New Business

Consideration of Resolution 13-23 was presented as the Notice of Award for the Baber Rd WTP Access Haul Road. This project was previously bid in March 2023, and due to the expense being three times the FY 23 budget, the bids were rejected and postponed until the FY 24 budget year. The project was re-advertised. Two bids were received. The low bid was from Thompson Contractors Inc for \$367,540.00 for the base bid and the two options included in the bid package. McGill Associates provided the recommendation letter along with the certified bid tab. A motion was made by Danny Searcy to approve Resolution 13-23, along with a second from Brandon Harrill and unanimous approval.

Consideration of Resolution 14-23 was presented as the amendment to the FY 24 budget to include all funds in the contractual amount of the WTP Access Haul Road. The Capital line item for this project

Broad River Water Authority Meeting Minutes

December 19, 2023

increased from \$300,000 to \$393,000 to cover the construction and the engineering for inspection. The increased expenses is funded from the Capital Reserve Fund. A motion to approve Resolution 14-23 was made by Stan Clements and seconded by Jamie Guillermo. The motion was approved unanimously.

Reports

A copy of the monthly Leadership Team presentation was provided highlighting the accomplishments, priorities and next steps for each department. The financial reports for November 2023 were provided.

Board Member Remarks

Merry Christmas to all.

With a motion by Stan Clements, a second from Brandon Harrill and Josh Krigbaum, and unanimous approval, the meeting was adjourned at 9:13 am.

The next meeting will be held January 23, 2024 at the BRWA Business Office at 9:00 am.

Respectfully submitted,

Maria S. Hunnicutt, Secretary



Rutherfordton, North Carolina

AUDIT WRAP UP

November 26, 2023

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.





November 26, 2023

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 9, 2023, 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, 2023, 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

	Page
Status of Our Audit and Independence Communication.....	1
Results of Our Audit.....	2
Internal Control over Financial Reporting.....	3
Other Required Communications.....	4
Significant Accounting and Reporting Matters.....	5

Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2023. 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 November 30, 2023.
- 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 9, 2023 describes our responsibilities in accordance with professional standards with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Authority with respect to independence as agreed to by the Authority. Please refer to that letter for further information.

Results of Our Audit

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

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

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

- A summary of recently issued accounting pronouncements is included in the Significant Accounting and Reporting Matters section of this report.
- One new accounting standard was adopted during the year. The Authority implemented GASB Statement No. 87 - Leases, the effects of which are more fully described on page 5.
- 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 2023.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Broad River Water Authority’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

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

In conjunction with our audit, we noted the following:

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

Other Required Communications

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

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

Significant Accounting & Reporting Matters

The Governmental Accounting Standards Board (GASB) has recently issued a new standard. We do not expect the new standard to have a significant effect on the Authority's future financial reporting. Recently issued statements are as follows:

- **GASB No. 101 “Compensated Absences”** -- This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

Financial Statements

June 30, 2023





Broad River Water Authority

As of June 30, 2023:

Board of Trustees

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

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



CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 13
Basic Financial Statements	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16 – 17
Notes to Financial Statements	18 – 31
Required Supplementary Information	
Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset) – Local Government Employees' Retirement System	32
Schedule of Authority's Contributions – Local Government Employees' Retirement System	33
Supplemental Financial Data	
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	34 – 35



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, 2023 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, 2023, 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
November 26, 2023

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, 2023. 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.

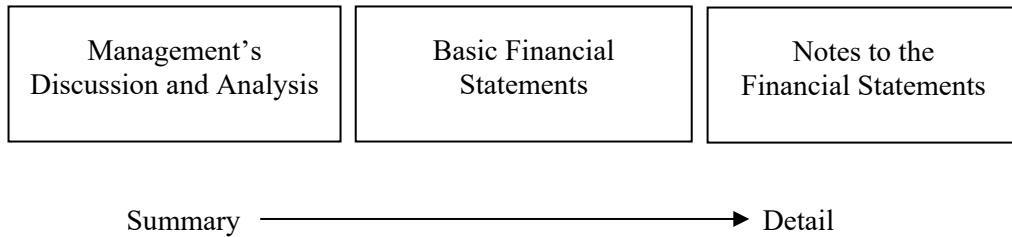
Financial Highlights

- 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 \$32,803,188 (*net position*). Of this amount \$7,782,018 may be used to meet the Authority’s ongoing obligations to creditors and to pay for system improvements.
- The Authority’s total net position increased by \$1,571,481, primarily due to positive operating results used for the reduction of long-term liabilities (bond principal).

Overview of the Financial Statements

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

Figure 1 – Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

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

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

AUTHORITY'S NET POSITION

Table 1

	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current and other assets	\$ 9,423,865	\$ 9,633,230	\$ (209,365)	-2%
Capital assets, net	<u>32,006,169</u>	<u>32,087,735</u>	<u>(81,566)</u>	0%
Total assets	<u>41,430,034</u>	<u>41,720,965</u>	<u>(290,931)</u>	-1%
DEFERRED OUTFLOWS OF RESOURCES				
	<u>784,083</u>	<u>466,015</u>	<u>318,068</u>	68%
LIABILITIES				
Current liabilities	3,586,521	3,191,878	394,643	12%
Long-term liabilities outstanding	<u>5,412,277</u>	<u>7,000,953</u>	<u>(1,588,676)</u>	-23%
Total liabilities	<u>8,998,798</u>	<u>10,192,831</u>	<u>(1,194,033)</u>	-12%
DEFERRED INFLOWS OF RESOURCES				
	<u>412,131</u>	<u>762,442</u>	<u>(350,311)</u>	-46%
NET POSITION				
Net investment in capital assets	25,021,170	22,665,279	2,355,891	10%
Unrestricted	<u>7,782,018</u>	<u>8,566,428</u>	<u>(784,410)</u>	-9%
Total net position	<u>\$ 32,803,188</u>	<u>\$ 31,231,707</u>	<u>\$ 1,571,481</u>	5%

As noted earlier, net position may serve over time as one useful indicator of an entity's financial condition. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$32,803,188 at June 30, 2023. The Authority's net position increased by \$1,571,481 for the fiscal year ended June 30, 2023. However, the largest portion (approximately 76%) reflects the Authority's net investment in capital assets (e.g. land, buildings, treatment facility, water and sewer lines, equipment, etc.). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of \$7,782,018 is unrestricted. The principal retirement of debt totaled \$2.3 million. Operating revenues from water service increased 5% from FY 2022.

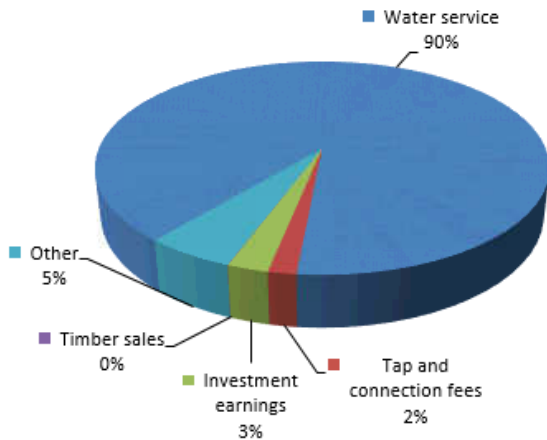
AUTHORITY’S CHANGES IN NET POSITION

Table 2

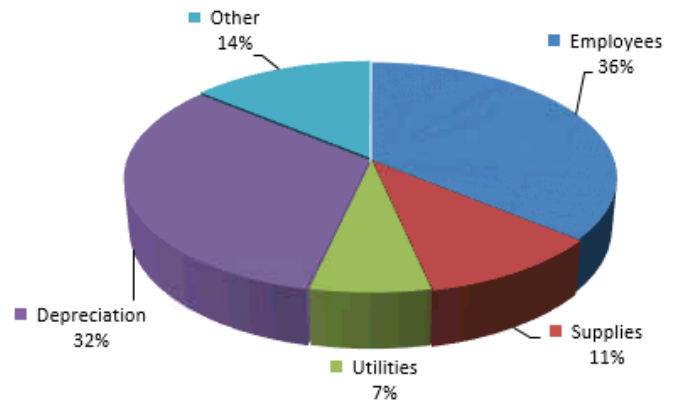
	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>
OPERATING REVENUES				
Charges for services, net	\$ 7,743,133	\$ 7,541,665	\$ 201,468	3%
Other operating revenues	568,365	385,798	182,567	47%
Total operating revenues	<u>8,311,498</u>	<u>7,927,463</u>	<u>384,035</u>	5%
OPERATING EXPENSES				
Operations	4,557,777	3,676,995	880,782	24%
Depreciation	<u>2,198,184</u>	<u>2,027,904</u>	<u>170,280</u>	8%
Total operating expenses	<u>6,755,961</u>	<u>5,704,899</u>	<u>1,051,062</u>	18%
Operating income	<u>1,555,537</u>	<u>2,222,564</u>	<u>(667,027)</u>	-30%
NON-OPERATING REVENUES (EXPENSES)	<u>15,944</u>	<u>28,440</u>	<u>(12,496)</u>	-44%
Change in net position	1,571,481	2,251,004	(679,523)	-30%
Total net position, beginning of year	<u>31,231,707</u>	<u>28,980,703</u>	<u>2,251,004</u>	8%
Total net position, end of year	<u>\$ 32,803,188</u>	<u>\$ 31,231,707</u>	<u>\$ 1,571,481</u>	5%

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

Operating Revenues



Operating Expenses



SUMMARY OF CASH FLOW ACTIVITIES

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

	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>
Cash provided (used) by:				
Operating activities	\$ 3,853,751	\$ 4,242,860	\$ (389,109)	-9%
Non-capital and related financing activities	32,340	157,412	(125,072)	
Capital and related financing activities	(4,504,618)	(4,316,793)	(187,825)	4%
Investing activities	<u>246,165</u>	<u>205,465</u>	<u>40,700</u>	20%
Net increase (decrease) in cash and cash equivalents	(372,362)	288,944	(661,306)	-229%
Total cash and cash equivalents, beginning of year	<u>8,503,761</u>	<u>8,214,817</u>	<u>288,944</u>	4%
Total cash and cash equivalents, end of year	<u>\$ 8,131,399</u>	<u>\$ 8,503,761</u>	<u>\$ (372,362)</u>	-4%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2023, totals \$31,583,960 (net of accumulated depreciation). During fiscal year 2023, the Authority expended approximately \$1.8 million on capital activities. This included approximately \$515,000 on rehabilitation of WTP sedimentation basins and pipe gallery, \$331,000 on heavy equipment and vehicle replacement, \$262,000 on waterlines extensions and rehabilitation, \$250,000 on various equipment replacement/upgrades including software, \$145,000 on meter replacements, and \$120,000 on building renovation at Duke Street.

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 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 502,110	\$ 502,110	-	0%
Construction in progress	220,077	399,228	(179,151)	-45%
Building and improvements	8,169,629	8,954,343	(784,714)	-9%
System lines	19,380,771	18,856,261	524,510	3%
Vehicles	420,291	330,227	90,064	27%
Equipment	2,891,082	2,606,220	284,862	11%
Capital assets, net	<u>\$ 31,583,960</u>	<u>\$ 31,648,389</u>	<u>\$ (64,429)</u>	0%

Long-term Debt

As of June 30, 2023, the Authority had total debt outstanding of \$6,622,804.

	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>
Water system revenue bonds	\$ 6,386,211	\$ 8,680,195	\$ (2,293,984)	-26%
Add: unamortized premium	236,593	388,382	(151,789)	-39%
	6,622,804	9,068,577	(2,445,773)	-27%
Less: current portion	(2,199,469)	(2,293,983)	94,514	-4%
Long-term debt, net	<u>\$ 4,423,335</u>	<u>\$ 6,774,594</u>	<u>\$ (2,351,259)</u>	-35%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Industrial Loss:

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

Waterline Expansion:

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

Rate Setting:

The most effective and immediate means to increase revenue when consumption has decreased is the use of the rate structure and imposing rate increases. The Authority chose a rate-setting philosophy with a high minimum charge and reasonable declining block volume rates. This strategy seeks to provide a minimum revenue stream that is less subject to sudden volume changes resulting from an industry closing or weather patterns. Significant rate increases were implemented in July 2006 (15%), July 2007 (10%), and July 2008 (5%). While steady rate increases have been implemented since that time (2 – 3% annually), the average residential water bill (5,000 gallons) is currently \$51.20. This is comparable with other local utilities (in Cleveland, Rutherford, and Polk Counties) which have “outside” rates for water customers. A ‘cost of service’ study was performed and changes to the rate structures were made effective January 1, 2019. The changes were revenue neutral with the purpose of providing rate structures for residential customers versus non-residential, and to incrementally lessen the gaps in the current declining block structures. A rate increase of 2.75% was implemented for FY 2023 on July 1, 2022.

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

Resale Partnership:

In 2000, the first year of operations under the Authority, the average production of the water treatment plant was 5 million gallons per day (MGD). With the loss of industry and the impact of drought conditions in 2002 and 2007, annual production dipped to an average of 2.74 MGD in 2008. Having excess capacity presented an opportunity for the Authority to partner with a major bulk resale customer. An agreement was reached in July 2008 for the Authority to sell bulk finished water to Inman-Campobello Water District (ICWD) through Polk County. ICWD is based in Spartanburg County, SC, with a primarily residential customer base of over 12,000 connections. Polk County, which neighbors Rutherford County, had no water customers at the time of the agreement, but planned to slowly build a system. The agreement allowed the Authority to sell a minimum of 2.0 MGD and a maximum of 4.0 MGD to Polk County/ ICWD for a period of 10 years. Water sales began December 31, 2008.

The agreement has been amended to extend the terms from 15 years to 20 years (through December 31, 2028), to increase the amount of water available for purchase to 6.1 MGD, to increase the rates that BRWA is paid for water sold, and to modify the terms of maintenance of Polk's system by ICWD. The most recent amendment to the agreement in February 2022 served to create a regional Commission to oversee administration of the Agreement, to provide a framework where the entities could jointly secure access to future water supplies, 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, 2023,

the agreement generated approximately \$2,205,612 in revenues for the Authority, which constituted approximately 28% of the Authority's water service revenues. The average volume of water sold during this time was 3.96 MGD.

Since water sales began December 31, 2008, Polk County/ ICWD has purchased an average of 3.23 MGD, and generated total revenue of \$24.75 million. At fiscal year-end, there were approximately 285 active customer accounts in Polk County, and approximately 16,000 active accounts for ICWD.

Historical Comparison of Consumption, Revenue and Production:

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

	Annual Water Consumption (MG)					
	2002		FY 2007		FY 2022	
Residential	282	18%	290	35%	294	13%
Commercial	114	7%	134	16%	102	4%
Industrial	871	56%	139	17%	74	3%
Bulk	283 ¹	18%	257	31%	1834	80%
TOTAL	1550		820		2304	

	Annual Revenue (\$ 000)					
	2002		FY 2007		FY 2022	
Residential	\$1,677	42%	\$2,235	59%	\$3,600	46%
Commercial	\$518	13%	\$743	20%	\$880	11%
Industrial	\$1,433	36%	\$447	12%	\$410	5%
Bulk	\$407	10%	\$380	10%	\$2,951	38%
TOTAL	\$4,035		\$3,805		\$7,841	

	Annual Water Production		
	2002	FY 2007	FY 2022
Total MG	1619.38	1029.75	2402.05
Ave Day (MGD)	4.44	2.82	6.58

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

Where We Are Today:

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

- Work Human: Build relationships and deliver results while ensuring the safety, health, and well-being of employees, customers, and community.
- Act Responsibly: Take ownership 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.

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

Operational Goals:

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

Prior to 2011 during the emphasis of waterline expansion, limited capital funds were allocated to rehabilitation or replacement of aging infrastructure. With stable revenues and higher production requirements, the Authority has been able to increase its focus towards modernizing and replacing aging infrastructure. Since that time, the most significant improvements have included the following:

- Water Treatment Plant (WTP) modernization in FY 2011 (\$7 million);
- System-wide meter replacement project of 6,600 new meters equipped with radio-read technology in FY 2014 (\$1.7 million);
- Generator replacement at the WTP with a conversion of power from 2400V to 480V in FY 2014 (\$750,000);
- Reconditioning of the 5 million gallon ground storage tank and all elevated storage tanks over multiple years (\$700,000);
- Replacement of WTP filter media in FY 2018/ 2019 (\$300,000);
- Increasing the permitted capacity of the WTP from 8 MGD to 12 MGD in FY 2019 (\$2.4 million);
- Replacement and purchase of new pieces of heavy equipment for the distribution maintenance department over multiple years (\$783,000);
- New office administration building located in downtown Rutherfordton finalized in FY 2020 (\$800,000);
- WTP SCADA update in FY 2019 - FY 2021 (\$357,000);
- Upgrade of Grassy Pond pump station (\$350,000)
- and replacement of several miles of aging distribution waterlines in residential areas and key downtown areas on an annual basis.

Several capital projects in FY 2023 addressed the strategic objectives. The Authority expended approximately \$1.8 million on capital activities. This included approximately \$515,000 on rehabilitation of WTP sedimentation basins and pipe gallery, \$331,000 on heavy equipment and vehicle replacement, \$262,000 on waterlines extensions and rehabilitation, \$250,000 on various

equipment replacement/ upgrades including software, \$145,000 on meter replacements, and \$120,000 on building renovation at Duke Street.

The Authority is continuing to implement and update its Asset Management Plan that was completed in FY 2021. This Plan is the Authority’s roadmap to protect its assets with investment in the water system and to ensure viability of the utility. Implementing the program effectively will improve reliability, reduce risk, optimize operations and maintenance (O&M) efforts, and increase data tracking accuracy.

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

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

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

Key Indicator	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023
Ave Monthly Bill	\$48.14	\$49.58	\$49.58	\$48.34	\$49.40	\$49.40	\$51.20	\$52.60
Debt Service Coverage	1.79x	1.77x	1.80x	1.72x	1.73x	1.71x	1.74x	1.63x
Days Cash on Hand	984	1052	1288	934	917	930	850	623
Net Revenue (\$000s)	\$4,443	\$4,281	\$4,392	\$4,211	\$4,290	\$4,320	\$4,408	\$3,966

The Authority continues to see the capital reserves as a measure of success and security. This fund is currently \$7.78 million. Due to the Authority’s limited desire to incur additional debt, all expenditures for capital improvements will be funded through operating revenues and/or the reserves for at least the next 5 years. It should also be noted that the long-term debt balance of \$7.0 million will be paid in full in June 2026.

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

During FY 2022 and FY 2023, the Authority faced similar challenges seen industry-wide with employee retention and recruitment. We began the fiscal year in July 2021 with 20 employees. Over 24 months, the Authority onboarded 18 new employees and lost 13 due to retirement, termination, and voluntary resignations. At the end of FY 2023, the Authority had 26 employees. Of those 26 employees, 15 employees have less than 2 years of experience with the Authority.

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

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

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Authority’s finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Executive Director, Broad River Water Authority, PO Box 1269, Rutherfordton, NC 28139.

BROAD RIVER WATER AUTHORITYSTATEMENT OF NET POSITION
June 30, 2023**Assets**

Current Assets:

Cash and cash equivalents	\$ 7,899,758
Water accounts receivable, net	919,453
Due from other governments	345,023
Other receivable	12,491
Restricted cash and cash equivalents	231,641
Prepaid expenses	15,499
Total current assets	<u>9,423,865</u>

Noncurrent Assets:

Lease receivable	422,209
Capital assets:	
Land and construction in progress	722,188
Other capital assets, net of depreciation	30,861,772
Capital assets, net	<u>31,583,960</u>
Total noncurrent assets	<u>32,006,169</u>

Total assets	<u>41,430,034</u>
--------------	-------------------

Deferred Outflows of Resources

Pension deferrals	724,069
Deferred charge on refunding	60,014
Total deferred outflows of resources	<u>784,083</u>

Liabilities

Current Liabilities:

Accounts payable	489,967
Construction contracts payable	451,751
Accrued interest	37,712
Accrued salaries and related payables	94,227
Accrued vacation payable	81,754
Current portion of long-term debt	2,199,469
Payable from restricted assets:	
Customer deposits	231,641
Total current liabilities	<u>3,586,521</u>

Noncurrent Liabilities:

Net pension liability	988,942
Long-term debt, net of current portion	4,423,335
Total long-term liabilities	<u>5,412,277</u>

Total liabilities	<u>8,998,798</u>
-------------------	------------------

Deferred Inflows of Resources

Lease	402,827
Pension deferrals	9,304
Total deferred inflows of resources	<u>412,131</u>

Net Position

Net investment in capital assets	25,021,170
Unrestricted	7,782,018
Total net position	<u>\$ 32,803,188</u>

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

BROAD RIVER WATER AUTHORITYSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2023

Operating revenues:	
Water service, net	\$ 7,743,133
Tap and connection fees	144,876
Water testing fees	10,200
Late fees	118,494
Grant revenues	229,721
Other operating revenues	<u>65,074</u>
Total operating revenues	<u>8,311,498</u>
Operating expenses:	
Salaries and employee benefits	2,434,210
Professional services	258,176
Departmental supplies and expenses	715,855
Telephone	29,336
Travel and training	38,127
Repairs and maintenance	193,519
Vehicle maintenance	90,260
Licenses and franchise fees	4,520
Utilities	465,922
Contracted services	149,425
Depreciation	2,198,184
Insurance	74,195
Other operating	<u>104,232</u>
Total operating expenses	<u>6,755,961</u>
Operating income	<u>1,555,537</u>
Non-operating revenues (expenses):	
Gain on disposal of assets	33,439
Investment earnings	212,726
Tower lease interest income	12,946
Tower lease revenue	26,855
Timber sales	2,256
Interest expense	<u>(272,278)</u>
Total non-operating revenues (expenses)	<u>15,944</u>
Change in net position	1,571,481
Total net position, beginning of year	<u>31,231,707</u>
Total net position, end of year	<u>\$ 32,803,188</u>

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

BROAD RIVER WATER AUTHORITY

Section D, Item 1.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

Cash Flows from Operating Activities:

Cash received from customers	\$ 8,372,714
Cash paid to employees for services	(2,351,657)
Cash paid for goods and services	<u>(2,167,306)</u>
Net cash provided by operating activities	<u>3,853,751</u>

Cash Flows from Non-Capital and related Financing Activities:

Proceeds from sale of timber	2,256
Tower lease interest and revenue	<u>30,084</u>
Net cash provided by non-capital related financing activities	<u>32,340</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(1,816,654)
Interest payments on debt maturities	(393,980)
Principal payments on debt maturities	<u>(2,293,984)</u>
Net cash used by capital and related financing activities	<u>(4,504,618)</u>

Cash Flows from Investing Activities:

Proceeds from sale of equipment	33,439
Interest income	<u>212,726</u>
Net cash provided by investing activities	<u>246,165</u>

Net decrease in cash and cash equivalents (372,362)

Cash and cash equivalents, beginning of year 8,503,761

Cash and cash equivalents, end of year \$ 8,131,399

Summary of Cash & Cash Equivalents, end of year:

Cash & cash equivalents	\$ 7,899,758
Restricted cash & cash equivalents	<u>231,641</u>
	<u>\$ 8,131,399</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, 2023**Reconciliation of Operating Income to Net Cash****Provided by Operating Activities:**

Operating income	\$ 1,555,537
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,198,184
Changes in operating assets and liabilities:	
Increase in accounts receivable	(164,248)
Decrease in prepaid expenses	1,251
Increase in deferred outflows of resources - pensions	(343,522)
Increase in accounts payable	177,170
Decrease in accrued salaries and related payables	(3,252)
Increase in customer deposits	3,304
Decrease in accrued vacation payable	(9,800)
Increase in net pension liability	762,583
Decrease in deferred inflows of resources - pensions	<u>(323,456)</u>
Net cash provided by operating activities	<u>\$ 3,853,751</u>

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

Net change in construction contracts payable	<u>\$ 317,102</u>
--	-------------------

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2023**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, 2023 was \$231,641.

4. Accounts Receivable

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

5. Lease Receivable

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

6. Capital Assets

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Compensated Absences

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

Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position

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

10. Defined Benefit Cost-Sharing Plan

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

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2023, the Authority's deposits had a carrying amount of \$7,778,175 and a bank balance of \$7,820,211. 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, 2023, the Authority's petty cash fund totaled \$2,935.

2. Investments

At June 30, 2023, the Authority had \$350,289 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, 2023. The City has no policy regarding interest rate or credit risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Reconciliation of Cash and Cash Equivalents

A reconciliation of cash and cash equivalents is as follows:

Reported value of deposits	\$ 7,778,175
Petty cash	2,935
Fair value of investments	<u>350,289</u>
	<u>\$ 8,131,399</u>
Reported on the Statement of Net Position as:	
Cash and cash equivalents	\$ 7,899,758
Cash and cash equivalents, restricted	<u>231,641</u>
	<u>\$ 8,131,399</u>

4. Accounts Receivable

Accounts receivable at June 30, 2023, consisted of the following:

Customers billed	\$ 880,122
Unbilled revenues	171,335
Less: allowance for doubtful accounts	<u>(132,004)</u>
Accounts receivable, net	<u>\$ 919,453</u>
Other governmental agencies	<u>\$ 345,023</u>

5. Lease Receivable

In 2008, the Authority entered into a lease with a national telecom company for their 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 \$2,550 month in FY2023 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 2023, the Authority recognized \$26,855 of lease revenue and \$12,946 of interest revenue under the lease. The lease receivable balance was \$422,209 as of June 30, 2023.

6. Capital Assets

Capital asset activity of the Authority for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	\$ 399,228	\$ 191,978	\$ 371,129	\$ 220,077
Land	502,110	-	-	502,110
Total capital assets not being depreciated	<u>901,338</u>	<u>191,978</u>	<u>371,129</u>	<u>722,187</u>
Capital assets being depreciated:				
Land improvements	303,818	21,700	-	325,518
Building and improvements	23,311,451	-	-	23,311,451
System lines	23,992,199	827,558	-	24,819,757
Vehicles	814,702	209,819	83,156	941,365
Equipment	<u>8,440,309</u>	<u>1,253,831</u>	<u>-</u>	<u>9,694,140</u>
Total capital assets being depreciated	<u>56,862,479</u>	<u>2,312,908</u>	<u>83,156</u>	<u>59,092,231</u>
Less accumulated depreciation for:				
Land improvements	124,401	24,690	-	149,091
Building and improvements	14,536,526	781,723	-	15,318,249
System lines	5,135,938	303,048	-	5,438,986
Vehicles	484,475	119,755	83,156	521,074
Equipment	<u>5,834,089</u>	<u>968,969</u>	<u>-</u>	<u>6,803,058</u>
Total accumulated depreciation	<u>26,115,429</u>	<u>2,198,185</u>	<u>83,156</u>	<u>28,230,458</u>
Total capital assets being depreciated, net	<u>30,747,050</u>			<u>30,861,773</u>
Total capital assets, net	<u>\$ 31,648,388</u>			<u>\$ 31,583,960</u>

The Authority has active construction and other ongoing projects as of June 30, 2023. At year-end, the Authority's commitments with contractors and engineers are as follows:

Project	Spent-to-date	Remaining Commitment
Hwy 221 Relocation (Odom) R-2233BA	\$ 37,991	\$ 30,259
Hwy 221 Relocation Offsite (Construction) R-2233BB	229,721	125,526
WTP Electrical Upgrade (Camp Electric)	-	197,000
WTP Electrical Upgrade Design, Bid, Construction, Post Construction (McGill)	21,170	14,570
WTP Access Road Design, Permit and Bid (McGill)	30,550	750
WTP Raw Waterline Replacement Design, Permit and Bid (Kimley Horn)	7,280	37,120
Black & Veatch MasterPlan	150,000	-
Black & Veatch (with ICWD and Polk) 1/3 of \$75,000	16,833	8,167

Net Investment in Capital Assets

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

Capital assets, net	\$ 31,583,960
Revenue bonds	(6,622,804)
Deferred charge on refunding	<u>60,014</u>
Net investment in capital assets	<u>\$ 25,021,170</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, 2023 was 12.14%, 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 \$200,857 for the year ended June 30, 2023.

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, 2023, the Authority reported a liability of \$988,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Authority's proportion was 0.01753%, which was an increase of 0.00277% from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the Authority recognized pension expense of \$95,605. At June 30, 2023, 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	\$ 42,613	\$ 4,178
Changes of assumptions	98,674	-
Net difference between projected and actual earnings on pension plan investments	326,856	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	55,069	5,126
Authority contributions subsequent to the measurement date	<u>200,857</u>	<u>-</u>
Total	<u>\$ 724,069</u>	<u>\$ 9,304</u>

\$200,857 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, 2024.

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

Year ended June 30:	
2024	\$ 162,947
2025	140,823
2026	54,417
2027	155,721
2028	-
Thereafter	<u>-</u>
	<u>\$ 513,908</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

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

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,784,914	\$ 988,942	\$ 333,016

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 \$78,766 for the reporting year. No amounts were forfeited.

3. Long-Term Obligations

Water System Revenue Bonds

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

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

On June 22, 2015, the Authority issued \$16,665,000 Water System Refunding Revenue Bonds Series 2015. The proceeds of these bonds were used to redeem the 2005 series bonds in a current refunding. The 2005 series bonds are considered defeased and are not included in the Authority’s financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$522,328, which was reported as a deferred outflow of resources and amortized over the life of the new debt. Amortization of the deferred outflow in the current year was \$25,454, resulting in a net deferred outflow of \$60,014 at June 30, 2023.

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

Year	Principal	Interest	Total
2024	\$ 2,199,469	\$ 292,905	\$ 2,492,374
2025	2,291,742	194,382	2,486,125
2026	1,895,000	94,750	1,989,750
	\$ 6,386,211	\$ 582,037	\$ 6,968,249

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

The debt service coverage ratio calculation for the year ended June 30, 2023, is as follows:

Operating revenues	\$ 8,351,299
Operating expenses*	<u>4,471,972</u>
Operating income	3,879,327
Non-operating revenues (expenses)**	<u>248,421</u>
Income available for debt service	4,127,748
Debt service, principal and interest paid (Revenue bonds only)	2,531,434
Debt service coverage ratio	163%

* Per rate covenants, operating revenues and expenses are calculated on a budgetary basis. Accordingly, operating expenses do not include depreciation expense of \$2,198,184.

** Per rate covenants, non-operating expenses do not include \$272,278 of revenue bond interest paid.

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$6,386,211 in water system revenue bonds. The bonds are payable solely from water customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of net revenues. In the event of default, the Authority agrees to pay to purchasers, on demand, interest on any and all amounts due and owing by the Authority under these agreements. The total principal and interest remaining to be paid on the bonds is \$6,968,249. Principal and interest paid for the current year and total customer net revenues were \$2,531,434 and \$3,879,327, 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, 2023.

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Water System Revenue Bonds					
Direct placement bonds 2008	\$ 186,478	\$ -	\$ 186,478	\$ -	\$ -
Direct placement bonds 2010	1,423,716	-	462,505	961,211	474,469
Revenue bonds 2015	7,070,000	-	1,645,000	5,425,000	1,725,000
Unamortized bond premium	388,382	-	151,789	236,593	-
Net pension liability (LGERs)	226,359	762,583	-	988,942	-
Accrued vacation	91,554	-	9,800	81,754	81,754
	<u>\$ 9,386,489</u>	<u>\$ 762,583</u>	<u>\$ 2,455,572</u>	<u>\$ 7,693,500</u>	<u>\$ 2,281,223</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, 2023, the agreement generated approximately \$2,200,000 in revenues for the Authority, which constitutes approximately 28% of the Authority's water service revenues.

Note 4 - Risk Management

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

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportionate share of the net pension liability (asset) (%)	0.01753%	0.01476%	0.01560%	0.01573%	0.01496%	0.01581%	0.01683%	0.01726%	0.01838%	0.01820%
Authority's proportion of the net pension liability (asset) (\$)	\$ 988,942	\$ 226,359	\$ 557,454	\$ 429,574	\$ 354,902	\$ 241,533	\$ 357,189	\$ 77,462	\$ (108,395)	\$ 219,380
Authority's covered payroll	1,420,386	1,196,011	1,157,817	1,086,169	942,124	966,546	1,010,470	961,439	940,354	900,434
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	69.62%	18.93%	48.15%	39.55%	37.67%	24.99%	35.35%	8.06%	(11.53%)	24.36%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 200,857	\$ 161,924	\$ 121,993	\$ 106,172	\$ 86,568	\$ 72,826	\$ 72,394	\$ 69,722	\$ 70,185	\$ 66,483
Contribution in relation to the contractually required contribution	<u>200,857</u>	<u>161,924</u>	<u>121,993</u>	<u>106,172</u>	<u>86,568</u>	<u>72,826</u>	<u>72,394</u>	<u>69,722</u>	<u>70,185</u>	<u>66,483</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	12.14%	11.40%	10.20%	9.17%	7.97%	7.73%	7.49%	6.90%	7.30%	7.07%

SUPPLEMENTAL FINANCIAL DATA

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water service, net	\$ 7,674,000	\$ 7,743,133	\$ 69,133
Tap and connection fees	152,000	144,876	(7,124)
Water testing fees	10,000	10,200	200
Late fees	121,000	118,494	(2,506)
Grant revenue	232,000	229,721	(2,279)
Other operating revenues	<u>83,000</u>	<u>104,875</u>	<u>21,875</u>
Total operating revenues	<u>8,272,000</u>	<u>8,351,299</u>	<u>79,299</u>
Non-operating revenues:			
Timber sales	2,500	2,256	(244)
Proceeds from disposal of assets	8,800	33,439	24,639
Interest income	<u>200,000</u>	<u>212,726</u>	<u>12,726</u>
Total non-operating revenues	<u>211,300</u>	<u>248,421</u>	<u>37,121</u>
Total revenues	<u>8,483,300</u>	<u>8,599,720</u>	<u>116,420</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	2,360,500	2,348,405	12,095
Professional services	264,700	258,176	6,524
Departmental supplies and expenses	726,500	715,855	10,645
Communications	30,000	29,336	664
Travel and training	39,000	38,127	873
Repairs and maintenance	200,100	193,519	6,581
Vehicle maintenance	95,500	90,260	5,240
Licenses and franchise fees	6,500	4,520	1,980
Utilities	494,900	465,922	28,978
Contracted services	156,300	149,425	6,875
Insurance	75,000	74,195	805
Other operating	<u>108,000</u>	<u>104,232</u>	<u>3,768</u>
Total operating expenditures	<u>4,557,000</u>	<u>4,471,972</u>	<u>85,028</u>
Capital outlay	<u>2,223,300</u>	<u>2,133,756</u>	<u>89,544</u>

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		2,096,607	
Interest		<u>434,827</u>	
Total debt service	2,682,000	<u>2,531,434</u>	<u>150,566</u>
Total expenditures	<u>9,462,300</u>	<u>9,137,162</u>	<u>325,138</u>
Other Financing Sources (Uses):			
Fund balance appropriated	<u>979,000</u>	<u>-</u>	<u>(979,000)</u>
Revenues over expenditures	<u>\$ -</u>	(537,442)	<u>\$ (537,442)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Reconciling items:			
Capital outlay - items capitalized		2,133,756	
Depreciation		(2,198,184)	
Increase in deferred outflows of resources - pensions		343,522	
Amortization of premium and deferred charges		167,182	
Increase in accrued interest		(4,633)	
Decrease in accrued vacation pay		9,800	
Increase in net pension liability		(762,583)	
Principal retirement of debt		2,096,607	
Decrease in deferred inflows of resources - pensions		<u>323,456</u>	
Total reconciling items		<u>2,108,923</u>	
Change in net position		<u>\$ 1,571,481</u>	

Item G-1: Resolution 01-24 – Water Tower Lease Agreement with Verizon

A representative of Verizon Wireless contacted the Authority early in 2023 to discuss the options of installing cell equipment on the Railroad Avenue water tower. Since that time, engineers have performed a structural analysis and completed design for a corral to be installed on top of the tower for the Verizon equipment and the equipment of the other cell carriers (if those carriers choose to purchase the space).

TEP (consulting firm) has completed the corral design and the modifications needed for the tower to be structurally sound. Utility Services has provided a construction cost estimate to construction/installation costs will be paid for by Verizon and as T-Mobile and AT&T move equipment from the handrail to the corral, they will pay Verizon directly per post. Utility Service Group (as our tank maintenance provider) has reviewed the plans and considered any maintenance or integrity issues that might be caused by the installation of a corral. The agreement is structured similarly to our T-Mobile lease in terms of renewal periods and permissions. Compensation is proposed for \$2,000/month (\$24,000 annual). This is comparable to what the other carriers pay and is fair considering the capital investment that Verizon is making.

Resolution 01-24 approves the lease agreement and allows staff and our attorney to negotiate terms, and allows the Chairman and/or Secretary to execute the written agreement.

RESOLUTION NO. 01-24

Meeting of January 23, 2024

A RESOLUTION ACCEPTING AND APPROVING A WATER TOWER LEASE AGREEMENT BETWEEN THE BROAD RIVER WATER AUTHORITY AND VERIZON WIRELESS FOR THE LEASE OF SPACE ON RAILROAD AVENUE WATER TANK

WHEREAS, the Broad River Water Authority and Verizon Wireless have negotiated an arrangement whereby the Authority in exchange for monthly lease payments, will lease to Verizon Wireless space on the Authority’s Railroad Avenue Water Tank for the installation of a corral; and

WHEREAS, it is in the mutual interest of both the Broad River Water Authority and Verizon Wireless that this arrangement be formalized by written agreement; and

WHEREAS, the terms and conditions for this endeavor have been reduced to a written agreement in the form of a contract which the Broad River Water Authority now desires to be approved based on recommendation from staff.

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

- 1) The agreement as presented attached between the Broad River Water Authority and Verizon Wireless is hereby accepted and approved based on the terms and conditions heretofore negotiated by Broad River Water Authority staff and Attorney.
- 2) The Board Chairman and/ or Secretary are hereby authorized to execute the written agreement as set forth in section 1 above; and the Broad River Water Authority Executive Director is hereby directed to implement the arrangements authorized in the agreement.
- 3) This Resolution shall become effective upon its adoption and approval.

Adopted and approved by vote of (for____)(against____) this the 23rd day of January, 2024.

Broad River Water Authority

Attest: _____

By: _____

Maria S. Hunnicutt, Secretary

Mickey Bland, Chairman

(Corporate Seal)

WATER TOWER LEASE AGREEMENT

This Water Tower Lease Agreement (the "Agreement") is made this _____, between BROAD RIVER WATER AUTHORITY, with a mailing address at 112 N. Main Street, Rutherfordton, North Carolina 28139 ("LESSOR") and CELLCO PARTNERSHIP d/b/a Verizon Wireless with its principal offices at One Verizon Way, Mail Stop 4AW100, Basking Ridge, New Jersey 07920 (telephone number 866-862-4404) ("LESSEE"). LESSOR and LESSEE are at times collectively referred to hereinafter as the "Parties" or individually as the "Party."

WITNESSETH

In consideration of the mutual covenants contained herein and intending to be legally bound hereby, the Parties hereto agree as follows:

1. GRANT. LESSOR hereby leases LESSEE space in and upon that certain water tower structure owned, leased or controlled by LESSOR ("Tower") together with a parcel of land sufficient for the installation of LESSEE's equipment (the "Land Space") to install, maintain, upgrade, replace and operate communications equipment ("Use") at the property located at 391 Rail Road Ave. in Rutherfordton, Rutherford County, North Carolina 28139 (the "Property") which is more particularly described in Exhibit "A" attached hereto and incorporated hereby. The portions of the Tower occupied by LESSEE is hereinafter referred to as the Tower Space which shall include use by LESSEE of the corral to be installed on the top of the tank by LESSEE. The Tower Space and Land Space are collectively hereinafter referred to as the "Premises". Notwithstanding anything to the contrary, the Premises shall also include such additional space necessary for the installation, operation and maintenance of wires, cables, conduits and pipes running between and among the various portions of the Premises and to all necessary electrical, telephone, fiber and other similar support services located within the Property or the nearest public right of way. In the event it is necessary, LESSOR agrees to grant LESSEE the right to install such services on, through, over and/or under the Property, provided the location of such services shall be reasonably approved by LESSOR. The Premises are shown in detail on Exhibit "B" attached hereto and made a part hereof. LESSEE shall have exclusive use of the corral and all posts thereon except to the extent LESSEE releases rights to individual posts pursuant to the terms set forth in Exhibit "C" attached hereto and made a part hereof.

2. INITIAL TERM. This Agreement shall be effective as of the date of execution by both Parties ("Effective Date"). The initial term of the Agreement shall be for 5 years beginning on the first day of the month after LESSEE begins installation of LESSEE's communications equipment (the "Commencement Date"). The Commencement Date will be acknowledged by the Parties in writing, including electronic mail.

3. EXTENSIONS. This Agreement shall automatically be extended for 4 additional 5-year terms unless LESSEE terminates it at the end of the then current term by giving LESSOR written notice of the intent to terminate at least 3 months prior to the end of the then current term. The initial term and all extensions shall be collectively referred to herein as the "Term".

4. RENTAL.

a. Rental payments shall begin on the Commencement Date and be due at a total annual rental of \$24,000.00, to be paid in equal monthly installments on the first day of the month, in

advance, to LESSOR at 112 N. Main Street, Rutherfordton, North Carolina 28139 or to such other person, firm, or place as LESSOR may, from time to time, designate in writing at least 30 days in advance of any rental payment date by notice given in accordance with Paragraph 21 below. LESSOR and LESSEE acknowledge and agree that the initial rental payment shall not be delivered by LESSEE until 60 days after the Commencement Date. Upon agreement of the Parties, LESSEE may pay rent by electronic funds transfer and in such event, LESSOR agrees to provide to LESSEE bank routing information for such purpose upon request of Lessee.

b. The annual rental for each year of the term (or any extension terms) shall increase on each annual anniversary of the Commencement Date by TWO PERCENT (2%) over the annual rent due for the immediately preceding year.

c. As additional consideration for this Agreement, LESSEE shall pay LESSOR at 112 N. Main Street, Rutherfordton, North Carolina 28139 a one-time, non-refundable, lump-sum signing bonus of \$500.00, which shall be considered as "additional rent" for the Premises for the period beginning on the date of this Agreement until the Commencement Date, which shall be paid within forty-five (45) days from the date of full execution of this Agreement by the Parties. LESSOR recognizes that Section 3 of this Agreement governs the Commencement Date and that this Section 4(c) of this Agreement does not impact whether or not LESSEE chooses to commence the Term.

d. For any party to whom rental payments are to be made, LESSOR or any successor in interest of LESSOR hereby agrees to provide to LESSEE (i) a completed, current version of Internal Revenue Service Form W-9, or equivalent; (ii) complete and fully executed state and local withholding forms if required; (iii) LESSEE's payment direction form, and (iv) other documentation to verify LESSOR's or such other party's right to receive rental as is reasonably requested by LESSEE. Rental shall accrue in accordance with this Agreement, but LESSEE shall have no obligation to deliver rental payments until the requested documentation has been received by LESSEE. Upon receipt of the requested documentation, LESSEE shall deliver the accrued rental payments as directed by LESSOR.

5. ACCESS. LESSEE shall have the non-exclusive right of ingress and egress from a public right-of-way, 7 days a week, 24 hours a day, over the Property to and from the Premises for the purpose of installation, operation and maintenance of LESSEE's communications equipment.

6. CONDITION OF PROPERTY. LESSOR shall deliver the Premises to LESSEE in a condition ready for LESSEE's Use and clean and free of debris. LESSOR represents and warrants to LESSEE that as of the Effective Date, the Tower and Land Space are (a) in good operating condition; (b) in compliance with all Laws; and (c) in compliance with all EH&S Laws (as defined in Paragraph 25).

7. ELECTRICAL.

a. If permitted by the local utility company serving the Premises, LESSEE shall furnish and install an electrical meter at the Premises for the measurement of electrical power used by LESSEE at the Premises and LESSEE shall pay the utility company directly.

b. If an electrical meter is not permitted, then LESSEE may furnish and install an electrical sub-meter at the Premises for the measurement of electrical power used by LESSEE at the Premises and shall pay the utility company directly if permitted by the utility company.

c. In the event a sub-meter is installed and the utility company will not permit LESSEE to pay the utility company directly, then the LESSOR shall read LESSEE's sub-meter on a monthly basis and provide LESSEE with an invoice for LESSEE's power consumption on an annual basis. Each invoice shall reflect charges only for LESSEE's power consumption based on the average kilowatt hour rate actually paid by LESSOR to the utility, without markup or profit.

d. All invoices for power consumption shall be sent by LESSOR to LESSEE at Verizon Wireless, M/S 3846, P.O. Box 2375, Spokane, WA 99210-2375, and shall be provided to LESSEE within 90 days following the conclusion of each calendar year (otherwise, LESSOR waives the right to collect applicable electrical charges). Upon written request from LESSEE, LESSOR shall provide copies of electricity bills received by LESSOR during any period that LESSOR submits invoices to LESSEE for reimbursement and for that same period LESSOR shall provide documentation of the sub-meter readings applicable to such periods. LESSEE shall pay each invoice within 45 calendar days after receipt of the invoice from LESSOR.

e. LESSEE shall be permitted to install, maintain and/or provide access to and use of, as necessary (during any power interruption at the Premises), a temporary power source, and all related equipment and appurtenances within the Premises, or elsewhere on the Property in such locations as reasonably approved by LESSOR. LESSEE shall have the right to install conduits connecting the temporary power source and related appurtenances to the Premises.

8. IMPROVEMENTS. The communications equipment including, without limitation, antennas, conduits, and other improvements described in Exhibit "C" attached hereto, shall be installed at LESSEE's expense and installation shall be at the discretion and option of LESSEE. LESSEE shall have the right to replace, repair, add to or otherwise modify its communications equipment, antennas, conduits or other improvements or any portion thereof and the frequencies over which the communications equipment operates, at no additional cost, whether or not any of the communications equipment, antennas, conduits or other improvements are listed on any exhibit. LESSEE shall only be required to obtain LESSOR consent for modifications that increase the Premises. LESSOR shall respond in writing to any LESSEE consent request within 30 days of receipt or LESSOR's consent shall be deemed granted, provided, any increase to the Premises shall be memorialized by the Parties in writing. LESSOR is not entitled to a rent increase associated with any LESSEE modification unless it is expanding the Premises area. In such event, any rent increase shall be proportionate to the additional area included in the Premises description.

9. GOVERNMENT APPROVALS. LESSEE's Use is contingent upon LESSEE obtaining all of the certificates, permits and other approvals (collectively the "Government Approvals") that may be required by any Federal, State or Local authorities (collectively, the "Government Entities") as well as a satisfactory structural analysis of the Tower or other structure that will permit LESSEE's Use. LESSOR shall cooperate with LESSEE in its effort to obtain and maintain any Government Approvals. Notwithstanding anything contained herein the the contrary, LESSOR hereby agrees to allow LESSEE to install any RF frequency signage and/or barricades as are necessary to ensure LESSEE's compliance with Laws.

10. TERMINATION. LESSEE may, unless otherwise stated, immediately terminate this Agreement upon written notice to LESSOR in the event that (i) any applications for such Government Approvals should be finally rejected; (ii) any Government Approval issued to LESSEE is canceled, expires, lapses or is otherwise withdrawn or terminated by any Government Entity; (iii) LESSEE determines that

such Government Approvals may not be obtained in a timely manner; (iv) LESSEE determines any structural analysis is unsatisfactory; (v) LESSEE, in its sole discretion, determines the Use of the Premises is obsolete or unnecessary; (vi) with 3 months prior notice to LESSOR, upon the annual anniversary of the Commencement Date; or (viii) at any time before the Commencement Date for any reason or no reason in LESSEE's sole discretion.

11. MAINTENANCE. LESSEE will maintain LESSEE's communications equipment within the Premises in good condition, reasonable wear and tear and casualty damage excepted. LESSOR shall maintain, in good operating condition and repair, the Tower and the Property.

12. INDEMNIFICATION. Subject to Paragraph 13, each Party and/or any successor and/or assignees thereof, shall indemnify and hold harmless the other Party, and/or any successors and/or assignees thereof, against (i) all claims of liability or loss from bodily injury or property damage resulting from or arising out of the negligence or willful misconduct of the indemnifying Party, its employees, contractors or agents, except to the extent such claims or damages may be due to or caused by the negligence or willful misconduct of the other Party, or its employees, contractors or agents, and (ii) reasonable attorney's fees, expense, and defense costs incurred by the indemnified Party. The indemnified Party will provide the indemnifying Party with prompt, written notice of any claim that is subject to the indemnification obligations in this paragraph. The indemnified Party will cooperate appropriately with the indemnifying Party in connection with the indemnifying Party's defense of such claim. The indemnifying Party shall defend any indemnified Party, at the indemnified Party's request, against any claim with counsel reasonably satisfactory to the indemnified Party. The indemnifying Party shall not settle or compromise any such claim or consent to the entry of any judgment without the prior written consent of each indemnified Party and without an unconditional release of all claims by each claimant or plaintiff in favor of each indemnified Party. All indemnification obligations shall survive the termination or expiration of this Agreement.

13. INSURANCE. The Parties agree to maintain during the term of this Agreement the following insurance policies:

a. Commercial general liability in the amount of \$2,000,000.00 per occurrence for bodily injury and property damage and \$4,000,000.00 in the annual aggregate. Each party shall be included as an additional insured as their interest may appear under this Agreement on the other party's insurance policy.

b. "All-Risk" property insurance on a replacement cost basis insuring their respective property with no coinsurance requirement. Where legally permissible, each party agrees to waive subrogation against the other party and to ensure said waiver is recognized by the insurance policies insuring the property.

14. LIMITATION OF LIABILITY. Except for indemnification pursuant to Paragraphs 12 and 25, a violation of Paragraph 28, or a violation of Laws, neither Party shall be liable to the other, or any of their respective agents, representatives, employees for any lost revenue, lost profits, loss of technology, rights or services, incidental, punitive, indirect, special or consequential damages, loss of data, or interruption or loss of use of service, even if advised of the possibility of such damages, whether under theory of contract, tort (including negligence), strict liability or otherwise.

15. INTERFERENCE.

a. LESSEE agrees that LESSEE will not cause interference that is measurable in accordance with industry standards to LESSOR's equipment. LESSOR agrees that LESSOR and other occupants of the Property will not cause interference that is measurable in accordance with industry standards to the then existing equipment of LESSEE.

b. Without limiting any other rights or remedies, if interference occurs and continues for a period in excess of 48 hours following notice to the interfering party via telephone to LESSEE'S Network Management Center at (800) 264-6620 or to LESSOR at (828) 429-8633, the interfering party shall or shall require any other user to reduce power or cease operations of the interfering equipment until the interference is cured.

c. The Parties acknowledge that there will not be an adequate remedy at law for noncompliance with the provisions of this Paragraph and therefore the Parties shall have the right to equitable remedies such as, without limitation, injunctive relief and specific performance.

16. REMOVAL AT END OF TERM. Within 90 days of expiration or earlier termination of the Agreement, LESSEE shall remove LESSEE's Communications Equipment and restore the Premises to its original condition, reasonable wear and tear and casualty damage excepted. LESSOR agrees and acknowledges that the communications equipment shall remain the personal property of LESSEE and LESSEE shall have the right to remove the same at any time during the Term, whether or not said items are considered fixtures and attachments to real property under applicable laws. If such time for removal causes LESSEE to remain on the Premises after termination of the Agreement, LESSEE shall pay rent at the then existing monthly rate or on the existing monthly pro-rata basis if based upon a longer payment term, until the removal of the communications equipment is completed.

17. RIGHT OF FIRST REFUSAL. If at any time after the Effective Date, LESSOR receives an offer or letter of intent from any person or entity that is in the business of owning, managing or operating communications facilities or is in the business of acquiring landlord interests in agreements relating to communications facilities, to purchase fee title, an easement, a lease, a license, or any other interest in the Premises or any portion thereof or to acquire any interest in this Agreement, or an option for any of the foregoing, LESSOR shall provide written notice to LESSEE of said offer ("LESSOR's Notice"). LESSOR's Notice shall include the prospective buyer's name, the purchase price being offered, any other consideration being offered, the other terms and conditions of the offer, a description of the portion of and interest in the Premises and/or this Agreement which will be conveyed in the proposed transaction, and a copy of any letters of intent or form agreements presented to LESSOR by the third party offeror. LESSEE shall have the right of first refusal to meet any bona fide offer of sale or transfer on the terms and conditions of such offer or by effectuating a transaction with substantially equivalent financial terms. If LESSEE fails to provide written notice to LESSOR that LESSEE intends to meet such bona fide offer no later than 30 days after receipt of LESSOR's Notice, LESSOR may proceed with the proposed transaction in accordance with the terms and conditions of such third party offer, in which event this Agreement shall continue in full force and effect and the right of first refusal described in this paragraph shall survive any such conveyance to a third party. If LESSEE provides LESSOR with notice of LESSEE's intention to meet the third party offer within 30 days of receipt of LESSOR's Notice, then if LESSOR's Notice describes a transaction involving greater space than the Premises, LESSEE may elect to proceed with a transaction covering only the Premises and the purchase price shall be prorated on a square footage basis. Further, LESSOR acknowledges and agrees that if LESSEE exercises this right of first refusal, LESSEE may require a reasonable period of time to conduct due diligence and effectuate the closing of a transaction on

substantially equivalent financial terms of the third party offer. LESSEE may elect to amend this Agreement to effectuate the proposed financial terms of the third party offer rather than acquiring fee simple title or an easement interest in the Premises. For purposes of this Paragraph, any transfer, bequest or devise of LESSOR's interest in the Property as a result of the death of LESSOR, whether by will or intestate succession, or any conveyance to LESSOR's family members by direct conveyance or by conveyance to a trust for the benefit of family members shall not be considered a sale for which LESSEE has any right of first refusal.

18. RIGHTS UPON SALE. Should LESSOR, at any time during the Term, decide (i) to sell or otherwise transfer all or any part of the Property, or (ii) to grant to a third party by easement or other legal instrument an interest in and to any portion of the Premises, such sale, transfer, or grant of an easement or interest therein shall be under and subject to this Agreement and any such purchaser or transferee shall recognize LESSEE's rights hereunder. In the event that LESSOR completes any such sale, transfer, or grant described in this paragraph without executing an assignment of the Agreement whereby the third party agrees in writing to assume all obligations of LESSOR under this Agreement, then LESSOR shall not be released from its obligations to LESSEE under this Agreement, and LESSEE shall have the right to look to LESSOR and the third party for the full performance of the Agreement.

19. LESSOR'S TITLE. LESSOR covenants that LESSEE, on paying the rent and performing the covenants herein, shall peaceably and quietly have, hold and enjoy the Premises. LESSOR represents and warrants to LESSEE as of the Effective Date and covenants during the Term that LESSOR has full authority to enter into and execute this Agreement and that there are no liens, judgments, covenants, easements, restrictions or other impediments of title that will adversely affect LESSEE's Use.

20. ASSIGNMENT. Without any approval or consent of the other Party, this Agreement may be sold, assigned or transferred by either Party to (i) any entity in which the Party directly or indirectly holds an equity or similar interest; (ii) any entity which directly or indirectly holds an equity or similar interest in the Party; or (iii) any entity directly or indirectly under common control with the Party. LESSEE may assign this Agreement to any entity which acquires all or substantially all of LESSEE's assets in the market defined by the FCC in which the Property is located by reason of a merger, acquisition or other business reorganization without approval or consent of LESSOR. As to other parties, this Agreement may not be sold, assigned or transferred without the written consent of the other Party, which such consent will not be unreasonably withheld, delayed or conditioned. No change of stock ownership, partnership interest or control of LESSEE or transfer upon partnership or corporate dissolution of either Party shall constitute an assignment hereunder.

21. NOTICE. Except for notices permitted via telephone in accordance with Paragraph 15 and notices permitted via electronic mail in accordance with Paragraph 2, all notices hereunder must be in writing and shall be deemed validly given if sent by certified mail, return receipt requested or by commercial courier, provided the courier's regular business is delivery service and provided further that it guarantees delivery to the addressee by the end of the next business day following the courier's receipt from the sender, addressed as follows (or any other address that the Party to be notified may have designated to the sender by like notice):

LESSOR: Broad River Water Authority
112 N. Main Street
Rutherfordton, North Carolina 28139

LESSEE: Cellco Partnership
 d/b/a Verizon Wireless
 180 Washington Valley Road
 Bedminster, New Jersey 07921
 Attention: Network Real Estate

Notice shall be effective upon actual receipt or refusal as shown on the receipt obtained pursuant to the foregoing.

22. SUBORDINATION AND NON-DISTURBANCE. Within 15 days of the Effective Date, LESSOR shall obtain a Non-Disturbance Agreement, as defined below, from its existing mortgagee(s), ground lessors and master lessors, if any, of the Property. At LESSOR's option, this Agreement shall be subordinate to any future master lease, ground lease, mortgage, deed of trust or other security interest (a "Mortgage") by LESSOR which from time to time may encumber all or part of the Property; provided, however, as a condition precedent to LESSEE being required to subordinate its interest in this Agreement to any future Mortgage covering the building, LESSOR shall obtain for LESSEE's benefit a non-disturbance and attornment agreement for LESSEE's benefit in the form reasonably satisfactory to LESSEE, and containing the terms described below (the "Non-Disturbance Agreement"), and shall recognize LESSEE's rights under this Agreement. The Non-Disturbance Agreement shall include the encumbering party's ("Lender's") agreement that, if Lender or its successor-in-interest or any purchaser of Lender's or its successor's interest (a "Purchaser") acquires an ownership interest in the building, Lender or such successor-in-interest or Purchaser will honor all of the terms of the Agreement. Such Non-Disturbance Agreement must be binding on all of Lender's participants in the subject loan (if any) and on all successors and assigns of Lender and/or its participants and on all Purchasers. In return for such Non-Disturbance Agreement, LESSEE will execute an agreement for Lender's benefit in which LESSEE (1) confirms that the Agreement is subordinate to the Mortgage or other real property interest in favor of Lender, (2) agrees to attorn to Lender if Lender becomes the owner of the building and (3) agrees to accept a cure by Lender of any of LESSOR's defaults, provided such cure is completed within the deadline applicable to LESSOR. In the event LESSOR defaults in the payment and/or other performance of any mortgage or other real property interest encumbering the Property, LESSEE, may, at its sole option and without obligation, cure or correct LESSOR's default and upon doing so, LESSEE shall be subrogated to any and all rights, titles, liens and equities of the holders of such mortgage or other real property interest and LESSEE shall be entitled to deduct and setoff against all rents that may otherwise become due under this Agreement the sums paid by LESSEE to cure or correct such defaults.

23. DEFAULT. It is a "Default" if (i) either Party fails to comply with this Agreement and does not remedy the failure within 30 days after written notice by the other Party or, if the failure cannot reasonably be remedied in such time, if the failing Party does not commence a remedy within the allotted 30 days and diligently pursue the cure to completion within 90 days after the initial written notice, or (ii) LESSOR fails to comply with this Agreement and the failure interferes with LESSEE's Use and LESSOR does not remedy the failure within 5 days after written notice from LESSEE or, if the failure cannot reasonably be remedied in such time, if LESSOR does not commence a remedy within the allotted 5 days and diligently pursue the cure to completion within 15 days after the initial written notice. The cure periods set forth

in this Paragraph 25 do not extend the period of time in which either Party has to cure interference pursuant to Paragraph 15 of this Agreement.

24. REMEDIES. In the event of a Default, without limiting the non-defaulting Party in the exercise of any right or remedy which the non-defaulting Party may have by reason of such default, the non-defaulting Party may terminate this Agreement and/or pursue any remedy now or hereafter available to the non-defaulting Party under the Laws or judicial decisions of the state in which the Property is located. Further, upon a Default, the non-defaulting Party may at its option (but without obligation to do so), perform the defaulting Party's duty or obligation. The costs and expenses of any such performance by the non-defaulting Party shall be due and payable by the defaulting Party upon receipt of an itemized invoice. If LESSEE undertakes any such performance on LESSOR's behalf and LESSOR does not pay LESSEE the full undisputed amount within 30 days of its receipt of an itemized invoice setting forth the amount due, LESSEE may offset the full undisputed amount due against all fees due and owing to LESSOR under this Agreement until the full undisputed amount is fully reimbursed to LESSEE.

25. ENVIRONMENTAL. LESSEE shall conduct its business in compliance with all applicable laws governing the protection of the environment or employee health and safety ("EH&S Laws"). LESSEE shall indemnify and hold harmless the LESSOR from claims to the extent resulting from LESSEE's violation of any applicable EH&S Laws or to the extent that LESSEE causes a release of any regulated substance to the environment. LESSOR shall indemnify and hold harmless LESSEE from all claims resulting from the violation of any applicable EH&S Laws or a release of any regulated substance to the environment except to the extent resulting from the activities of LESSEE. The Parties recognize that LESSEE is only leasing a small portion of LESSOR's property and that LESSEE shall not be responsible for any environmental condition or issue except to the extent resulting from LESSEE's specific activities and responsibilities. In the event that LESSEE encounters any hazardous substances that do not result from its activities, LESSEE may relocate its facilities to avoid such hazardous substances to a mutually agreeable location or, if LESSEE desires to remove at its own cost all or some the hazardous substances or materials (such as soil) containing those hazardous substances, LESSOR agrees to sign any necessary waste manifest associated with the removal, transportation and/or disposal of such substances.

26. CASUALTY. If a fire or other casualty damages the Property or the Premises and impairs LESSEE's Use, rent shall abate until LESSEE'S Use is restored. If LESSEE's Use is not restored within 45 days, LESSEE may terminate this Agreement.

27. CONDEMNATION. If a condemnation of any portion of the Property or Premises impairs LESSEE's Use, Lessee may terminate this Agreement. LESSEE may on its own behalf make a claim in any condemnation proceeding involving the Premises for losses related to LESSEE's communications equipment, relocation costs and, specifically excluding loss of LESSEE's leasehold interest, any other damages LESSEE may incur as a result of any such condemnation.

28. APPLICABLE LAWS. During the Term, LESSOR shall maintain the Property in compliance with all applicable laws, EH&S Laws, rules, regulations, ordinances, directives, covenants, easements, consent decrees, zoning and land use regulations, and restrictions of record, permits, building codes, and the requirements of any applicable fire insurance underwriter or rating bureau, now in effect or which may hereafter come into effect (including, without limitation, the Americans with Disabilities Act and laws regulating hazardous substances) (collectively "Laws"). LESSEE shall, in respect to the condition of the Premises and at LESSEE's sole cost and expense, comply with (i) all Laws relating solely to LESSEE's specific

and unique nature of use of the Premises; and (ii) all building codes requiring modifications to the Premises due to the improvements being made by LESSEE in the Premises. It shall be LESSOR's obligation to comply with all Laws relating to the Property, without regard to specific use (including, without limitation, modifications required to enable LESSEE to obtain all necessary building permits).

29. TAXES. If LESSOR is required by law to collect any federal, state, or local tax, fee, or other governmental imposition (each, a "Tax") from LESSEE with respect to the transactions contemplated by this Agreement, then LESSOR shall bill such Tax to LESSEE in the manner and for the amount required by law, LESSEE shall promptly pay such billed amount of Tax to LESSOR, and LESSOR shall remit such Tax to the appropriate tax authorities as required by law; provided, however, that LESSOR shall not bill to or otherwise attempt to collect from LESSEE any Tax with respect to which LESSEE has provided LESSOR with an exemption certificate or other reasonable basis for relieving LESSOR of its responsibility to collect such tax from LESSEE. Except as provided in this Paragraph 29, LESSOR shall bear the costs of all Taxes that are assessed against or are otherwise the legal responsibility of LESSOR with respect to itself, its property, and the transactions contemplated by this Agreement. LESSEE shall be responsible for all Taxes that are assessed against or are otherwise the legal responsibility of LESSEE with respect to itself, its property, and the transactions contemplated by this Agreement.

30. NON-DISCLOSURE. The Parties agree that this Agreement and any information exchanged between the Parties regarding the Agreement are confidential. The Parties agree not to provide copies of this Agreement or any other confidential information to any third party without the prior written consent of the other or as required by law. If a disclosure is required by law, prior to disclosure, the Party shall notify the other Party and cooperate to take lawful steps to resist, narrow, or eliminate the need for that disclosure.

31. MOST FAVORED LESSEE. LESSOR represents and warrants that the rent, benefits and terms and conditions granted to LESSEE by LESSOR hereunder are now and shall be, during the Term, no less favorable than the rent, benefits and terms and conditions for substantially the same or similar tenancies or licenses granted by LESSOR to other parties. If at any time during the Term LESSOR shall offer more favorable rent, benefits or terms and conditions for substantially the same or similar tenancies or licenses as those granted hereunder, then LESSOR shall, within 30 days after the effective date of such offering, notify LESSEE of such fact and offer LESSEE the more favorable offering. If LESSEE chooses, the parties shall then enter into an amendment that shall be effective retroactively to the effective date of the more favorable offering, and shall provide the same rent, benefits or terms and conditions to LESSEE. LESSEE shall have the right to decline to accept the offering. LESSOR's compliance with this requirement shall be subject, at LESSEE's option, to independent verification.

32. MISCELLANEOUS. This Agreement contains all agreements, promises and understandings between the LESSOR and the LESSEE regarding this transaction, and no oral agreement, promises or understandings shall be binding upon either the LESSOR or the LESSEE in any dispute, controversy or proceeding. This Agreement may not be amended or varied except in a writing signed by all Parties. This Agreement shall extend to and bind the heirs, personal representatives, successors and assigns hereto. The failure of either party to insist upon strict performance of any of the terms or conditions of this Agreement or to exercise any of its rights hereunder shall not waive such rights and such party shall have the right to enforce such rights at any time. The performance of this Agreement shall be governed, interpreted, construed and regulated by the laws of the state in which the Premises is located without reference to its choice of law rules. Except as expressly set forth in this Agreement, nothing in this

Agreement shall grant, suggest or imply any authority for one Party to use the name, trademarks, service marks or trade names of the other for any purpose whatsoever. LESSOR agrees to execute a Memorandum of this Agreement, which LESSEE may record with the appropriate recording officer. The provisions of the Agreement relating to indemnification from one Party to the other Party shall survive any termination or expiration of this Agreement. This Agreement may be executed in counterparts, including written and electronic forms. All executed counterparts shall constitute one Agreement, and each counterpart shall be deemed an original.

34. CORRAL REIMBURSEMENT. Exhibit "C"

IN WITNESS WHEREOF, this Agreement is entered into by the Parties as of the Effective Date.

LESSOR:

BROAD RIVER WATER AUTHORITY

By: _____

Print Name: _____

Print Title: _____

Date: _____

LESSEE:

CELLCO PARTNERSHIP d/b/a Verizon Wireless

By: _____

Print Name: _____

Print Title: _____

Date: _____

EXHIBIT "A"
PROPERTY DESCRIPTION

PARENT PARCEL

Property located in the Town of Rutherfordton, Rutherfordton Township, Rutherford County, North Carolina.

All that certain piece, parcel or tract of land lying and being situated on the west-side of Railroad Avenue being 0.13 miles south of the intersection with Sunset Street in Rutherford County, North Carolina, containing one and 60/100 Acres (1.60 Acres), more or less, and being the same property conveyed to Broad River Water Authority by Deed Book 766 pages 495-498 and dated December 14th, 2000, and recorded in the Rutherford County Register of Deeds.

TAX PARCEL ID NUMBER: 1620320907

EXHIBIT "B" (PAGE 1 OF 4)

DEPICTION AND DESCRIPTION OF THE PREMISES

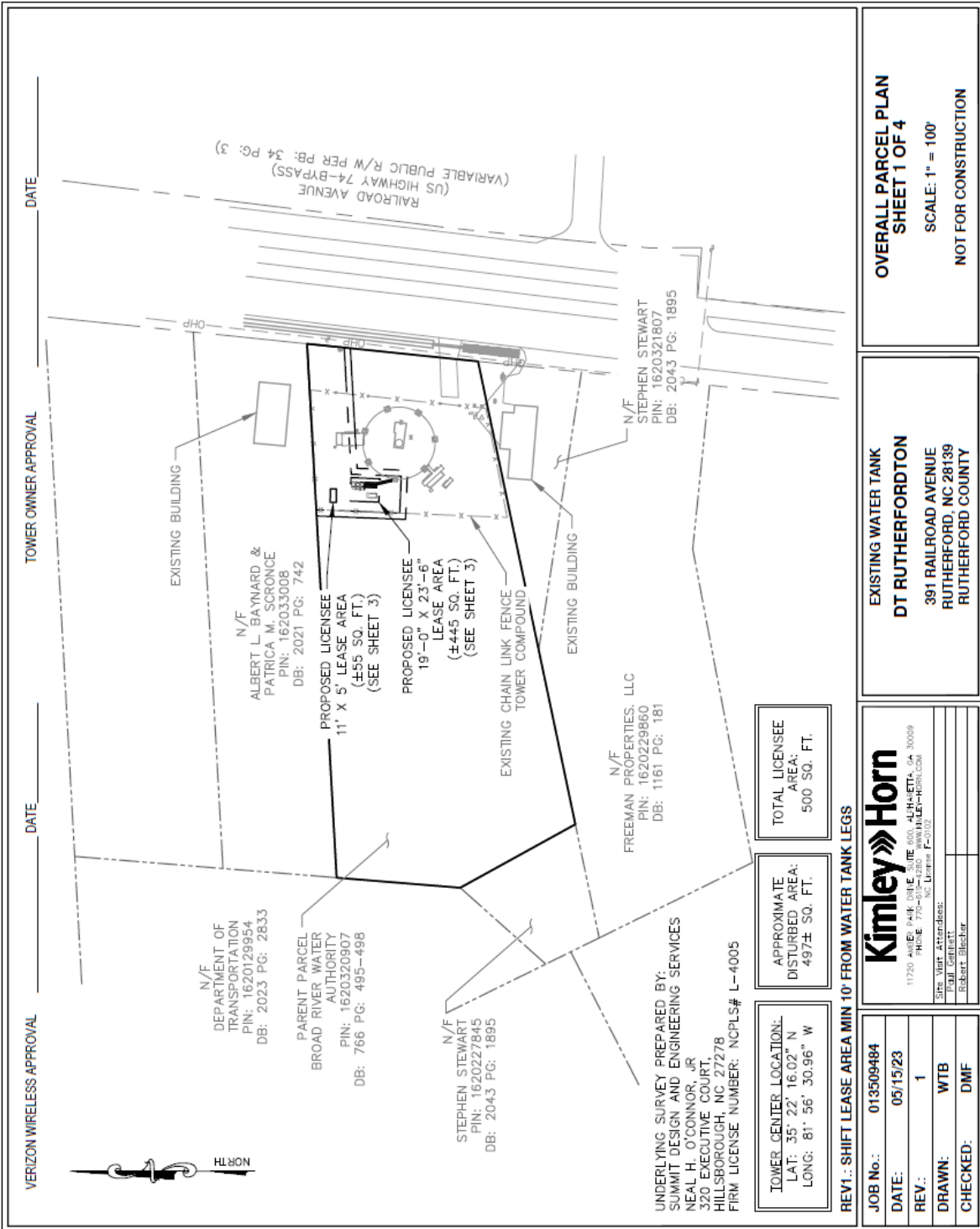


EXHIBIT "B" (Page 2 of 4)

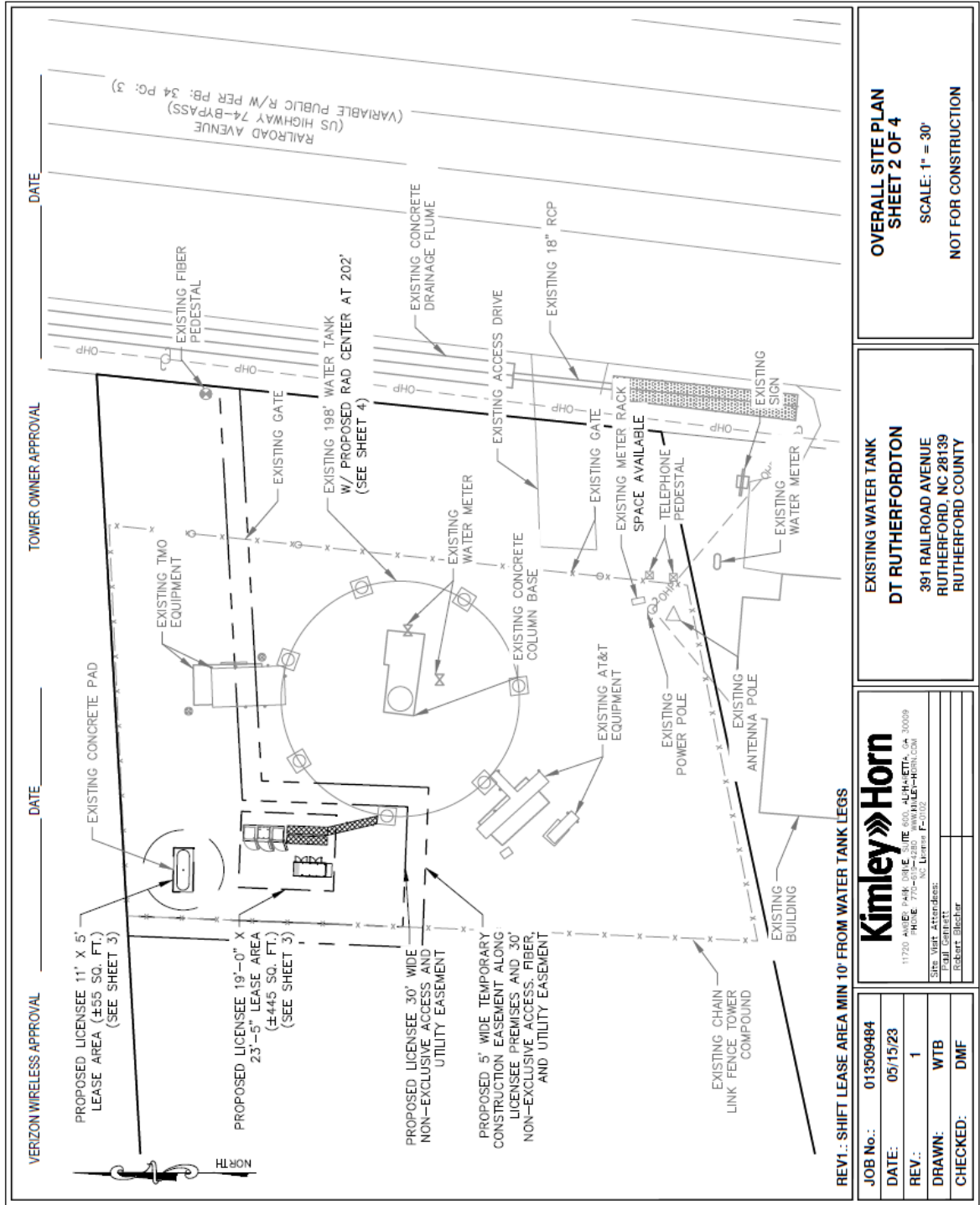


EXHIBIT "B" (Page 3 of 4)

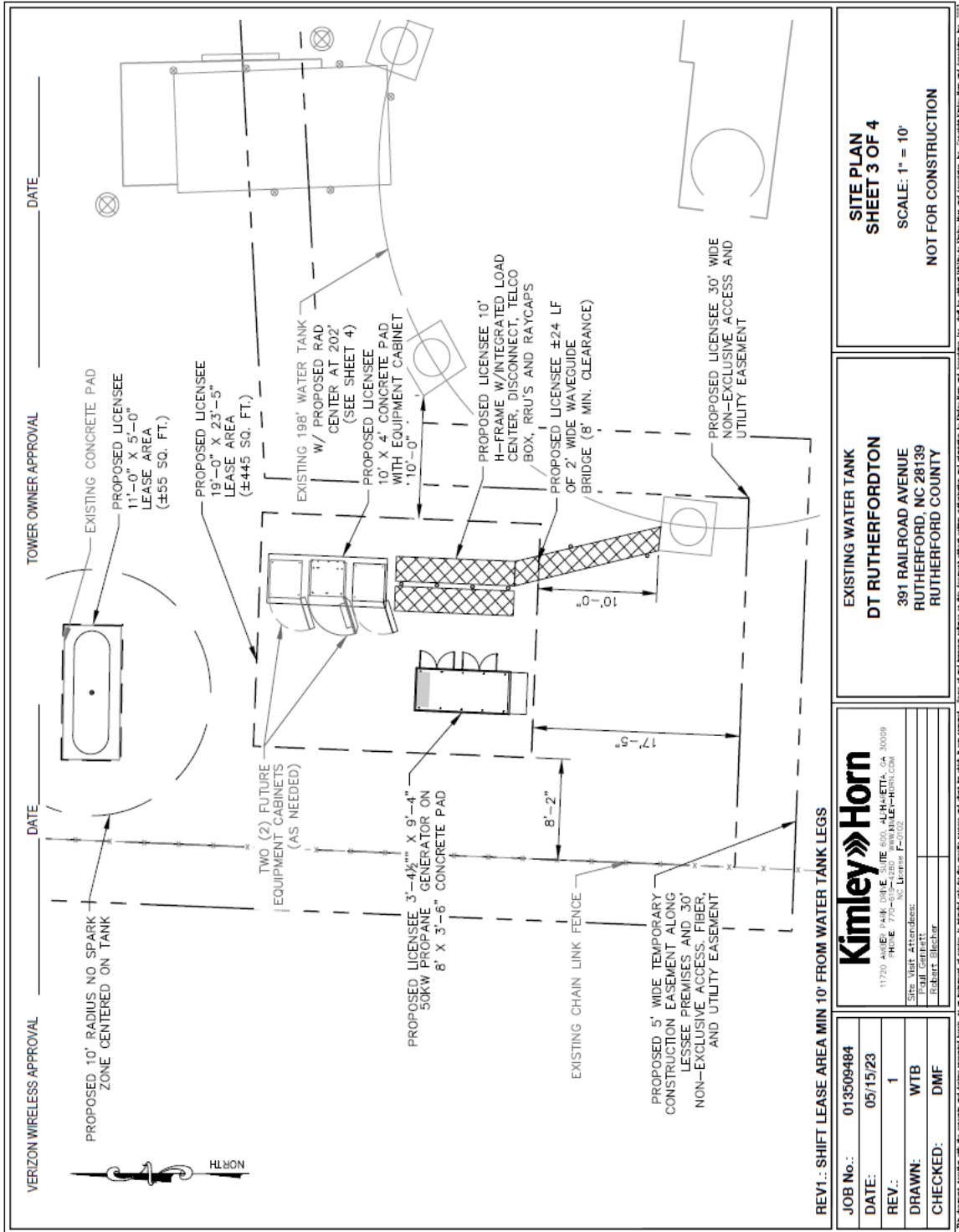


EXHIBIT "B" (Page 4 of 4)

TOWER SPACE

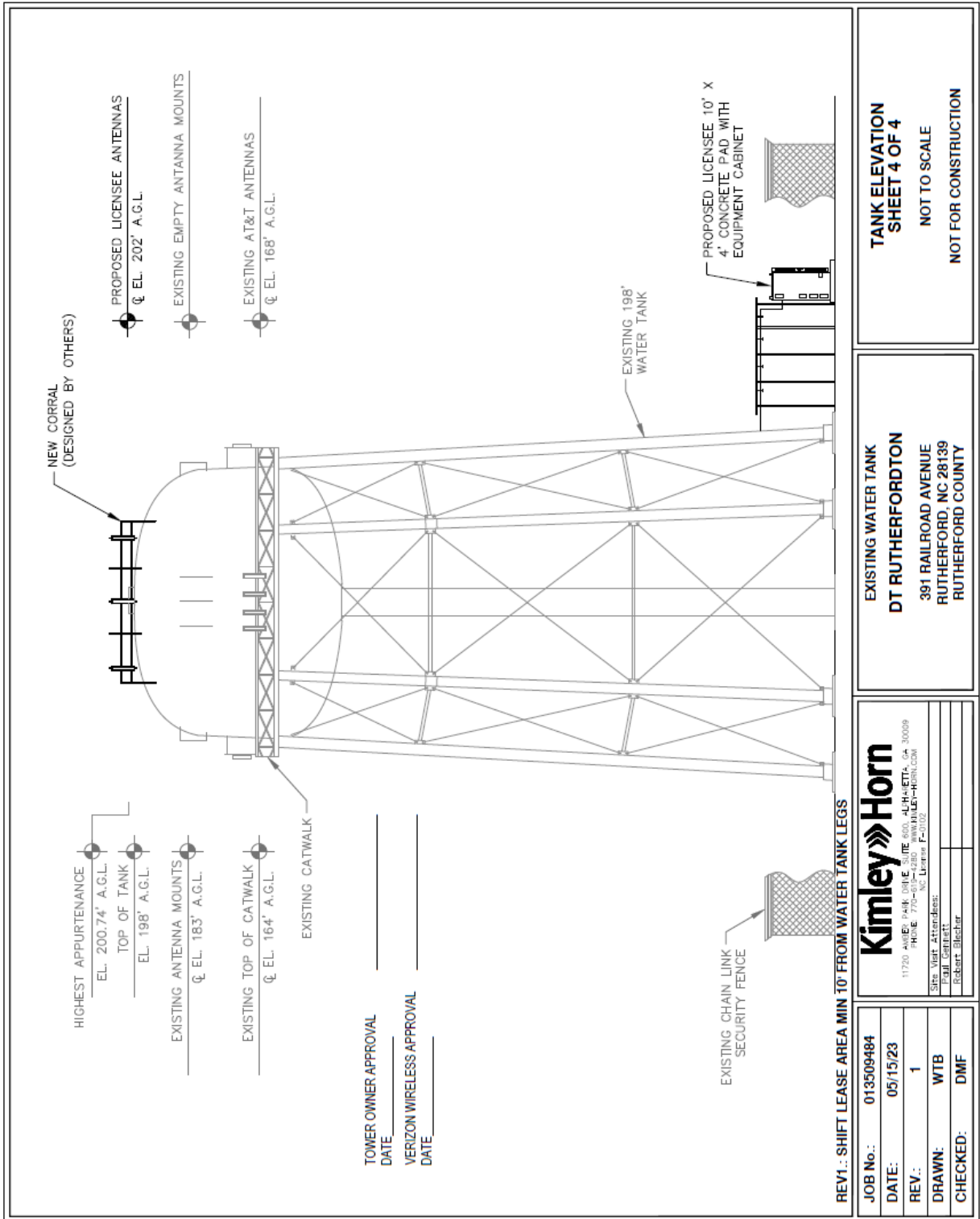


EXHIBIT "C"

CORRAL. A 33 post corral is to be installed by LESSEE on the top of the tank for the mounting of equipment by LESSEE. Upon installation, the corral shall become the property LESSOR, however, LESSEE shall have the right to install LESSEE'S equipment upon the corral with each of the posts on the corral reserved exclusively for use by LESSEE unless such rights are released by LESSEE as set forth below.

LESSEE CORRAL BASED EQUIPMENT. The initial equipment to be installed by LESSEE upon the corral is as follows:

- Three (3) Ericsson AIR6449 Antennas @ 202' centerline
- Six (6) Commscope NHH-65C-R2B Antennas @ 202' centerline
- Three (3) Ericsson 4490 RRU
- Three (3) Ericsson 4890 RRU
- Three (3) Ericsson 4408 B48
- One (1) Raycap RCMD-6627-PF-48
- Two (2) Hybrid Fiber

RELEASE OF LESSEE EXCLUSIVE RIGHTS TO USE OF CORRAL POSTS. LESSEE shall have the exclusive right to the use of the corral and all posts located thereon, however, LESSEE may periodically agree to release LESSEE'S exclusive rights to the use of specific corral posts upon the receipt of both (i) a written request from LESSOR identifying the corral posts for which request is being made for LESSEE to release LESSEE'S exclusive rights for use and (ii) the payment to LESSEE in the amount of \$11,000 per requested corral post to be released. Following agreement by LESSEE to release LESSEE'S exclusive rights for the use of the requested corral posts and LESSEE'S receipt of the requisite payment, LESSOR and LESSEE shall amend this Agreement to replace this Exhibit "C" documenting the release of LESSEE'S exclusive rights to the use of the requested corral posts. The release by LESSEE of LESSEE'S exclusive rights to the corral post shall be limited to a release of LESSEE'S exclusive rights only with LESSEE making no representation or warranties to either LESSOR or any third parties as to the condition of the corral or the associated posts.

Item G-2: Resolution 02-24 – Pangaea Services Agreement

Pangaea currently has a grant with the Appalachian Regional Commission (ARC) and an agreement with Rutherford County Schools (RCS) which, in part, includes a data center at Pinnacle Elementary. To reduce the cost of the overall project, Pangaea has proposed to utilize the existing BRWA pump station building as a “data center” in lieu of constructing a new facility on the grounds of the school. This includes an equipment rack and other supplies in a space of 54” (L) x 36” (W) x 84”(H). In exchange, they will provide bandwidth access service to this facility (which can be utilized for security purposes which BRWA currently does not have at this location).

Our attorney has reviewed the agreement and provided some proposed changes. These have not been reviewed with Pangaea at this time.

Resolution 02-24 approves the lease agreement and allows staff and our attorney to negotiate terms, and allows the Chairman and/or Secretary to execute the written agreement.

RESOLUTION NO. 02-24

Meeting of January 23, 2024

A RESOLUTION TO ACCEPT PANGAEA SERVICES AGREEMENT

WHEREAS, the Broad River Water Authority and Pangaea have negotiated an arrangement whereby the Authority in exchange for broadband access, will lease to Pangaea space inside the pump station at Pinnacle Elementary; and

WHEREAS, it is in the mutual interest of both the Broad River Water Authority and Pangaea that this arrangement be formalized by written agreement; and

WHEREAS, the terms and conditions for this endeavor have been reduced to a written agreement in the form of a contract which the Broad River Water Authority now desires to be approved based on recommendation from staff.

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

- 1) The agreement as presented attached between the Broad River Water Authority and Pangaea is acceptable. Terms and conditions may be further negotiated by Broad River Water Authority staff and Attorney.
- 2) The Board Chairman and/ or Secretary are hereby authorized to execute the written agreement as set forth in section 1 above; and the Broad River Water Authority Executive Director is hereby directed to implement the arrangements authorized in the agreement.
- 3) This Resolution shall become effective upon its adoption and approval.

Adopted and approved by vote of (for____)(against____) this the 23rd day of January, 2024.

Broad River Water Authority

Attest:_____

By:_____

Maria S. Hunnicutt, Secretary

Mickey Bland, Chairman

PANGAEA SERVICES AGREEMENT

THIS PANGAEA SERVICES AGREEMENT (this “Agreement”) is made and entered into as of the ___ day of January, 2024 (the “Effective Date”), by and between the Broad River Water Authority, having its principle place of business at 112 N. Main Street, Rutherfordton, North Carolina 28139 (“BRWA”) and e-Polk, Inc. (d/b/a PANGAEA Internet and d/b/a Carolina Community Broadband Alliance), a North Carolina nonprofit corporation, having its principle place of business at 37 West Mills Street, Columbus, North Carolina 28722 (“PANGAEA”).

RECITALS

WHEREAS, PANGAEA owns and operates a fiber optic cable network in Rutherford County, North Carolina (the “PANGAEA Network”);

WHEREAS, BRWA is a local government utility formed under the North Carolina Water and Sewer Authority Act with administrative offices located at 112 N. Main Street, Rutherfordton, NC (“BRWA Office”) and a pump station located at 1202 Painters Gap Road, Rutherfordton, NC (the “BRWA Pump Station”);

WHEREAS, contingent upon the matters set forth and described below, the parties desire to enter into this Agreement to provide BRWA with bandwidth service at the BRWA Office and at the BRWA Pump Station, and provide PANGAEA with the right to use certain space within the BRWA Pump Station building for the installation and use of a full equipment rack and cabinet servicing the PANGAEA Network.

NOW, THEREFORE in consideration of the mutual promises, covenants, representations, warranties, and agreements contained in this Agreement and the mutual benefits to be derived therefrom, and in reliance upon the foregoing recitals of fact, the parties hereby agree as follows:

TERMS AND CONDITIONS

1. Contingencies. The duties of the parties set forth below (including, without limitation, PANGAEA’s provision of the PANGAEA Services) shall be contingent and dependent upon PANGAEA first receiving the following permissions and consents (the “Permissions and Consents”): (a) written permission from the Appalachian Regional Commission (the “ARC”) allowing PANGAEA to amend its grant application with the ARC to utilize the BRWA Pump Station as a data center in lieu of building a new data center facility on the grounds of Pinnacle Elementary School in Rutherfordton, NC (the “PES Data Center”); and (b) the written agreement of Rutherford County Schools (“RCS”) amending the agreement between RCS and PANGAEA to eliminate the planned construction of the PES Data Center. PANGAEA will provide BRWA with written notice of receipt of the Permissions and Consents (the “Permissions and Consents Notification”).

2. PANGAEA Services. PANGAEA will provide the following services to BRWA (collectively, the “PANGAEA Services”) at no cost to BRWA during the Term of this Agreement: (i) bandwidth access service with minimum bandwidth services of at least 500 MB Download and 500 MB Upload to the BRWA Office; and (ii) bandwidth access service with minimum bandwidth services of at least 500 MB Download and 500 MB Upload to the BRWA Pump Station. The PANGAEA Services will be performed in accordance with the standards described in the PANGAEA Service Level Agreement (the “PANGAEA SLA”) then in effect (available at <https://pangaea.us/services/>).

3. PANGAEA Space; Exclusive License and Additional Rights. BRWA will provide PANGAEA with the following rights and services during the Term of this Agreement:

(a) **PANGAEA Space in the BRWA Pump Station.** Throughout the Term, BRWA grants PANGAEA an exclusive license and right to use (a “License”) that certain space (with an area of at least 54” (L) x 36” (W) x 84”(H)) within the BRWA Pump Station (the “PANGAEA Space”) to install, operate and maintain a full equipment rack to service the PANGAEA Network, and to house and maintain

equipment and supplies used for (or in connection with) the provision of high-speed internet services, broadband access services, “dark fiber” or “lit fiber” access, and/or networking services (collectively, the “PANGAEA Equipment”). In accordance with the grant of this License to PANGAEA, BRWA hereby covenants and agrees that BRWA will: (1) provide power for the PANGAEA Space; (2) provide and maintain a generator for the PANGAEA Space; and (3) provide PANGAEA with 24-hour access to the BRWA Pump Station building (including the PANGAEA Space). PANGAEA shall at all times provide insurance for the PANGAEA Equipment housed in the PANGAEA Space.

(b) Exclusive Use. BRWA hereby understands and agrees that the PANGAEA Space shall be and shall remain exclusively licensed to PANGAEA (and the exclusive area and space of PANGAEA) throughout the Term, and that PANGAEA shall be permitted to use the PANGAEA Space and the PANGAEA Equipment for the purposes of providing PANGAEA services to third party PANGAEA customers (the “PANGAEA Users”).

(c) Third Party Use. BRWA and PANGAEA hereby agree that the PANGAEA Space will be permitted to be used by a third party (other than PANGAEA) only if, and so long as, all of the following conditions (the “Third Party Conditions”) are met: (i) PANGAEA and BRWA provide their prior written consent to the third party’s use of the PANGAEA Space; (ii) the third party’s equipment is only interconnected to PANGAEA’s equipment; and (iii) PANGAEA is the third party’s sole and exclusive service provider within the PANGAEA Space and/or the third party is a vendor/provider of services to PANGAEA within the PANGAEA Space. In the event that a third party is permitted to use any PANGAEA Space, but thereafter fails to meet one or more of the Third Party Conditions, BRWA shall take all reasonable and necessary actions to assist PANGAEA in removing the third party and its equipment from the PANGAEA Space, including, without limitation, the institution of a summary ejection proceeding or other legal action to remove the third party and its equipment.

4. Ownership; PANGAEA Assets and Services. All fiber optic cable, fiber and equipment referenced in this Agreement (including, without limitation, the PANGAEA Equipment) shall be and remain the sole and exclusive property of PANGAEA. No use of the PANGAEA Network, the PANGAEA Equipment, the PANGAEA Services, and/or any other PANGAEA services, including, without limitation, any cables or equipment related thereto (collectively, the “PANGAEA Assets and Services”) under the terms of this Agreement will create or vest in BRWA any ownership right or perpetual right of use in any of the PANGAEA Assets and Services.

5. Representations and Warranties.

(a) BRWA represents and warrants that it will not use the PANGAEA Assets and Services in a manner that physically or electronically interferes in any way with, or otherwise adversely affects the PANGAEA Assets and Services or the use of any of the PANGAEA Assets and Services. This restriction shall survive and shall continue to apply following the expiration or termination of this Agreement.

(b) BRWA represents and warrants that its use of the PANGAEA Assets and Services shall be in compliance with all applicable federal, state and local laws and regulations.

(c) BRWA hereby agrees to and accepts the terms of PANGAEA’s Acceptable Use Policy (available at <https://pangaea.us/services/>), and represents and warrants that it will comply with all of the duties and obligations imposed on a “Subscriber” thereunder.

6. Restrictive Covenant. During the Term of this Agreement and for a period of two (2) years after the termination of this Agreement, BRWA shall not, in any capacity whatsoever, whether on its own, through an affiliated entity, or as a proprietor, partner, investor or shareholder, consultant, independent contractor, co-venturer, financier, employer, agent, representative or otherwise, participate or engage directly or indirectly in the business of providing high-speed internet services, broadband access services, “dark fiber” or “lit fiber” access, or networking services to the public, through the PANGAEA Network.

7. Term; Termination.

(a) Term. Provided PANGAEA receives the Permissions and Consents, the term of this Agreement (the “Term”) shall commence upon PANGAEA’s issuance of the Permissions and Consents Notification, and shall continue in full force and effect for a period of twenty-five (25) years from the Effective Date (the “Initial Term”) and shall be renewed thereafter for up to five (5) additional one (1) year terms (each a “Renewal Term”), provided that: (i) either party shall have the right to terminate this Agreement at the end of the Initial Term, by providing written notice of termination to the other party at least sixty (60) days prior to the expiration of such Initial Term; (ii) either party shall have the right to terminate this Agreement at the end of a subsequent Renewal Term, by providing written notice of termination to the other party at least thirty (30) days prior to the expiration of such subsequent Renewal Term; (iii) this Agreement shall terminate at such time that PANGAEA entirely ceases doing business; and (iv) either party shall have the right to terminate this Agreement for cause as provided for in Section 7(b) below.

(b) Termination for Cause. In addition to any other right or remedy available to either party, this Agreement may be terminated for cause by either party (“Terminated for Cause”), or in the alternative, either party may suspend performance hereunder and have no obligation and not be liable for any refusal to perform its executory obligations under this Agreement until the other party cures such material breach, if the other party breaches any material obligation under this Agreement and fails to cure such breach within 30 days after the non-breaching party provides the breaching party written notice of such breach or, if such breach is not capable of cure within such 30 day period, the breaching party fails to commence to cure such breach or diligently pursue completion of such cure during and after such 30 day period.

(c) Termination Fees. If this Agreement is Terminated for Cause by PANGAEA (pursuant to Section 7(b) above) or if BRWA otherwise cancels this Agreement during the Initial Term (other than as provided in Section 7(a) above, or for Cause, as provided in Section 7(b) above), BRWA shall pay PANGAEA termination fees equal to \$100 multiplied by the number of months remaining in the Initial Term. The parties acknowledge and agree that in the event that this Agreement is terminated or cancelled as provided above (and PANGAEA no longer has access to and use of the PANGAEA Space), it would be difficult to ascertain the exact amount of damages incurred by PANGAEA and PANGAEA Users and that the foregoing termination fees are reasonable liquidated damages and not a penalty.

8. Indemnification; Limitation of Liability.

(a) Indemnification. Except as otherwise provided in this Section 8, BRWA will indemnify and hold harmless and hereby releases PANGAEA, its affiliates, agents and contractors and each of their respective officers, directors, trustees, employees, advisers, agents and other personnel from and against any Claim (as defined herein) arising out of or in connection with: (i) the use of the PANGAEA Assets and Services by BRWA, BRWA’s agents and/or BRWA End Users (as defined below); (ii) the negligence, gross negligence, willful misconduct of BRWA, BRWA’s agents and/or BRWA End Users; or (iii) the breach, default, or failure to perform or adhere to the terms and conditions of this Agreement by BRWA, BRWA’s agents and/or BRWA End Users. Likewise, except as otherwise provided in this Section 8, PANGAEA will indemnify and hold harmless and hereby releases BRWA, its affiliates, agents and contractors and each of their respective officers, directors, trustees, employees, advisers, agents and other personnel from and against any Claim (as defined herein) arising out of or in connection with: (i) the use of the BRWA Assets and Services by PANGAEA, PANGAEA’S agents and/or PANGAEA’S End Users (as defined below); (ii) the negligence, gross negligence, willful misconduct of PANGAEA, PANGAEA’s agents and/or PANGAEA’s End Users; or (iii) the breach, default, or failure to perform or adhere to the terms and conditions of this Agreement by PANGAEA, PANGAEA’s agents and/or PANGAEA’s End Users.

A “Claim” is any liability, loss, damage, claim or cause of action of any kind or nature (including, without limitation, damage to property and injury to or death of persons), whether actual or alleged, or payment to any person in compromise or settlement, whether or not liability has been shown or can be

known, and any expenses connected therewith, including, without limitation, reasonable litigation expenses and reasonable attorney fees, and expenses incurred in enforcing this indemnity provision together with interest.

(b) Claims by End Users. Notwithstanding anything to the contrary herein, BRWA hereby releases and agrees to indemnify PANGAEA and its affiliates, agents and contractors and each of their respective officers, directors, trustees, employees, advisers, agents and other personnel from and against all Claims by any person or entity using (whether lawfully or not) the PANGAEA Assets and Services through BRWA (a "BRWA End User"), arising out of any loss or damage to the PANGAEA Assets and Services (including, without limitation, the fibers, cable and any equipment or element thereof), or any inability of such BRWA End User to use or receive any other services related to the PANGAEA Assets and Services. Likewise, notwithstanding anything to the contrary herein, PANGAEA hereby releases and agrees to indemnify BRWA and its affiliates, agents and contractors and each of their respective officers, directors, trustees, employees, advisers, agents and other personnel from and against all Claims by any person or entity using (whether lawfully or not) the BRWA Assets and Services through PANGAEA (a "PANGAEA End User"), arising out of any loss or damage to the BRWA Assets and Services (including, without limitation, the water lines, pumps, and any equipment or element thereof), or any inability of such PANGAEA End User to use or receive any other services related to the BRWA Assets and Services.

(c) Indirect or Consequential Damages. PANGAEA will not be liable to BRWA for any special, incidental, indirect, punitive or consequential damages or loss of use, lost revenues or lost profits, whether occasioned by any construction, reconstruction, relocation, repair or maintenance or otherwise, foreseeable or unforeseeable, arising out of this Agreement or the performance or non-performance thereof, even if such party or any of its affiliates has been informed of the possibility of such damages. Likewise, BRWA will not be liable to PANGAEA for any special, incidental, indirect, punitive or consequential damages or loss of use, lost revenues or lost profits, whether occasioned by any construction, reconstruction, relocation, repair or maintenance or otherwise, foreseeable or unforeseeable, arising out of this Agreement or the performance or non-performance thereof, even if such party or any of its affiliates has been informed of the possibility of such damages.

(d) Interruption of Service. Notwithstanding anything to the contrary herein, PANGAEA will not be liable to BRWA for the content of any data carried or transmitted over the PANGAEA Network or from any interruption of BRWA's service in relation to the PANGAEA Services (including but not limited to any downtime of BRWA's operations) or for interference with BRWA's equipment, incurred by BRWA as the result of any interruption of service or breach or partial breach of this Agreement. Likewise, notwithstanding anything to the contrary herein, BRWA will not be liable to PANGAEA for any interruption of PANGAEA's service in relation to the BRWA Services (including but not limited to any downtime of PANGAEA's operations) or for interference with PANGAEA's equipment, incurred by PANGAEA as the result of any interruption of service or breach or partial breach of this Agreement.

(e) PANGAEA MAKES NO WARRANTY, AND HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PANGAEA ASSETS AND SERVICES PROVIDED HEREUNDER. LIKewise, BRWA MAKES NO WARRANTY, AND HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE BRWA ASSETS AND SERVICES PROVIDED HEREUNDER.

9. No Liens. BRWA will not create or suffer, and will promptly discharge at its expense, any lien, claim, right, encumbrance, security interest, or charge on any part of the PANGAEA Network (including, without limitation, any fiber, equipment or element thereof) created by BRWA or claimed to have been furnished at BRWA's direction by any person other than PANGAEA and its affiliates ("Liens"). BRWA

shall indemnify, defend, and hold PANGAEA harmless from and against any and all Claims arising out of or in any way related to any Liens or otherwise arising out of the use granted to BRWA hereunder. Likewise, PANGAEA will not create or suffer, and will promptly discharge at its expense, any lien, claim, right, encumbrance, security interest, or charge on any part of the BRWA System (including, without limitation, any water lines, pumps, equipment or element thereof) created by PANGAEA or claimed to have been furnished at PANGAEA's direction by any person other than BRWA and its affiliates ("Liens"). PANGAEA shall indemnify, defend, and hold BRWA harmless from and against any and all Claims arising out of or in any way related to any Liens or otherwise arising out of the use granted to PANGAEA hereunder.

10. Force Majeure. As used herein, the term "Force Majeure" shall mean severe unusual weather, an act of God, fire, lockout, strike (or other labor dispute), riot, act of terrorism, government action or inaction, widespread illnesses or pandemic (e.g., COVID-19), failure of performance by a common carrier, failure of performance by a public utility, vandalism, or failure of performance by an entity providing prerequisite services related to the provision of services under this Agreement. If PANGAEA is rendered wholly or partly unable to perform any of its obligations under this Agreement because of an event of Force Majeure, then PANGAEA will not be liable for any damages, costs, expenses or other consequences incurred by BRWA caused by such event and will be relieved of its obligations hereunder to the extent affected by the event of Force Majeure during the continuation of such event. PANGAEA shall have no liability to any party to the extent of any failure to perform its obligations hereunder for any equipment failure(s) not due to the action or inaction of PANGAEA. Likewise, if BRWA is rendered wholly or partly unable to perform any of its obligations under this Agreement because of an event of Force Majeure, then BRWA will not be liable for any damages, costs, expenses or other consequences incurred by PANGAEA caused by such event and will be relieved of its obligations hereunder to the extent affected by the event of Force Majeure during the continuation of such event. BRWA shall have no liability to any party to the extent of any failure to perform its obligations hereunder for any equipment failure(s) not due to the action or inaction of BRWA.

11. Miscellaneous.

(a) Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership or agency agreement between PANGAEA and BRWA for any purposes, including but not limited to, federal income tax purposes.

(b) Severability. All rights and restrictions herein apply only to the extent they do not violate applicable law and are limited to the extent necessary to be enforceable. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity and enforceability of the other provisions hereof.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina.

(d) Assignment and Subletting. BRWA may not assign its rights or obligations under this Agreement without the prior written consent of PANGAEA. PANGAEA may assign its rights or obligations under this Agreement upon advance written notice to BRWA. This Agreement shall be binding upon the parties and their respective successors and assigns.

(e) Cumulative Remedies. All rights and remedies in this Agreement are cumulative, and the exercise of any right or remedy should not be construed as an election of remedies and preclude the right to exercise any other right or remedy.

(f) Notice. Any notice required or permitted to be given with regard to this Agreement shall be in writing and shall be deemed given five (5) days after delivery to Federal Express, or other express delivery service, charges prepaid, addressed to the Executive Director in the case of any notice to PANGAEA, and to the Executive Director in the case of BRWA, at their respective addresses first written above, or to such other representative at such other address as either party may designate by written notice as provided herein. Rejection or other refusal to accept or the inability to deliver because of changed

address of which no notice was given shall be deemed to constitute receipt of the notice, demand, request or communication sent.

(g) Construction. Headings at the beginning of any Section, subsection, or subpart are solely for the convenience of the parties and are not a part of, and shall not be used to interpret, this Agreement. This Agreement shall not be construed as if it had been prepared by one of the parties. References to Sections include all subparts and subsections of the referenced Section. All Exhibits referred to in this Agreement are attached and incorporated by this reference.

(h) Fees and Costs. Each party shall bear its respective fees, costs and expenses, including, without limitation, attorneys' fees, costs and disbursements incurred in connection with this Agreement.

(i) Third Parties. Nothing contained herein, express or implied, is intended to confer upon any person, other than the parties hereto and their permitted successors and assigns, any rights or remedies under or by reason of this Agreement.

(j) Survival. The provisions of Sections 3, 4, 6, 7, 8, 9, 10 and 11 hereof, and any other provisions of this Agreement to be performed after such expiration or termination, shall survive the expiration or termination of this Agreement regardless of cause.

(k) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and taken together shall constitute one and the same instrument.

(l) Entire Agreement. This Agreement contains the entire agreement of the parties and there are no representations, inducements, or other provisions other than those expressed in writing. All changes, additions or deletions hereto must be in writing and signed by all parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

Broad River Water Authority

By: _____
Name: Maria S. Hunnicutt
Title: Executive Director

Date

e-Polk, Inc. d/b/a PANGAEA Internet and d/b/a Carolina Community Broadband Alliance

By: _____
Name: Ron Walters
Title: CEO/Executive Director

Date

North Carolina Drought Management Advisory Council

CURRENT CONDITIONS >

MEETINGS & REPORTS

MAP ARCHIVES

HISTORY AND RESOURCES

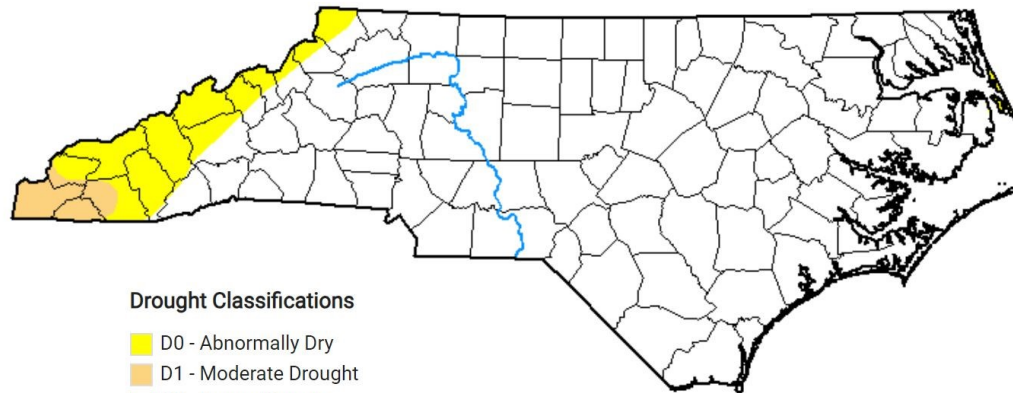
THE DMAC PROCESS

US DROUGHT MONITOR

Current Conditions

as of January 16, 2024 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

D1 - Moderate Drought

- Cherokee
- Clay
- Graham
- Macon

Total: 4

D0 - Abnormally Dry

- Ashe
- Avery
- Buncombe
- Haywood
- Jackson
- Madison
- Mitchell
- Swain
- Watauga
- Yancey

Total: 10

North Carolina Drought Update

Created By:

North Carolina
Drought Management Advisory Council
www.ncdrought.org

NORTH CAROLINA
CLIMATE OFFICE
climate.ncsu.edu

NC STATE
Section H, Item 1.
@NCSCO

For the assessment period ending **Jan. 16, 2024**
From the US Drought Monitor, with input from the NC DMAC

The Main Takeaway

It has been three months since our driest stretch of the fall began in mid-October, but there are few traces of that drought remaining after another wet winter week.

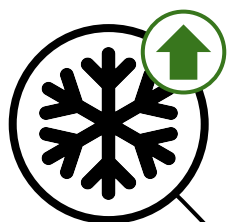
This Week's Summary

From last Tuesday's storms to Friday's rain to Monday's snow in the northern Mountains, it was an active week with widespread precipitation across the state. Only one small area of Moderate Drought (D1) remains in the far southwest, where there are still precipitation deficits of about 3 inches over the past 3 months.

Next Week's Outlook

Rain is possible on Friday but totals will be light, generally a quarter-inch or less. After that, cooler high pressure building in will keep our temperatures in the 30s this weekend, with no precipitation expected.

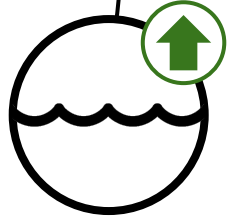
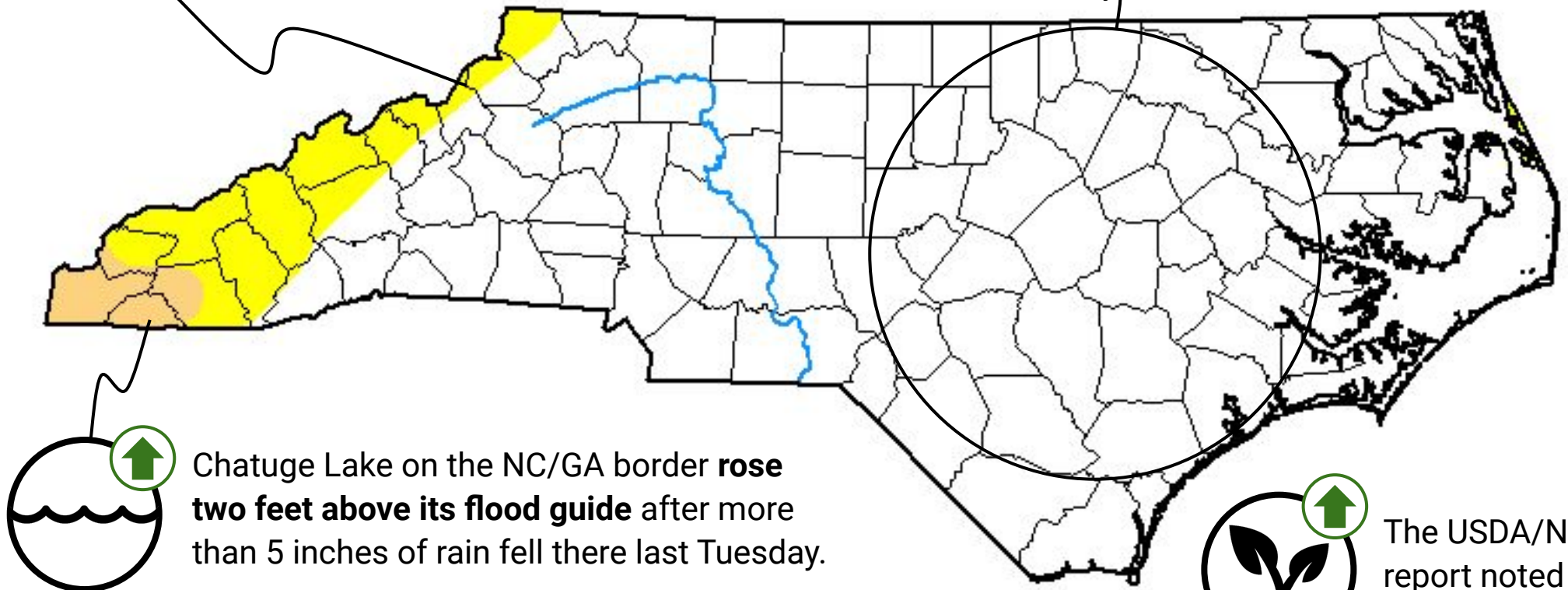
For your local drought status, visit www.ncdrought.org



Beech Mountain received 14 inches of snow earlier this week and has had 20 inches so far this month, surpassing its January average of 16.6 inches.



The **Roanoke, Tar, Neuse, and Cape Fear rivers all rose to minor flood stage** as the moisture from recent rains worked its way downstream.

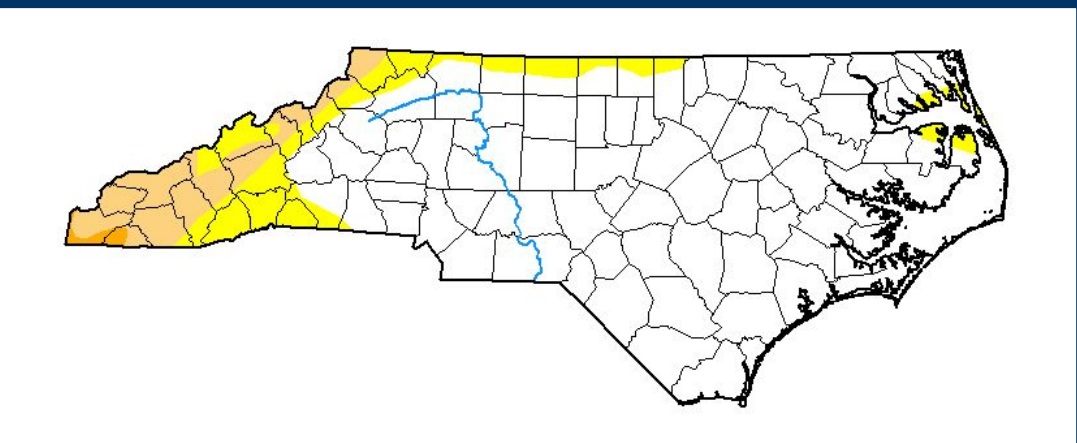


Chatuge Lake on the NC/GA border **rose two feet above its flood guide** after more than 5 inches of rain fell there last Tuesday.



The USDA/NASS January progress report noted that **pastures and small grains are mostly in good condition.**

Last Week's Drought Status



Statewide Coverage by Category

Category	Current Coverage	Change Since Last Week
D0: Abnormally Dry	7.48%	-2.56%
D1: Moderate Drought	2.02%	-5.24%
D2: Severe Drought	0.00%	-0.50%
D3: Extreme Drought	0.00%	0.00%
D4: Exceptional Drought	0.00%	0.00%

LEADERSHIP TEAM

L10

01/08/2024



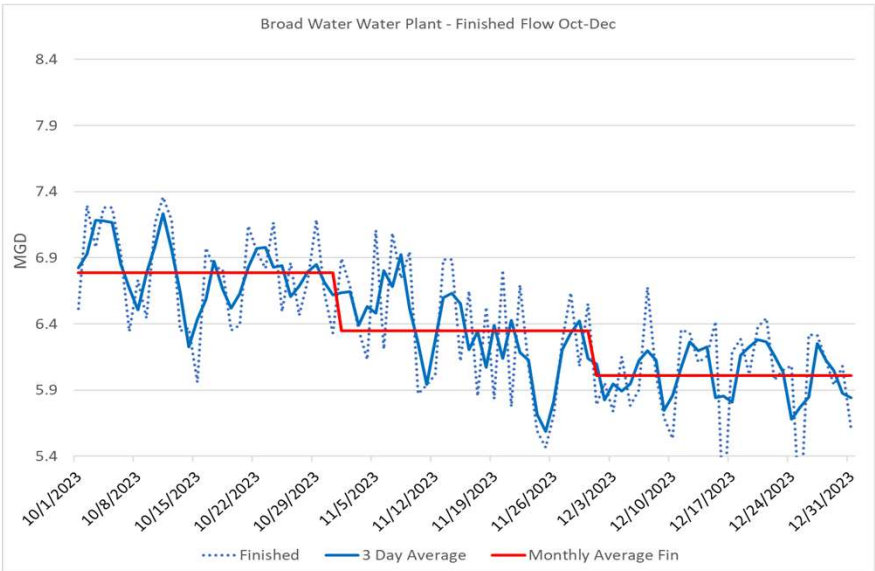
BROAD RIVER

WATER AUTHORITY

1

WTP - Recent Flow Rates

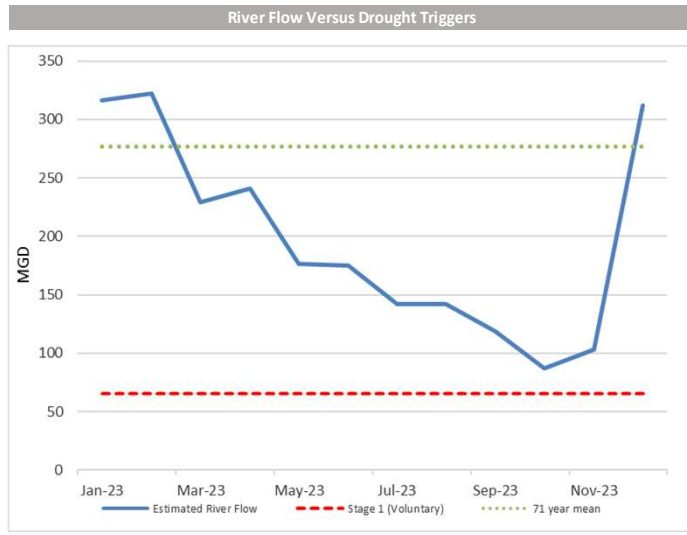
Broad Water Water Plant - Finished Flow Oct-Dec



Monthly Flow Total and Average (MGD)				
Dec-22	202.463	6.531		
Dec-23	186.279	6.009	-16.184	8.7%

2

River Flow and Rainfall



Rainfall					
December -23			Last 12 months		
Actual	Hist Avg for Month	Variance	Actual	Hist Avg	Variance
6.35	5.14	1.21	45.88	51.36	-5.48

3

3

WTP


Highlights

- Matthew Wilson started on December 11th as part of the NCRWA Apprentice Program. Will need to coordinate further about getting Matt experience in each dept.
- Chad Murray completed probationary period. He will attend C-Surface school in Greenville, NC Jan. 31st and test on Feb. 29th.
- VT Scada upgrade has begun, making slow progress.
- Access road project for land application of sludge began Jan. 2nd. Thompson Contractors won the bid. McGill handling engineering/consulting.
- State Lab inspection went well (every 3 years). Ben was involved in process and has interest in attending lab school in Raleigh this July.



4

4



WTP

Priorities

- JMS coming Thursday to look at communication problems with Sludge Vac Encoder.
- Camp Electric nearly complete with electrical upgrade, but one more shutdown is required for fiber optic lines.
- Coordinating Poors Ford Project- 6 isolation valves and refurbish and align #2 Booster Pump.
- Replace insertion pipe for Bleach, will need to coordinate with plant shutdown.
- Asset Essentials update
- Contact Perkinson Co. about replacing isolation valves for High Service Pumps.

What's Coming Up

- Upgrading pumps and controls at Little Mountain Pump Station.
 - Pumps have been ordered
- Raw Water Line drawings have been reviewed and are currently being updated. Next step is bidding.
- Lead and Copper Inventory – 9 months remaining.

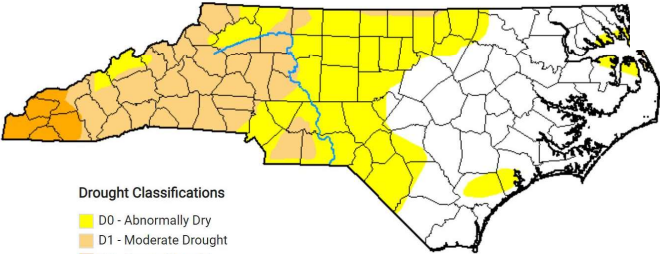
5


December 26, 2023 Update

Current Conditions

as of December 26, 2023 at 8am ET

US Drought Monitor of
North Carolina





Drought Classifications

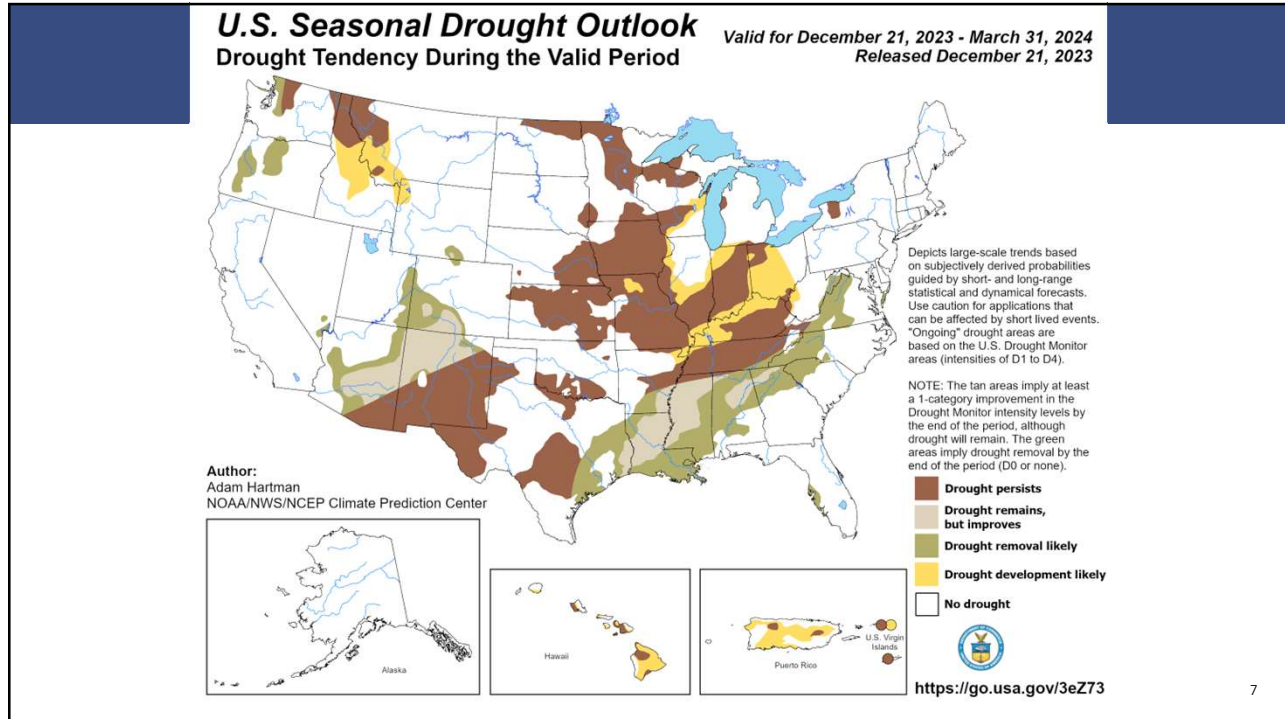
- D0 - Abnormally Dry
- D1 - Moderate Drought
- D2 - Severe Drought
- D3 - Extreme Drought
- D4 - Exceptional Drought

D1 - Moderate Drought - Moderate Drought

- Adhere to local water use restrictions.
- Participate, as appropriate, in regional and local coordination for the management of water resources.
- Stay informed on drought conditions and advisories (www.ncdrought.org).
- Project water needs and available water supply for a ninety day period from the issuance of this advisory.
- Assess your vulnerability to the drought conditions and adjust water usage to prolong available supply.
- Inspect water delivery system components (e.g. irrigation lines, fixtures, processing equipment, water system lines, etc.), repair leaks and ensure that existing equipment is operating as efficiently as possible.
- Minimize nonessential uses of water.
- Implement available public awareness and educational outreach programs emphasizing the need to conserve water.

- **River Flow estimated at 83 MGD on 12/4**
- **River Flow estimated at 120 MGD on 1/3/24**
- **Trigger for Voluntary Conservation is 65 MGD for 7 days**

6



7

WTP Capital Projects	Equip WTP Electrical Upgrades (127618)	3	49,968	Camp started at Poors Ford, panels in by mid-November, #5 back up and running (Buchanan Pump), Perkinson work done except #4 high service, all filters/ air scours done.
	Equip Little Mtn Booster Pump (127621)	1	7,269	BJ and RH met with Scott Hale (Carolina Pumpworks) to redo pump set ups
	Equip WTP Equipment annual (127608)	25,000		
	WSL Raw Intake Waterline (127307)	4	10,920	KHA discussing route and providing proposal for project (original estimate was over \$600,000)
	Equip WTP Scada Upgrade (127612)	3		Mirroring VT Scada late Dec
	Residual Access Rd & WTP Front (127120)	3	5,000	Project award to Thompson on 12/19/23.
	Recycle Pump Replacement Design (127614)	33,000		KHA provided cost estimate a few years ago. Is this the direction we want to go?
	PF Valves (127600)	15,000		Valves only, not construction - Garver proposal

8

Distribution



Highlights

- Green Hill Fire Dept Ext has been designed and fixing to be sent to PWSS for approval
- Received all bids on Warehouse expansion. Will be giving go ahead

Priorities

- Start on large meter replacements
- Maintenance on equipment and trailers
- Identify lines to rehab and establish schedule

What's coming up

- Repair last auto flusher
- Consolidated Pipe Roadshow Lunch & Learn 1/31

9

9

On-Call / After Hours

	1Q 23	2Q 23	3Q 23	Oct	Nov	Dec	Jan
# calls	25	18	17	4	15	8	
Hours	82	37.5	54	8	37	24	

Construction

	1Q Hours	2Q Hours	3Q Hours	Oct	Nov	Dec	Jan
New Construction	331	295	370	0	45	300' (40hr)	
Rehab/ Maintenance	458.5	63	330	90	0	0	
Hydrant Replacement	15	7	1	3	1	2	
Service Replacements	67	13	4	18	5	7	

10

10


	1Q Hrs/ # Services Affected	2Q Hrs/ # Services Affected	3Q Hrs/ # Services Affected	Oct Hrs/ # Services Affected	Nov Hrs/ # Services Affected	Dec Hrs/ # Services Affected	Jan Hrs/ # Services Affected
Unplanned	3/ 25	3/ 35	6/ 36	1/34	2/300	0	
Planned	46/ 152	6/ 30	14/ 74	1/10	3/96	5/86	

Outages

Presentation title

20XX 11

11



Metering

Highlights

- Leak notifications twice a week
- Great progress on replacing brain dead registers (highest 500 down to 136)

Priorities

- Cut off on Wednesday, January 17

What's coming up

- Continue register change out
- GIS locate meters along with Lead Service Line inventory
- Harmony reading system after Munibilling is live

12

12

Work Order Statistics

	1Q 23	2Q 23	3Q 23	Oct	Nov	Dec	
Quality Inquiries	9	5	1	3	2	2	
Meter Change-outs	44	292	387	143	244	183	57%
Taps	14	10	16	5	8	7	2%
Datalog On/ Off/ Transfer	17	5	18	8	5	3	1%
Leak Reported	400	326	350	113	122	113	29%
Other Re-Read Meter	39	21	36	15	6	9	1%
	50	42	56	28	33	26	8%
	9	8	15	3	7	2	2%
Total Service Orders	582	709	879	318	427	345	



13

13

Electronic Alarms



	Leak Alarms	Leak Adj
1Q 23	667	\$24,062
2Q 23	617	\$7,404
3Q 23	737	\$8,500
October 23	218	\$613
November 23	259	\$2,845
December 23	304	\$4,068

14

14

Meter Inventory & Need

Tracking meter replacement needs and failure rate (<3% November)

	Meters in Stock	RMA	Brain Dead/ Manual Reads	Total Active Meters
End 1Q 23	126	129	408	7,122
End 2Q 23	119	104	247	7,139
End 3Q 23	316	127*+ 378= 505	243	7,181
October 23	271	529	231	7,177
November 23	297		438	7,172
December 23	241 (70 register only)	902	216	7,192

15

15

Distribution Capital Projects

FY 24	Budget	Spent 12/31	Status
WSL Rehab Water Lines (127500)	350,000	8,184	4 th St installed; Southern St done;
WSL Rehab HydrantValveFlush (127400)	50,000	46,530	Note: hydrant assembly cost has increased to \$5000 per unit
WSL New Extensions (127300)	200,000	122,289	Edwards St/ John Smith done; Horseshoe Drive done, Mountain Creek in design; Soco Gap, Gillespie and Middle St survey potential interest
ICWD/ Polk Meter (127600)	75,000		B&V evaluation
Distribution Warehouse Expansion (127210)	150,000		Walker estimate \$167,000; move forward
Rubber Tire Loader (127609)	200,000	188,336	Delivered
Dist Service Truck (127702)	50,000	48,531	Delivered
Land Improvements ROW Clearing (127140)	100,000		Hold off for now
Equip Distribution annual (127602)	30,000	28,986	
Equip Meter Replacement annual (127603)	50,000	37,316	Large meters here and begin install
Tank Annual Contract (127622)	40,000		USG

16

16



Admin/ Operations

Highlights

- MuniBilling software implementation underway/ trainings twice each week
- Coverage while PT position is open

Priorities

- Brightly/ Asset Essentials implementation - ESRI Tech 1/9

What's coming up

- Cut off on Wednesday, January 17

Overall Organization Projects

- Verizon contract
- Polk County Regional Water Authority
- Lead Service Line planning and funding opportunities (W/R)

17

17

Billing Usage by Customer Type

★ Dec 2023 usage
12% less than
same period 2022

Monthly Usage (M gal)	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	% Total
Residential	25.12	26.49	25.70	21.52	23.5	16%
Industrial	7.43	5.82	5.54	5.96	5.15	3%
Commercial	3.63	3.48	4.92	4.22	3.64	2%
Other+ Public Govt	3.70	3.91	3.64	3.70	3.31	2%
Bulk Grassy Pond	35.98	29.96	26.69	33.56	19.60	13%
Bulk Polk/ ICWD	155.33	147.4	131.24	131.85	95.84	63%
TOTAL	231.19 (7.46 MGD)	217.06 (7.24 MGD)	197.73 (6.38 MGD)	200.41 (6.68 MGD)	151.04 (4.87 MGD)	

18

18

Billing Revenue by Customer Type

★ Dec 2023 revenue 3% less than same period 2022

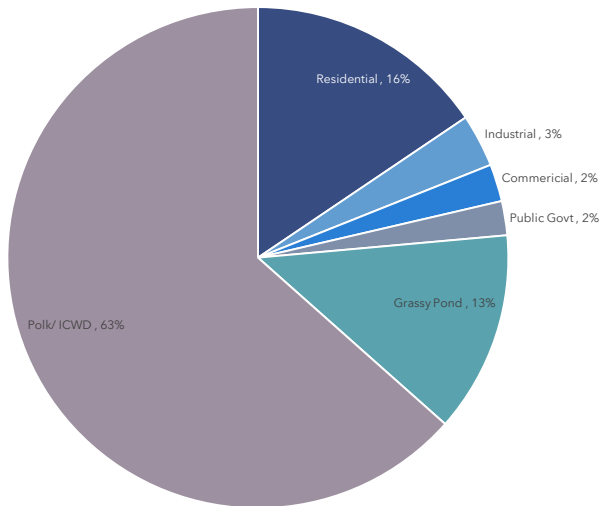
Monthly Revenue	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	% Total
Residential	\$319,776	\$322,463	\$323,325	\$293,512	\$304,265	51%
Industrial	\$43,853	\$34,468	\$32,734	\$33,781	\$30,948	5%
Commercial	\$36,015	\$35,152	\$41,811	\$39,191	\$36,891	6%
Other+ Public Govt	\$30,939	\$32,641	\$30,359	\$286,768	\$28,666	5%
Bulk Grassy Pond	\$71,459	\$59,722	\$53,335	\$66,732	\$38,543	6%
Bulk Polk/ ICWD	\$226,477	\$215,057	\$191,795	\$192,673	\$161,896	27%
TOTAL	\$728,519	\$699,503	\$673,359	\$654,560		

19

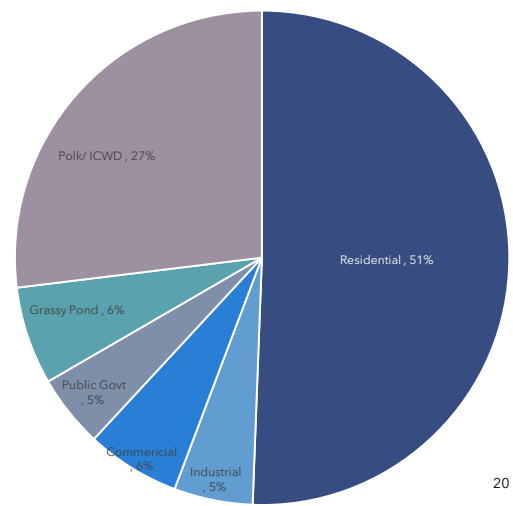
19

Dec 2023 Billing Breakdown

Usage by Customer Type

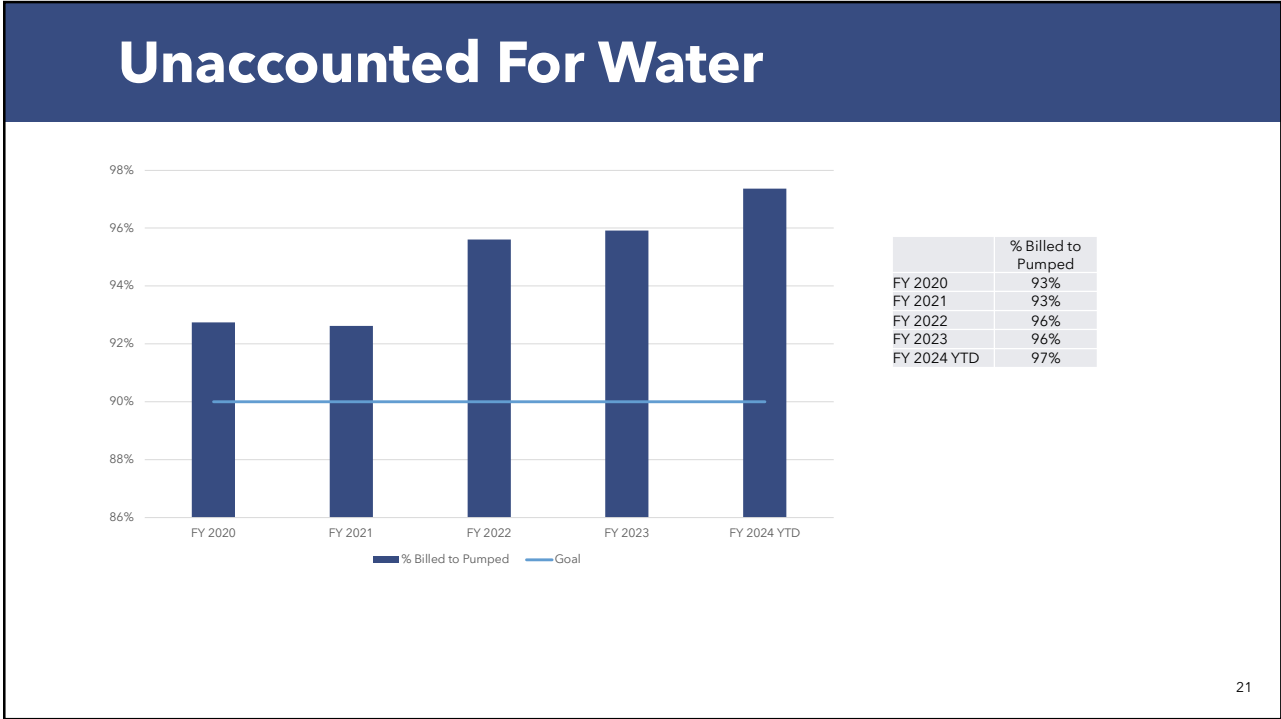


Revenue by Customer Type



20

20



21

HR

Highlights

- Reindeer Games!
- PT Customer Service Job Posting, Interviews mid-late Jan

Priorities

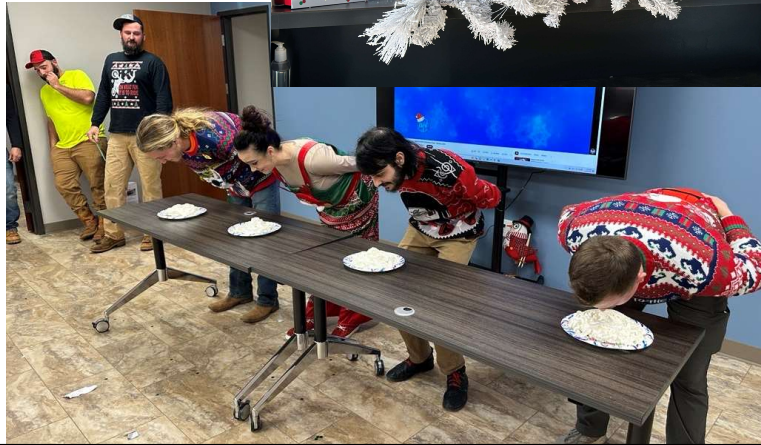
- Trakstar
- Fill CSR position

What's coming up

- Holidays Office Closed - 1/15
- Employee Lunch - Tuesday 1/30
- Mentoring Program - 3 sessions left
- Hosting NCWOA WTP Surface Certification Class in February
- Flagger Training 2/20

22

Reindeer Games 12/20



23

23

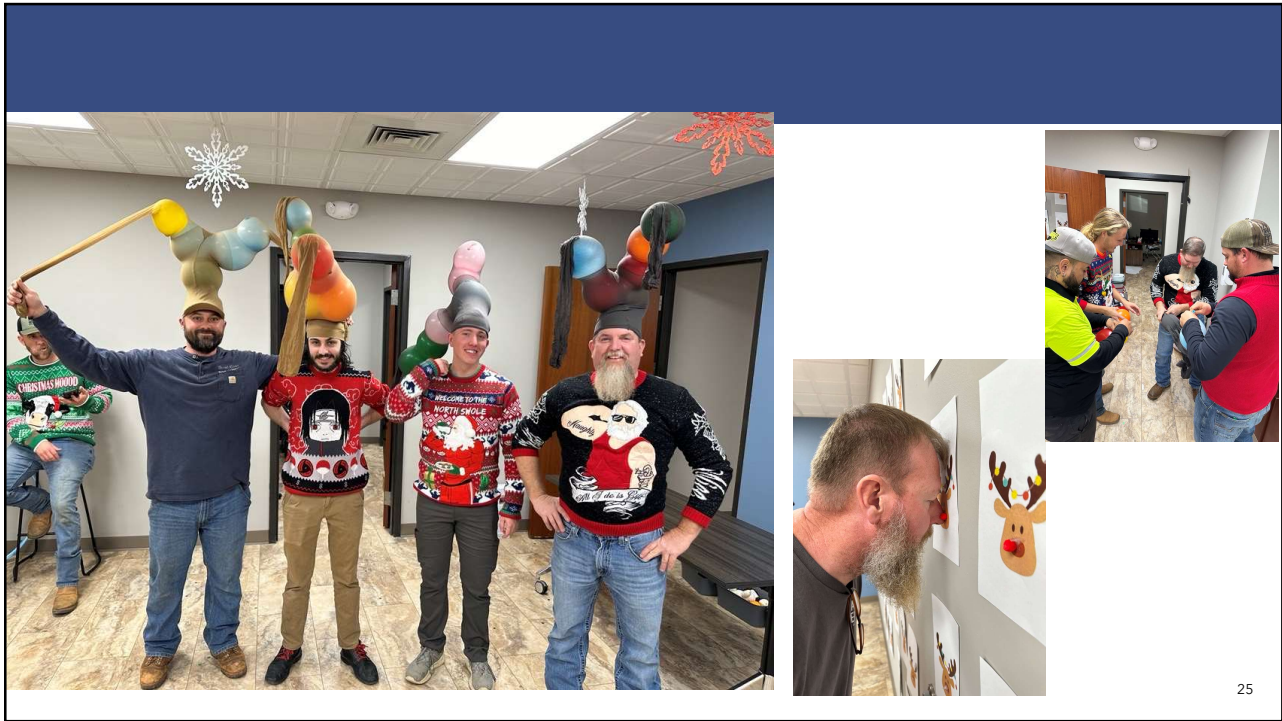


Presentation title

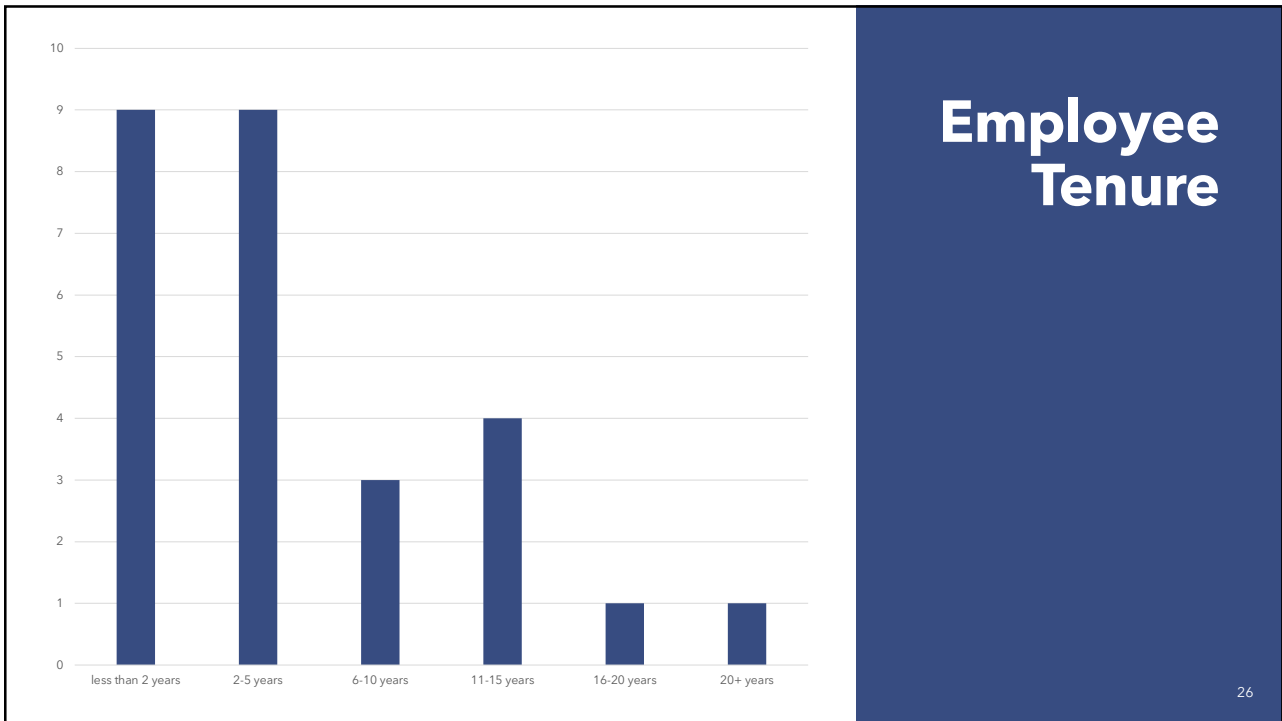
20XX

24

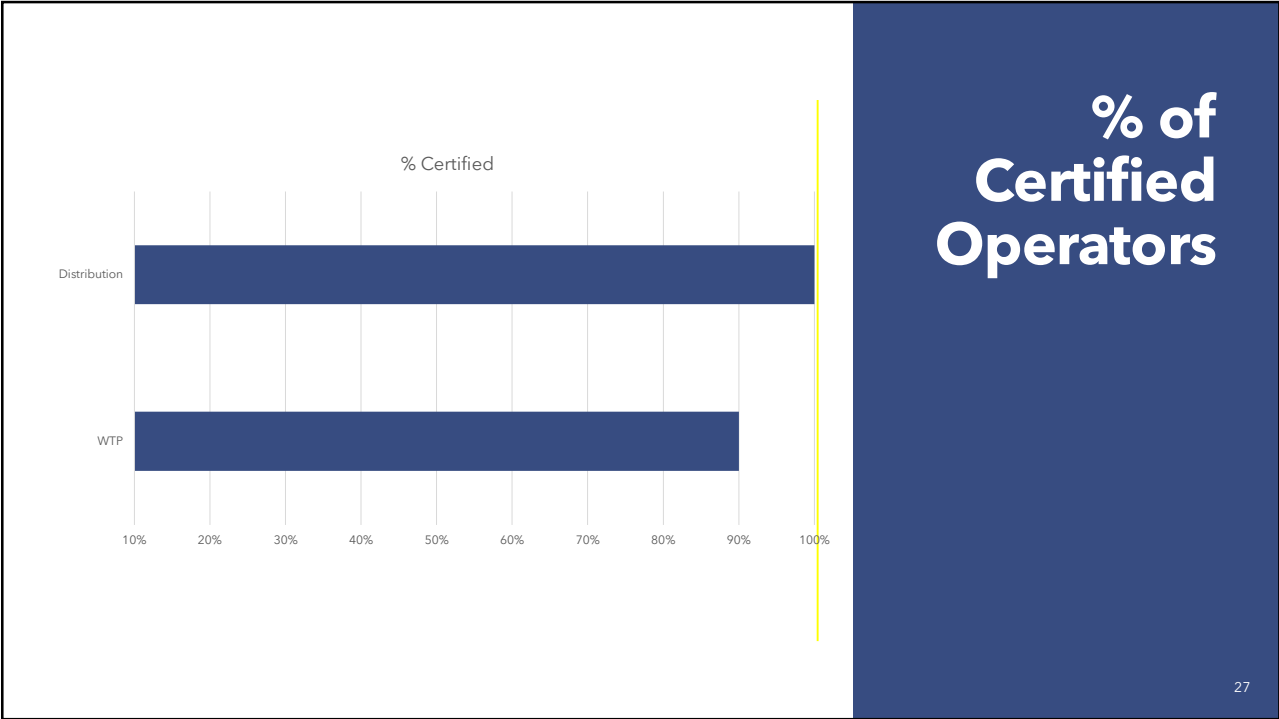
24



25



26



27

Social Media/Community Engagement

- Highlights
 - Growth in shares and new followers on Social Media
- Priorities
 - Develop communications plan (PFAS and Lead and Copper)
 - Get information and photos from all departments for future social media posting
- What's next
 - Office Closure - January 15
 - Developing communication plan with WaterPIO

COMMUNITY ENGAGEMENT

28

Company-Wide Meeting Schedule

Location will be announced on Teams per usual

- Lunch Tuesday, Jan 30

20XX 29

29

Meeting Schedule

L10 Meetings

- Monday, Jan 8th
- Tuesday, Feb 6th
- Tuesday, Mar 5th

Board of Directors and Managers Meetings

- January 23, Tuesday 9:00 am

20XX 30

30

The End



31

31

BROAD RIVER WATER AUTHORITY
Balance Sheet
As of December 31, 2023
Year To Date 12/31/2023

Section H, Item 2.

Current Assets	
Cash NC CMT	360,172.15
Checking OZK	(211,135.97)
Sweep OZK	8,621,987.23
Petty Cash	2,934.98
Water Receivable	820,215.37
Sewer Receivable	284,927.25
Sanitation Receivable	67,740.23
Allowance for Doubtful Account	(132,004.34)
Unbilled Revenue	171,335.22
Grants Receivable	229,720.95
Reimbursable Receivable	5,991.45
State Sales Tax	41,472.58
2% Food Tax	49.94
Co Sls Tax RcvblRutherford	19,353.61
Co Sls Tax RcvblOther Countie	408.38
Other Receivable	0.00
Prepaid Expenses	10,558.50
Total Current Assets	10,293,727.53
Noncurrent Assets	
Lease Receivable	422,208.90
Capital Assets	
Construction in Progress	220,078.27
Land	832,628.98
Buildings	23,335,687.53
Water System Lines	25,009,886.34
Equipment	9,954,025.77
Furniture and Fixtures	119,382.21
Vehicles	989,895.29
Accumulated Depreciation	(29,329,548.88)
Capital Assets, net of depreciation	31,132,035.51
Total Noncurrent Assets	31,554,244.41
Deferred Outflow of Resources	
Pension Deferrals	724,069.00
Deferred Charge on refunding	50,166.33
Total Deferred Outflow of Resources	774,235.33
Total Assets	42,622,207.27
Current Liabilities	
Accounts Payable	152,670.30
Employee Deductions	5,747.93
Retirement Payable	0.00
Accrued Interest	176,738.32
Accrued Salaries	0.00
Accrued Vacation	81,754.35
Payable from restricted assets	
Customer Deposits Water	181,286.72
Customer Deposits Sewer	38,935.79
Customer Deposits Sanitation	1,813.30
Customer Overpayments	2,451.73
Sewer Receipts PayableRutherf	86,572.36

BROAD RIVER WATER AUTHORITY
Balance Sheet
As of December 31, 2023
 Year To Date 12/31/2023

Section H, Item 2.

Sanitation Rcpts PayableRthrf	19,800.00
Sewer Receipts PayableSpindal	96,357.28
Sanitation Rcpts PayableSpndl	26,516.33
Sewer Receipts PayableCliff	10,773.66
Water Taps County	0.00
Reserve For Sewer/ Sanitation	352,667.48
Deferred Revenue	402,826.94
Total Current Liabilities	1,636,912.49
Long Term Liabilities	
Pension Liability	988,942.00
Bonds Payable 2008	0.00
Bonds Payable 2010	723,976.15
Bonds Payable 2015	5,289,375.00
Bond Discount	178,357.24
Total Long Term Liabilities	7,180,650.39
Total Liabilities	8,817,562.88
Deferred Inflows of Resources	
Pension Deferrals	9,304.00
Total Deferred Inflows of Resources	9,304.00
Capital	
Net Income	992,298.57
Cash and Available Assets	32,803,191.82
Total Capital	33,795,490.39
Total Liabilities and Capital	42,622,357.27

BROAD RIVER WATER AUTHORITY
Income Statement
As of December 31, 2023

Section H, Item 2.

	Month Ending 12/31/2023	Month Ending 11/30/2023	Year To Date 12/31/2023	Prior Year To Date 12/31/2022
REVENUE				
Operating Revenue				
Water Services:	615,501.69	652,035.65	4,054,241.56	3,942,201.77
Taps and Connections:	13,540.00	15,610.00	72,100.00	51,535.04
Late/ Disconnect/ Penalty Fees:	10,822.43	7,708.50	61,064.06	95,765.34
Water Testing Fees:	390.00	920.00	4,590.00	5,010.00
Billing Services:	3,392.55	3,413.80	20,651.36	19,234.15
Total Operating Revenue	643,646.67	679,687.95	4,212,646.98	4,113,746.30
Non-Operating Revenue				
Miscellaneous Revenue	0.00	0.00	0.00	2,256.35
Lease of Property	4,136.82	6,414.16	13,488.05	19,521.45
Interest Investment	17,620.32	17,086.18	100,541.08	103,297.78
Total Non-Operating Revenue	21,757.14	23,500.34	114,029.13	125,075.58
Capital Revenue				
Reimbursable Revenue	0.00	0.00	0.00	0.00
Grants	0.00	0.00	0.00	0.00
Gain on Disposal Fixed Asset	0.00	0.00	0.00	0.00
Transfer From Other Funds	0.00	0.00	0.00	0.00
Total Capital Revenue	0.00	0.00	0.00	0.00
TOTAL REVENUE	665,403.81	703,188.29	4,326,676.11	4,238,821.88
EXPENSES				
O&M Expenses				
Salaries and Wages:	161,041.39	128,415.74	818,229.22	804,424.52
Employee Benefits and Insurance:	54,021.64	60,905.40	321,724.42	373,656.14
Materials and Chemicals:	19,454.15	18,903.32	161,880.02	158,619.85
Utilities:	35,167.54	45,442.63	300,690.19	217,390.39
Auto Fuel:	2,912.37	6,924.80	24,064.64	44,702.23
Department Supplies & Inventory:	22,876.70	16,255.89	134,041.94	183,687.06
Billing and Collections:	6,293.44	15,599.22	55,796.99	60,776.65
Contracted Services:	4,322.71	7,024.41	39,731.46	24,718.83
Professional Services:	17,688.37	6,348.50	48,976.58	122,116.04
Repairs and Maintenance:	7,573.11	1,522.36	47,208.60	16,240.70
Insurance Prop Liab:	7,107.00	7,107.00	65,848.00	55,891.00
Capital Outlay:	906.44	0.00	4,415.78	2,114.43
License and Subscription Fees:	591.45	1,385.00	16,005.37	34,467.49
Training and Travel Expense	5,483.06	1,319.00	13,681.11	11,742.86
Miscellaneous Expenses:	0.00	0.00	1.99	0.00
Contingency:	0.00	0.00	0.00	0.00
Total O&M Expenses	345,439.37	317,153.27	2,052,296.31	2,110,548.19
Non-Operating Expenses				
Reimbursable Expenses	0.00	0.00	0.00	0.00
Loss on Disposal Fixed Asset	0.00	0.00	0.00	0.00
Transfer To Reserve Fund	0.00	0.00	0.00	0.00
Total Non-Operating Expenses	0.00	0.00	0.00	0.00
Depreciation & Interest				
Depreciation	183,182.00	183,182.00	1,099,092.00	1,013,952.06

BROAD RIVER WATER AUTHORITY
 Income Statement
 As of December 31, 2023

Section H, Item 2.

	Month Ending 12/31/2023	Month Ending 11/30/2023	Year To Date 12/31/2023	Prior Year To Date 12/31/2022
Amortization	0.00	0.00	0.00	0.00
Interest Expense	17,165.00	17,165.00	102,990.00	140,346.96
Total Depreciation & Interest	200,347.00	200,347.00	1,202,082.00	1,154,299.02
TOTAL EXPENSES	545,786.37	517,500.27	3,254,378.31	3,264,847.21
NET INCOME FY	119,617.44	185,688.02	1,072,297.80	973,974.67